



Financial Statements

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2015/2016

Company Registration 04015633
Homes & Communities Agency Registration L4389
Charity Commission Registration 1108779





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FINANCIAL HIGHLIGHTS



Turnover	£97.3m
HCA 2015/18 grant award	£15.3m
Operating surplus	£30.6m
Overall surplus	£18.1m
Total surplus	31.5%
Market rent homes	56
Homes added	297
Homes managed	19,964*
General needs social homes	94%
Housing assets cost	£388m
Housing assets EUV-SH	£495.7m

*Excludes market rent, commercial and owned but not managed properties

GROUP CHIEF EXECUTIVE'S REVIEW

The past year has seen us successfully adapt as a business to deal with new challenges posed by changes to Government policy and direction on housing and welfare reform.

The one percent social rent cut announced in July meant we needed to take swift and decisive action to ensure whg remains in a strong financial position both now and in the future.

Our understanding of all aspects of our business from performance through to costs allowed us to take this swift action. All areas of the business were subject to an even greater degree of scrutiny to ensure we are an agile and efficient organisation, ready for the challenges of the future.

We have taken the considered decision to close three of our small neighbourhood offices and will instead be bringing forward our plans for a Channel Shift Project, which will help customers to successfully engage with our services online. As well as delivering cost savings, this project will also help us to continue to adapt and transform as the modern, forward-thinking business we have always been.

Our governance review has now concluded and we have a structure in place which fully meets the requirements set by our Regulator, the Homes and Communities Agency. The changes, which include being able to appoint all Board Members for their skills and experience alone, mean we are in a great position to drive the business forward.

During the year our Regulator assessed our business and we are proud to have achieved the highest rankings possible on all standards that cover Financial Viability and Governance.

With the effect of further welfare reforms and other changes, such as the extension of the Local Housing Allowance to social housing and the introduction of the Voluntary Right to Buy soon to be felt, it has become more important than ever that we look to maximise our income. By 2024 we will have ensured that 10% of our turnover comes from commercial operations, such as supplying energy to local households.

We have accelerated our development programme to bring in more rental income. By the end of the year we had completed 261 new homes and had a further 836 homes on site, our highest ever number.

We are continuing with our plans to expand outside Walsall and have already built or acquired new homes in Birmingham, Lichfield and Redditch. Over the coming years we will deliver homes in new areas throughout the Midlands. A small but increasing number of those will be shared ownership properties as we look to diversify our stock profile. In a time of significant change within the housing sector we know that



now, more than ever, we need to expand and diversify the types of housing we provide. We continue to operate on a firm financial footing and I know we will continue to respond positively and proactively to changes happening within the sector.

I am very much looking forward to overseeing the further growth of the business over the coming year.

Gary Fulford
Group Chief Executive

CHAIRMAN'S STATEMENT



In June 2015 the Board carried out extensive stress testing on the Business Plan to explore the impact of a range of potential circumstances. This work proved to be both timely and also prudent as a number of factors have combined to see the most significant phase of change within social housing for a number of years.

It is to the credit of the Board, ably chaired by Paul Murray, that we were able to work with our highly experienced Executive Team to ensure the business continued to flourish in the face of these changes. As I succeed Paul as the Chair of the Board, I hope to emulate his success in building a Group that is financially buoyant and optimistic in its view of the future.

As a business our primary focus has always been to provide and maintain good quality, affordable accommodation for our customers and this remains true today. However, with an increasing level of diversity and complexity to our business, we needed to revise our governance structure to offer effective support and challenge to the Executive Team.

Whilst we continue to value the insight and experience that both customers and Councillors bring to our governance arrangements, it is important that our Board recruitment moves to being based purely on skills and experience.

Digital technology increasingly shapes the way customers interact with us and we will continue to invest in this key area as we anticipate and respond to customer needs.

We are also passionate about ensuring that no customer is left behind and with the continuing online rollout of Universal Credit, all claimants will need access to a computer. Those on low wages or the unemployed are more likely to struggle with this, so we will continue our work with partners to facilitate this access and offer financial, social and digital inclusion programmes.

So as we look back at the previous year we must continue to do so with an eye on the future. The Government has signalled its intention to reduce spends on welfare benefits and increase low cost home ownership, including shared ownership. As a business we will be responding by shaping our development programme accordingly and continuing our relentless drive for business efficiency.

There are inherent risks in both of these measures, but we can now be confident that we have the crucial foundations in place to face these challenges in a risk-aware, focussed and confident manner.

Eddie Hughes
Chairman

GROUP PROFILE



INTRODUCTION

whg is dedicated to the success of our people and places. We own and manage over 20,000 homes, have a net asset base of £429m and a turnover of over £97m, making us one of the largest housing providers in the West Midlands. We deliver a range of services and play a pivotal role in regenerating and supporting local communities. Our homes are primarily located in Walsall where we were originally set up in 2003 as part of a stock transfer agreement.

We have an ambitious programme to provide much-needed new homes for local communities and continue to deliver on our commitment to build capacity and promote employment growth. This year we have engaged over 200 customers in employment programmes with around half successfully going on to further training or employment.

OUR ASSETS

General housing - social rent	18,343
General housing - affordable rent	917
Leasehold and low cost home ownership	594
Supported housing	110
Market rent	56
Commercial	45
Owned but not managed	9

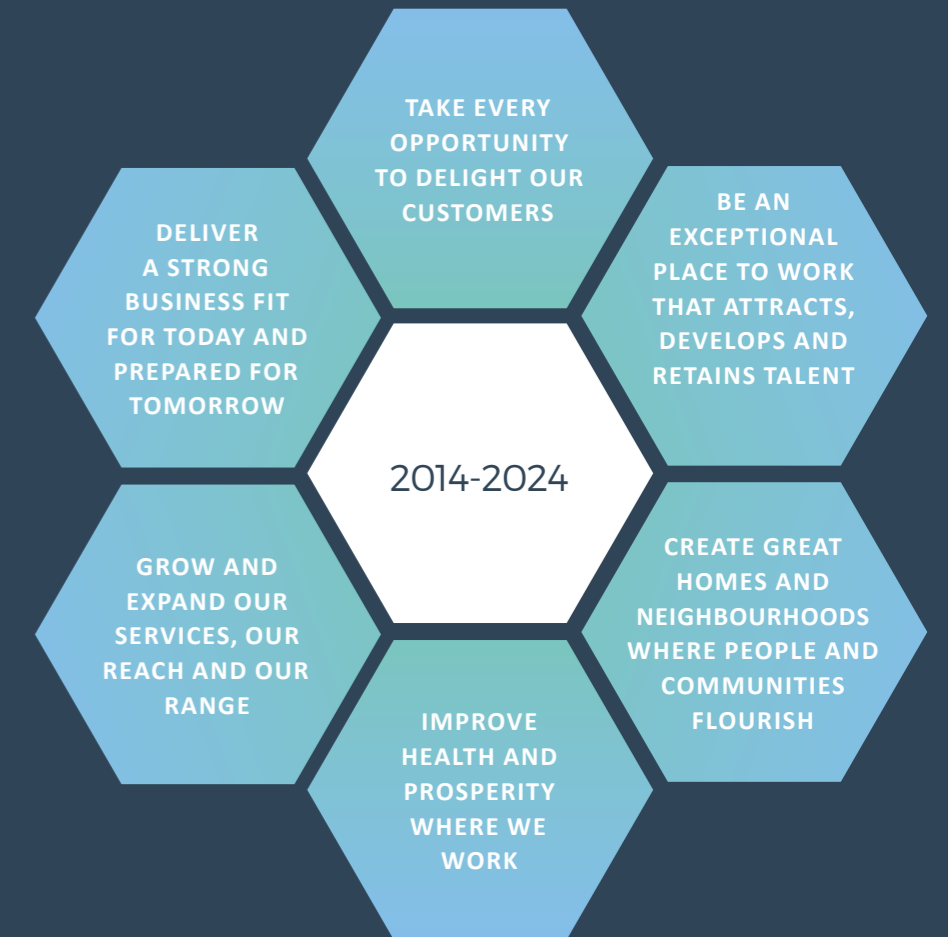


CORPORATE PLAN AND STRATEGIC AIMS

In 2014 we set out our 10 year Corporate Plan for improvement and growth. An early priority was to build the foundations necessary to fulfil our ambitions, including updating the governance structure, increasing our financial capacity and modernising our team structures.

We are now two years into our Plan and have successfully laid all three of these foundations. In 2014 we issued our first public bond to boost the capital available for our development programmes. This year we secured approval for our new governance structure and completed a thorough review of our colleague base, ensuring our team structures are fit for the future.

We are now in an excellent position to expand our development programme, providing more new homes, creating jobs and boosting the local economy. This strong position means we can continue to grow our business whilst preparing carefully for the challenges ahead.



TAKE EVERY
OPPORTUNITY
TO DELIGHT OUR
CUSTOMERS

PROGRESS AGAINST OUR STRATEGIC AIMS

ACHIEVEMENTS IN 2015/16

Following the Chancellor's summer budget we had to balance a range of competing priorities; delivering good services for customers whilst driving efficiency and value for money at every step. The carefully-considered decision to close three offices in Darlaston, Blakenall and Brownhills represents a clear cost saving, but also supports the changing needs of our customers as we see more and more of them looking to engage with us through digital channels. Our new 'Customer Insight Hub' is part of a fresh approach to improving our understanding of the customer experience we offer. By combining this with performance and cost information we are able to make better informed service decisions. This has become increasingly important as we make improvements to personalise our services and drive efficiency.

As part of the governance review, we have established a new Customer Services Committee and launched our Customer Scrutiny Panel. These actions ensured we now have a much wider range of customers involved with scrutinising whg's activities and providing insight as we develop our services. These groups are also a central part of our internal control, assurance and compliance mechanisms.

The Customer Scrutiny Panel plays an instrumental role in ensuring we provide strong, customer-focussed services. This year they have ensured that many of our vulnerable customers have been provided with sufficient support to be able to access services in ways that best meet their needs.

PLANS FOR 2016/17

Continuing to improve our customer experience will be a priority, with a focus on using data more effectively to achieve quicker resolutions and communicating with customers in ways that fit in with their busy lives.

Our Channel Shift Project will strengthen our communications offer via the development of our online platforms. We will continue to develop the ways that our customers can contact us. A strong brand identity will help customers, stakeholders and partners to receive key messages more effectively.

BE AN
EXCEPTIONAL
PLACE TO WORK
THAT ATTRACTS,
DEVELOPS AND
RETAINS TALENT

ACHIEVEMENTS IN 2015/16

whg has a strong commitment to developing skills and nurturing talent. We have continued the rollout of our Leadership Academy programme and by September 2016 will have supported 111 existing and aspiring managers to improve their skills. We have developed an extensive and cost effective programme of training, which is available to colleagues online via our e-learning platform (known as E-volve). Colleagues can now log on to access a range of courses electronically, including equality and diversity, safeguarding and information management.

PLANS FOR 2016/17

Following our improvements to colleague structures, we now have the right skills to deliver our objectives in a constantly-changing external environment. We will continue to embed these improvements, with a focus on nurturing talent. There will also be a continued focus on reducing costs associated with sickness absence.



CREATE GREAT
HOMES AND
NEIGHBOURHOODS
WHERE PEOPLE AND
COMMUNITIES
FLOURISH

ACHIEVEMENTS IN 2015/16

Our partnership with British Gas to deliver energy efficiency improvements through the ECO programme has continued to have a major impact on our communities. Almost £7m has been invested this year with over 1,000 homes receiving improvements such as better insulation and more efficient heating systems.

By investing more than £31m in our high quality repairs and maintenance service, we have ensured all our assets continue to meet our Great Homes and Neighbourhoods Standard. Despite a challenging environment across the sector, customer satisfaction with our repairs service remains high at 77%.

Maximising the use of customer feedback has always been considered an important part of improving the quality of the neighbourhoods we work in. As well as collecting regular feedback on customer satisfaction we have undertaken an in-depth inspection programme with involved customers known as the 'Great Homes and Neighbourhoods Project'. The inspections highlighted a number of priority areas for improvement works and as a result, this year we invested £675k into neighbourhood improvements at Bridgewater Close, Astoria Close and Millfield Avenue. This has ensured our homes and neighbourhoods have received the investment they needed to meet our rigorous standards and continue to be places where customers feel proud to live. This investment demonstrates our commitment to investing in our assets.

We have developed a new approach to tenancy management to reflect our changing customer base and the emerging needs of communities. We want customers to be able to engage with us in a way that suits them. We now offer home visits to all customers

to provide additional advice, support and signposting as required; maximising the chances that their tenancy will be successful.

This approach has been piloted in Willenhall and is already helping us to form a stronger relationship with customers and tackle issues before they become significant barriers to tenancy sustainment and flourishing communities. We have seen significant improvements through this approach with fewer tenancies ending and arrears reducing significantly. The average overdue balance for households in arrears has reduced by £500. This is a great success and ensures whg's ongoing financial strength.

PLANS FOR 2016/17

We will continue our drive towards achieving lower costs and higher levels of satisfaction with our repairs and maintenance service, as well as further energy efficiency improvements. In addition to our repairs budgets, we are investing £20m in retrofitting and improvement works in the coming year.

Our relationship with customers will be an area of considerable focus over the coming months as we roll out our new customer charter. The demands we make of customers will be matched by a new approach to tenancy management based on pre-tenancy training and stronger engagement with residents.

IMPROVE
HEALTH AND
PROSPERITY
WHERE WE
WORK

ACHIEVEMENTS IN 2015/16

Our commitment to strengthening the neighbourhoods in which we work was emphasised this year when our VIEW Board renewed funding for our Community Health Champions. This secured three more years of investment for innovative health and wellbeing projects.

Our successful 'Waist Away' programme has continued to grow and make a significant impact this year. A total of 59 residents completed the programme and developed healthier long term lifestyles.

Our Skills Centre trained over 70 apprentices this year, including 11 employed by Keepmoat on our joint development at Waters Keep.

In January, two of our female apprentices who were training in traditionally male-dominated trades had the opportunity to share their experiences with the Prime Minister at a high-profile celebration event at 10 Downing Street.

PLANS FOR 2016/17

We remain committed to helping local residents get back into work. We have made bold plans to scale up our employment growth objectives and set ourselves an ambitious goal of supporting over 400 customers into employment, training or volunteering opportunities over the coming year.

In addition to this we will continue to invest in programmes which have proved successful in tackling major health and lifestyle issues, such as obesity. These interventions support local people to become independent, engage with their local community and move closer to employment. Boosting digital and financial inclusion is vital for improving prosperity especially as parts of Walsall and the Black Country still lag behind in these skills. We have reached the final stage of the National Lottery Building Better Opportunities funding bid. If successful we will secure £3.8m to invest in a wide range of digital and financial inclusion initiatives across the Black Country, working in partnership with a number of other organisations.

GROW AND
EXPAND OUR
SERVICES, OUR
REACH AND OUR
RANGE

ACHIEVEMENTS IN 2015/16

We have completed 261 new homes this year across a number of sites including Walsall, Birmingham and Lichfield. This has enabled us to continue addressing existing and emerging demand for affordable housing and expand our market share. We have a further 836 homes on site which will contribute to our overall target of completing almost 2,000 new homes between 2014 and 2018.

Earlier in the year we reached an exciting milestone with the handover of the first new properties at Waters Keep to local families. The homes were the first of 177 whg affordable homes the site, which is part of a wider £88m project to regenerate the Goscote Lane Corridor area. The scheme will provide over 700 new homes in total.

The project has already transformed an area much in need of regeneration and significantly increased the value of our assets. The new homes will also make an important contribution to cutting carbon emissions with the inclusion of high quality insulation and a number of energy efficiency features.

Our development programme is not just growing, it is diversifying too. We aim to ensure whg is at the forefront of meeting the needs and ambitions of a greater number of people and our new starts this year included 144 shared ownership homes. This mix of tenure type also supports the strength of our business during changing operational times.

We are growing our housing offer for older people and recently opened our third wellbeing scheme in Walsall town centre. Cardan Pointe is our first purpose-built scheme and its modern homes and helpful support services have proved very popular with all homes let on completion. Not only do we have an ageing population but our own primary research shows that housing options for older people

continues to be a priority for local communities. We are developing three further schemes at Penkridge, Brownhills and Leamore to meet local demand and broaden our asset base.

In 2014 we set out our ambition to become an energy provider in order to help tackle fuel poverty in local communities. Since then we have been considering how to ensure our offer brings maximum benefits to local communities whilst ensuring it is financially prudent. We are excited to be launching our new service this year and have set ourselves a target of reaching a minimum of 21,500 households by 2021. Our analysis shows that this would create social value worth almost £7m to local communities.

Our subsidiary company Buy For Good recently began developing a range of procurement frameworks on a commercial basis for public sector organisations. This year we have already successfully achieved an income of over £40k from framework rebates and we plan to continue to grow this area of business in the year ahead and secure more revenue for investment into local communities.

PLANS FOR 2016/17

Addressing housing need remains central to our mission, whilst the development of new homes is critical to our long term financial strength. We will continue to expand our development programme (which is already exceeding initial targets) and will complete almost 2,000 new homes over the four years to 2018. The programme will increase its focus on meeting a broader range of local housing need through products such as market rent and shared ownership.

We will continue to grow the business through ambitious projects such as establishing a local energy provider. Our income stream from the delivery of procurement frameworks through our subsidiary company Buy For Good will also increase.

DELIVER
A STRONG
BUSINESS FIT
FOR TODAY AND
PREPARED FOR
TOMORROW

ACHIEVEMENTS IN 2015/16

This year we have made significant progress towards strengthening our business and in spite of an increasingly challenging operating environment have retained our stable A2 credit rating. We have exceeded our value for money targets and delivered returns of over £9m. This includes over £3.6m of additional investment which we have leveraged for our homes and communities.

Our recent governance review resulted in important changes to our Board and Committee structures which are discussed in detail in our Corporate Governance review.

Becoming the first housing provider to receive Carbon Trust Certification was one of the proudest moments of our year. Our new status recognises both the substantial progress we have made towards reducing our carbon footprint and our innovative use of data gathering to reduce energy costs and save customers' money. Our projections indicate that the energy efficiency works we completed this year alone will save our customers £142k annually in energy costs.

PLANS FOR 2016/17

The year ahead will pose challenges as we consider how to respond to new policies such as the Voluntary Right to Buy, Pay to Stay and rent changes. Nevertheless we are confident that following our recent governance review we have the right

people with the right skills to take the business forward. We will continue to embed our new governance structures supporting the effective development of our new Committees and giving residents a strong voice through our Customer Network.

Our sound treasury management will ensure we continue to grow our surplus, despite reductions in rental income brought about by national policy changes. We will further strengthen our relationships with local authority and Department of Work and Pensions partners to ensure the impact of welfare reforms are minimised and vulnerable customers are supported in the most appropriate way.

Investing in new technology will continue to be a priority for the business. We will further develop our technical expertise and investigate the potential of new platforms such as 'the cloud'. We will enhance our tenancy management with a similar approach to that we have used to improve our repairs service. This will include implementing a new mobile device system which will improve access to information whilst colleagues are working out of the office.



OUR MARKETS

As we continue to expand and develop our business, our markets are changing too. We are already starting to operate in locations beyond Walsall and develop commercial offers in new sectors. Our business growth is informed by detailed and considered market intelligence and a strong understanding of emerging demand from customers and communities.

HOUSING DEMAND

The last census revealed that the population in Walsall and the wider West Midlands had grown by over 6%. Like many areas Walsall's demographic changes have been characterised by particularly strong growth in older age groups with the number of people reaching 60 increasing by 10%.

The supply of new housing has not kept pace with demand. Home ownership has become increasingly unaffordable as the size of deposit required to start on the property ladder has escalated in recent years. The affordability ratio, measured by house price compared to earnings, has reached five times earnings. This means home ownership is less affordable in Walsall than the average for the West Midlands region.

There is also a significant lack of housing options for older people locally which is reflected in support amongst local communities for more development of this type of homes. A recent survey revealed that 95% of respondents wanted to see more of this type of housing built in Walsall.

As the population of Walsall has grown, so has the size of the market rented sector. Between the 2001 and 2011 censuses the private rental sector in Walsall grew by 76%, outstripping the national growth figure of 63%. There was similarly high growth in Birmingham at 75%. This indicates that there continues to be high demand for market rental homes in Walsall and surrounding areas.

Levels of deprivation are higher in Walsall than they are nationally, as evidenced by an unemployment rate of 6.8% compared to 4.4% for England and Wales at the last census. The average weekly wage in Walsall is over £200 less than the national average. This helps explain the high level of demand for affordable housing that we continue to see. Each home that becomes available receives multiple bids from customers looking to move to one of our homes. High demand is further evidenced by the waiting list for social housing in Walsall which has recently grown to over 5,000 households.

Waiting lists are also high in other areas where we are expanding our development programmes with a total of 58,000 households on waiting lists across the West Midlands metropolitan area.

OUR DEVELOPMENT PROGRAMME

Our existing housing portfolio is dominated by general needs rented homes in a comparatively concentrated geographical area. We are committed to broadening our offer to meet existing and emerging demand from a range of local families with differing aspirations.

We are continuing to develop affordable rented homes but are expanding our offer to cover a broader range of tenure types. In the future our portfolio will include a strong offer on shared ownership and homes for older people. This work has already begun and 144 of the new homes started this year will be for shared ownership, whilst 66 will be supported housing.

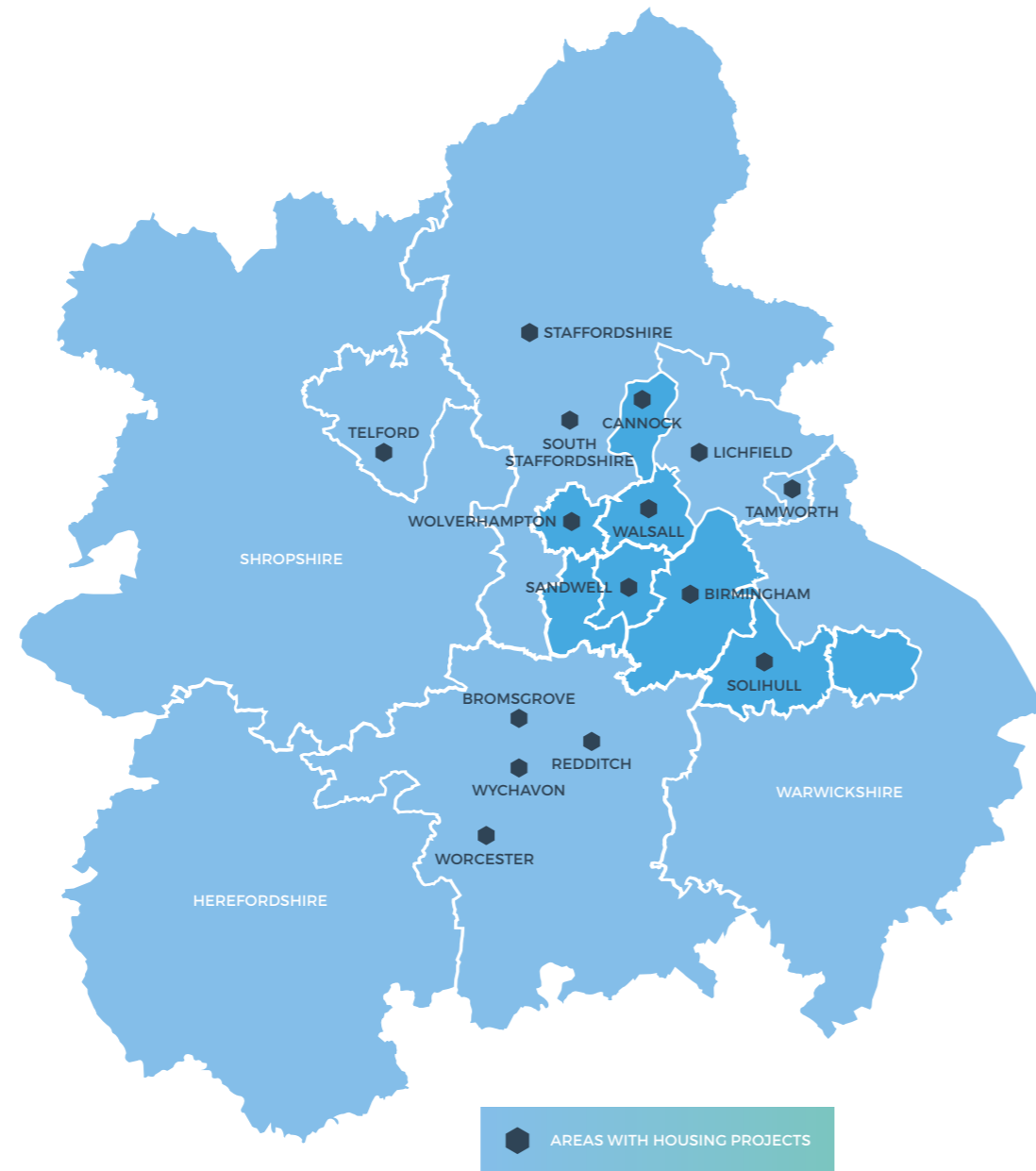
Housing need is not limited to our current operating areas. We recognise the need to expand the geographical scope of our asset base into areas that offer higher property values to further strengthen our business model. We currently own homes in four local authority areas; Walsall, Lichfield, Birmingham and Redditch, but our development programme now includes new homes across 12 different areas. This approach will enable us to continue to meet local demand whilst maintaining financial stability in an increasingly fluid operating environment.

OUR APPROACH TO ASSESSING DEMAND

We are committed to maximising the returns on our investments both in financial and social impact terms. The use of comprehensive demand and market appraisals ensures that our work will contribute to meeting high demand whilst securing sustainable revenues. We undertake value engineering to ensure that our costs represent value for money in the context of other development schemes.

This approach to market testing is underpinned by a strategic approach to asset management that maximises return on assets. We also undertake strategic housing market studies periodically to highlight key areas of market growth across wider geographical areas to inform our selection of future development schemes.

Our approach to investing in our current assets works in tandem with a considered and thoroughly researched approach when adding new homes to our stock.



GEOGRAPHICAL LOCATIONS OF CURRENT MARKETS



LA AREA	GENERAL NEEDS	SUPPORTED
Birmingham	8	
Cannock Chase	2	
Lichfield	4	
Redditch	35	
Sandwell	11	
South Staffordshire	1	
Walsall	19,208	110
Total	19,269*	110

*General Needs and Affordable Rent excludes: leasehold; low cost home ownership; market rent; and commercial.



GROUP PERFORMANCE

During the year we have achieved solid levels of performance across the business. This has been driven by a strong performance reporting and management approach which builds a clear picture of the efficiency, quality, speed and cost of services. Performance is a routine part of operational and strategic discussions and is supported by a range of business insight reports. Through our governance model we have also ensured that business performance forms an integral part of our decision-making processes.

This has seen us move to all time high levels of performance in a number of areas over the past year. Our void rent loss at 0.7% compares very favourably with our peers and represents a significant improvement in this area over the last two years from a peak of 2.3%. As a result we have been able to reduce the average time it takes to let a property to 25 days.

During the year we let 1,902 properties and we continue to work hard to understand the reasons for tenancy terminations and how we can adjust our approach to ensure we have sustainable tenancies. Against the backdrop of a challenging operational context we are particularly pleased to have secured our best ever arrears performance at 1.92%. The percentage of our rent collected (at 99.15%) was also particularly strong. With the impact of Welfare Reform increasing, this

performance has placed us in a good position to respond and adapt to further challenges ahead.

During the year we also saw a record high level of performance with regards to properties with a valid gas safety check, ending the year with a performance of 99.95%. All properties that did not have a certificate were in the due legal process, with exhaustive attempts to gain access being made. Throughout the year we have been 100% compliant with gas safety regulations.

Other areas of performance have also been robust this year. An average of 7.8 days lost through colleague sickness has shown marked and sustained improvement over a number of months and will continue to be an area of focus.

Our colleague turnover of 14.5% is notably higher than previous years but does reflect a number of managed and planned changes that had been carefully considered in order to ensure our structures remained fit for purpose.

Customer satisfaction continues to be high, with 87% of customers happy with our services. The introduction of our Customer Insight and Improvement Hub will ensure we build upon this success.

INDICATOR	PERFORMANCE	QUARTILE
Current rent arrears	1.92%	Upper
Rent collected	99.15%	Upper
Void rent loss	0.7%	Upper
Average time to relet	25 days	Median
Compliance with gas safety regulations	100%	Upper
Overall satisfaction with landlord	87%	Upper

VALUE FOR MONEY



This section offers an overview of our value for money achievements for the year 2015/16. Our full statement can be accessed at <https://www.whg.uk.com/value-for-money>.

OUR APPROACH TO DELIVERING VALUE FOR MONEY

We have a strong culture of performance management and have always been committed to pursuing excellence, challenging waste and delivering year on year efficiencies. This year our value for money drive has been brought into sharper focus as a result of the reforms to the social housing rent formula, which resulted in a cumulative income reduction of £34m over the next four years.

We responded with swift decisive action to reduce our costs whilst safeguarding the quality of our services. By acting quickly to produce a revised Business Plan we ensured we could continue to grow our business, and in particular, our ambitious housing development programme.

Our Board is responsible for ensuring our resources are invested in line with our objectives. Board and Committee Members understand the effects of their decisions and ensure business planning delivers the highest possible levels of efficiency. Our Capital Development Appraisal Panel, for

example, scrutinises the financial appraisal of all proposed new developments alongside thorough research into emerging demand within local communities.

Achieving value for money is central to the work of our Board and its Committees, which all receive a value for money assessment within every report they consider and regularly scrutinise value for money performance against targets.

At an operational level, each team undertakes a regular review of its operational plan and measures progress against value for money objectives. This ensures teams maintain a strong understanding of the factors influencing the costs of delivering their services and how these relate to outcomes. We also have an influential value for money working group which meets quarterly to review value for money objectives and monitor performance.

The 'assurance plus' approach of our internal auditors ensures our business has the necessary controls and management systems to deliver our value for money objectives effectively. Their regular reports to our Committees evidence our value for money achievements.

This year we undertook a thorough review of our Value For Money Policy and reaffirmed our commitment to embedding value for money objectives into everything we do. Our Policy will ensure decision making at all levels is focussed on

optimising the value of our assets and the efficiency of our services.

Our active Asset Management Strategy ensures we carefully evaluate our assets on a regular basis and make well considered acquisitions and sales. By closely monitoring a range of trends, including void turnover and costs, we are able to use active asset management to maintain the value of our stock, avoid excessive repairs costs and maximise future returns.

We recognise the important contribution that benchmarking makes to our understanding of value for money. We benchmark with a number of different peer groups on an annual basis. This provides a sound evidence base for understanding our performance and making sound decisions that drive improvements.

We believe it is also important for our customers to understand and scrutinise our delivery of value for money objectives. We report our key achievements in our customer annual report and regularly engage customers in value for money discussions through our Customer Network working groups and Customer Scrutiny Panel.

PRINCIPAL VALUE FOR MONEY ACHIEVEMENTS FOR 2015/16

Our 2015 self assessment included some ambitious value for money goals including reducing void costs, leveraging in significant Energy Company Obligation (ECO) funding and improving our VAT recovery. We are pleased to report that in spite of an increasingly uncertain operating environment we have made significant progress and exceeded our value for money targets for the year. We have achieved value for money returns of £9.2m against a target of £8.4m. A summary of our most significant value for money achievements is detailed overleaf on page 24.



PRINCIPAL VALUE FOR MONEY ACHIEVEMENTS

	GOAL	TARGET	RETURNS
1	Secured ECO funding for retrofitting programme	£4.9m	£2m
2	Secured Black Country LEP funding for regeneration programme	£0.5m	£1.7m
3	Reduced spend on void subcontractors	£0.8m	£1.6m
4	Disposal of high cost voids	£0.2m	£1m
5	VAT recovery	£0.7m	£1m
6	Insurance savings	£15k	£0.6m
7	Reduced void rent loss	£0.3m	£0.4m
8	Procurement savings	£0.2m	£0.2m
9	Other	£0.8m	£0.7m
Total		£8.4m	£9.2m

1. SECURING ECO FUNDING AND PROMOTING ENERGY EFFICIENCY

We have successfully leveraged £2m of ECO funding to support our ambitious programme of retrofitting works to boost energy efficiency, tackle fuel poverty and reduce the carbon footprints of local communities. Although the ECO funding returns are below target, we believe the £2m achieved still represents excellent value for money as a long term investment in our asset base. We experienced some protracted contract negotiations which delayed the works and reduced the investment secured for this year. With contracts now in place, the business is now in an excellent position to secure higher levels of grant funding next year.

Our efforts to reduce energy consumption and carbon footprints have also extended to our own office premises. We have delivered significant savings to the Group including a £25k annual reduction in energy costs at our main office at 100 Hatherton Street. This was achieved by reviewing our energy use and in particular by cutting down on our costs during off peak hours.

Another example of our progress in reducing our impact on the environment whilst cutting costs is the roll out of LED lighting in the communal areas of residential properties.

2. SECURING LEP FUNDING FOR REGENERATION

The £1.7m we successfully leveraged from the Black Country Local Enterprise Partnership (LEP) was part of the £500m Black Country Growth Deal announced by the Prime Minister in 2014. The Deal aims to stimulate investment, create 5,000 jobs and develop 1,400 new homes. We are contributing to the plan through our involvement with a partnership to regenerate a 21 hectare site at Waters Keep

(formally Goscote Lane Corridor). The development of 741 new homes is accompanied by landscaping and infrastructure improvements, as well as the delivery of employment and training opportunities for local people.

3. REDUCED SPEND ON VOID SUBCONTRACTORS

Voids costs have been reduced significantly by reviewing our approach to managing works. By bringing a significant amount of void repair work in house that was previously subcontracted, whilst simultaneously reducing void turnover, we have delivered additional savings of approximately £1.6m without increasing our colleague costs. Furthermore, a successful renegotiation of our void security contract resulted in annual savings of approximately £8k and an enhanced management process.

4. DISPOSAL OF HIGH COST VOIDS

We have a rigorous process for managing asset performance and ensuring high cost voids do not undermine our business model. We have updated our approach to identify high cost voids for disposal at the earliest opportunity to maintain financial strength. Where a void is identified, a robust business case is developed, which considers value for money factors alongside operational risks and the wider interests of the community. This year we assessed 26 void homes under this process, which resulted in 14 being approved for sale. This approach is part of our wider Asset Management Strategy where we use information to understand our stock performance and assess its viability and suitability for ongoing and future investment. In a small number of instances it is in our business interests to dispose of some properties.

5. VAT RECOVERY

By working closely with specialists from HMRC we have been able to recover a higher amount of VAT from our overhead costs. This was achieved by identifying more suitable proxies for apportioning overheads and dividing our activities into different sectors for VAT purposes. This resulted in the business being able to recover additional VAT savings of almost £1m. We anticipate ongoing additional recovery of approximately £100k per annum.

6. INSURANCE SAVINGS

Insurance claims are handled by an in-house Insurance Team. This year we concluded a project to review and investigate all historic claims, resulting in a write back of insurance provision of £55k. Additionally, all claims are now being more stringently assessed for value. Both of these actions have contributed towards a saving in costs for the year compared with budget of £496k.

7. REDUCED VOID RENT LOSS

This year we have successfully reduced our void rent loss from 1.2% to 0.7%, which represents a saving to the business of £437k and increased stability for local communities. We aim to continue to deliver low levels of void rent loss despite an increasingly challenging operating environment as a result of welfare reform.

8. PROCUREMENT SAVINGS

This year's efficiency gains from procurement exercises represent savings of £210k. These contract renegotiations will also mean significant savings in future years. Our contract reductions include:

CONTRACT	SAVING
Scaffolding	£0.4m over four years
Office printers	£0.3m over four years
Water hygiene	£0.1m over four years

Our retendering of scaffolding services offers an interesting example of technological innovation delivering significant savings. Through the use of more advanced ladders and a new vacuuming solution known as 'Sky Vacs', we have been able to significantly reduce our reliance on scaffolding and therefore reduce associated costs. Furthermore we are continuing to undertake cost benefit analysis on the use of drones to consider how they could improve our knowledge of our asset base and deliver further savings in areas such as scaffolding.

9. OTHER VALUE FOR MONEY ACHIEVEMENTS

DELIVERING HIGH QUALITY LOW COST MAINTENANCE

Strong value for money achievements have been made by our repairs and maintenance teams across a range of their activities this year. By retendering our stores contract to a new

supplier we have been able to achieve a more efficient process for managing supplies which has reduced the cost of disposing of waste materials. We have also delivered administrative savings from the smarter allocation of repairs and a saving of £75k a year from improved HGV operative performance.

We have maintained a strong focus on improving the efficiency of our gas servicing, resulting insignificant improvements this year. We no longer outsource any of our gas servicing, which has resulted in an annual saving of over £60k. Gas service appointments are now used to collect a broader range of customer information (representing added value) and we are starting to see a reduction in mailing costs through offering electronic gas safety certificates.

We are also developing more efficient ways of programming our repairs and maintenance works through new technology. Last year we began the roll out of a new mobile working solution which integrates core systems such as works scheduling, purchase ordering and stock management. The new technology saves an average of 15 minutes per operative per day through more efficient processes. This represents a projected annual value for money saving of £189k.

IMPROVING GOVERNANCE

Following an independent governance review we have improved our governance arrangements. Our reforms include reducing the size of the Board to a maximum of 12 Members to comply with the National Housing Federation Code of Governance and creating a new Committee structure with three Committees responsible for Audit and Assurance, Governance and Remuneration and Customer Services.

These changes are a fundamental component of robust governance. The streamlined structure is more effective but also secures administrative savings. With fewer Committees to service we have attained a reduction in colleague time and printing costs.

MAINTAINING COLLEAGUE BENEFITS AND REDUCING SICKNESS ABSENCE

We have been able to maintain a range of colleague benefits by reducing our costs through the use of a salary sacrifice scheme, which has resulted in savings of £13k.

A strong focus on reducing colleague sickness absence has resulted in fewer working hours lost by the business, which represents a further value for money saving of £14k.

CHANNEL SHIFT

Our Channel Shift Project is aimed at nudging customers towards communication channels which are not only more convenient for them but also less resource intensive for service teams. This year we enhanced our monitoring of reasons for customer contact. This revealed patterns and trends where contact was avoidable. We have used this data to reduce avoidable contact which has secured an improved customer experience and value for money. In addition to this we have set up a new feedback facility known as 'Post Box' on our website which we will use as a platform to encourage customers to provide feedback online.



RETURN ON ASSETS

ASSET MANAGEMENT

We have an active Asset Management Strategy which we use to appraise void homes that were no longer financially viable. Through this approach we have sold 14 properties this year. In addition to this we carry out a simple Return on Assets calculation year on year to demonstrate a summary indication of asset performance as follows:

RETURN ON ASSETS	TOTAL ASSETS NET BOOK VALUE	OPERATING SURPLUS (INCLUDING SURPLUS ON DISPOSALS)	RETURN ON ASSETS
	£'000	£'000	%
2015/16	332,703	36,699	11.03%
2014/15*	294,628	26,169	8.88%
2013/14	263,917	21,518	8.15%
2012/13	242,161	17,436	7.20%

Year on year our return on assets has improved, allowing us to increase our operating surplus to cover increased borrowings.

* Re-stated for FRS 102

STOCK CONDITION

The Asset Management Strategy and 30 year Business Plan identify the resources required to maintain our homes at "decent homes standard plus". These resources are fully included in the Business Plan. We survey 20% of our stock each year and aim to have all properties surveyed by 2018. We also undertake an independent stock condition survey every five years to ensure that investment requirements are up to date.

VALUATION

Each year we carry out a revaluation on our properties at existing use value – social housing (EUV-SH) in order to ensure our properties have sufficient value for security against our loans. The results below show that our average value per property has grown over the last few years, suggesting that the investment in new and existing properties is increasing our return on assets by approximately 5-12% per annum.

31 March 2013	£20,563 per home
31 March 2014	£21,689 per home
31 March 2015	£24,861 per home
31 March 2016	£25,945 per home

The total EUV-SH value of our housing stock is approximately £496m.

DEVELOPMENT PROGRAMME

Land sales from the Goscote development have secured receipts of £3.7m this year to be invested in the capital development programme, thereby reducing internal subsidy.

During 2015/16 we developed 12 low cost home ownership properties of which five had completed first tranche sales by March 2016, generating a net surplus of £138k.

Our Financial Statements show a strong performance for the year with a surplus of some £22.9m enabling us not only to reinvest in services to customers but also to build more affordable homes.

CUSTOMER SATISFACTION

We undertake regular customer satisfaction surveys through our partnership with Voluntas, which enable us to monitor changes in satisfaction levels.

In our 2015 self assessment we reported improvements in customer satisfaction for our services overall, the quality of our neighbourhoods and the value for money of our rents. We set ambitious stretch targets for customer satisfaction to reach 90% overall and for neighbourhoods and 84% for repairs.

This year has seen a dip in satisfaction levels across the sector which is partly a reflection of the rapidly-changing operating environment. We have fared better than many of our peers and maintained upper quartile status for most of our satisfaction indicators. Overall satisfaction is at 87%, whilst satisfaction with repairs is at 77%.

We have reviewed our performance monitoring framework and launched a series of new measures to enable more effective monitoring of key performance trends. Our recently established 'customer in the room' report brings together insight from a range of sources. By triangulating this information we gain greater insight enabling us to improve services and boost customer satisfaction levels. We have also streamlined our approach to handling complaints and maximised the potential for learning.

BENCHMARKING

We benchmark against our peers in the sector through a number of forums. Our main core services are benchmarked through HouseMark, whilst back office costs are compared through specialist services offered by RSM UK (formerly Baker Tilly). As part of our close relationship with West Midlands registered providers we also carry out key financial comparisons with a local peer group.



HOUSEMARK

Our latest HouseMark benchmarking results put most areas within top and middle quartile. Our HouseMark Peer Group includes both traditional and LSVT housing associations with more than 10,000 properties. This gives a healthy cross section of 61 peers.

HOUSEMARK COMPARISONS	WHG 2015/16 ESTIMATE	WHG 2014/15	AVERAGE PEER GROUP >10,000 HOMES	QUARTILE
Management Cost Per Home	£242	£257	£286	Upper
Response Repair and Void Works Cost Per Home	£776	£627	£743	Median
Major and Cyclical Works Cost Per Home ¹	£1,777	£1,937	£1,368	Lower
Estate Cost Per Home	£139	£155	£188	Upper
Average Void Re-let Time (Days)	25	31	31	Upper
Rent Lost Due to Empty Properties (Voids)	0.7%	1.2%	1.30%	Upper
Turnover to Total Operating Assets	29.2%	31.4%	12.2%	Upper
Operating Margin	31.5%	22.9%	27.7%	Upper
Gross Debt Per Unit Owned	£18,364	£18,339	£20,746	Median
Overall Customer Satisfaction	87%	87.8%	83.2%	Median

¹ Major and cyclical works costs reflect the amount of investment particularly in our warm homes programme.

SOCIAL VALUE

INTRODUCTION

As the largest housing provider in Walsall we play a pivotal role in regenerating and supporting local communities. Our work includes helping local residents to access employment, tackling poor health and improving neighbourhoods. As a major social investor, we evaluate our interventions carefully and only invest in programmes which can evidence a strong social impact.

EMPLOYMENT GROWTH

This year we have engaged with hard to reach customers through a range of training, confidence building programmes and volunteering opportunities. We have worked with more than 200 customers this year, with around half progressing to further employment or training opportunities.

Customers who are work ready are matched to employment opportunities through partnerships with employers. Although we have only recently established this model we have already worked with a number of high-profile local employers including Amazon, Primark and Care 2 U.

TENANCY SUSTAINMENT

Tenancy sustainment is important both for the success of communities and the viability of our business model. Through our Independent Living Team we support vulnerable customers to

sustain their tenancies and maintain their health and wellbeing. This support is offered to new customers who are considered vulnerable or existing customers identified as being at risk of losing their tenancy. The levels of support will vary but can include help with budgeting, assistance with accessing low cost furniture or appliances, or help with preventing crisis situations which require expensive interventions from statutory agencies.

This year our Independent Living Team has supported over 300 customers to sustain their tenancy, resulting in a total social return of over £1m. This represents a return of £4.43 for every £1 invested for customers over the age of 25 and a return of £5.45 for customers under the age of 25.

We also offer a wellbeing service exclusively for older residents which offers support with maintaining tenancies and keeping active within the local community. This year the service has grown considerably and now works regularly with almost 100 customers.

MONEY MANAGEMENT

We provide a specialist money advice service to help customers manage debts, access benefits and prepare for the financial pressures of taking on a new home. This year the Team has also supported local residents to migrate to Universal Credit.

In total our money advisors have supported 1,370 customers this year, including over 200 struggling to manage debts. The Team has leveraged total financial gains of £2.4m.

FUEL POVERTY

We have continued to work in partnership with British Gas to deliver better insulation and more efficient heating systems. This year we improved over 1,000 homes and the annual savings to customers' energy bills from works completed since 2010 are projected at over £740k. We have also delivered training to support customers to use their heating and hot water appliances as efficiently as possible and secure the best value tariffs from their supplier.

As a result we have seen a significant reduction in the number of customers who struggle to pay their energy bills and a fall in customers experiencing problems with damp.

We are also carrying out research using advanced energy monitors to explore energy use behaviours. This work will help us to develop a better understanding of the relationship between energy efficiency and fuel poverty. We will plan further interventions to support customers in reducing their energy costs.

This year our Board agreed to enter into a partnership with an energy provider to offer a low-cost tariff to our customers and the wider community. This will enable us to develop a new commercial model with a modest income stream whilst helping local families to reduce their energy costs.

TACKLING POOR HEALTH

Good health levels are lower than average in Walsall and obesity continues to be one of the biggest challenges facing communities. We run successful health programmes to promote independence and remove barriers to accessing employment, training and voluntary opportunities. We are supporting customers to lose weight by changing behaviours for the long term, rather than achieving rapid results that cannot be sustained. Our 'Waist Away' programme focusses on small step-by-step healthy lifestyle choices.

This year 59 customers completed the programme with 85% successfully losing weight. A significant number moved down a category of obesity and reduced their disease risk factor. Overall the programme produced a social return of £3.44 for every £1 invested.





COLLEAGUES AND DIVERSITY

AN EXCEPTIONAL PLACE TO WORK

Our commitment to becoming an exceptional place to work means involving colleagues at all levels in shaping the future of our organisation. This was central to our approach to developing the new Corporate Plan in 2014 and continues to be a cornerstone of our business.

We employ an agile team of 634 colleagues focussed on the delivery of efficient services with the aim of delighting customers and sustaining tenancies. We undertook a restructuring exercise this year to ensure all our teams were well placed to adapt to new ways of working and meet business growth objectives.

LEARNING AND DEVELOPMENT

We invest in learning and development programmes to ensure our colleagues are well equipped to do the right thing for our customers. We have supported 111 existing and aspiring managers to develop their leadership skills. We have also developed an extensive and cost effective programme of training, delivered in a range of ways from e-learning to workshops.

ATTRACTING TALENT

We are committed to attracting the best talent and aim to be recognised as an employer of choice. By widening access to our employment opportunities we ensure that our colleagues are representative of the communities in which we work and that talented people in local communities choose a career with us. We work with local schools, colleges and business partners to promote the opportunities available and raise aspirations.

BENEFITS

Benefits for colleagues include a defined benefit pension scheme, contribution to a private health scheme, free eye tests, salary sacrifice scheme, colleague assistance programme, counselling services, flexi-time, occupational

health, public duties, travel loans and other benefits in excess of statutory minimums.

We prioritise the continued safety and welfare of all our colleagues and work jointly with trade unions and external health support teams to ensure our workplaces are safe and promote healthy living.

COLLEAGUE PROFILE

Of whg's colleagues, 62% are male and 38% are female. The gender make up across teams does vary between our Asset Management, Growth, Operations and Resources teams. Asset Management is the largest of our teams and the majority of colleagues are male (87%). The Growth, Operations and Resources teams all have a majority of female colleagues.

Male colleagues are also represented more strongly at a management level with 71 male colleagues in management roles compared to 53 female colleagues. Proportionally however this means that 18% of male colleagues are in management roles compared with 22% of female colleagues.

A total of 109 colleagues come from an ethnic minority background which represents 17% of the workforce. This indicates that colleagues from an ethnic minority background are slightly underrepresented from the wider 23% of the population of Walsall.

A total of 27 colleagues have declared a disability which represents 4% of the workforce.

EQUALITY, DIVERSITY AND INCLUSION

Our approach to promoting Equality, Diversity and Inclusion is contained within the Single Equality Scheme, which is supplemented by an annual Action Plan.

Identifying and delivering equality interventions enables whg to fulfil its legal and regulatory duties as well as fostering good relations amongst customers, colleagues and the communities we serve. An evaluation of the performance against our Action Plan is presented to the Board on an annual basis.



FINANCIAL REVIEW

In 2015/16 we have continued to improve the Group's strong financial position and have made good progress towards our corporate aim to 'Deliver a strong business, fit for today and prepared for tomorrow'.

Strong financial management and focus on value for money has enabled growth with operating surpluses increasing by 45%. The Group's operating surplus for the year ending 31 March 2016 was £30.6m compared to a prior year restated surplus of £21.1m.

The Board exercises control through the monitoring and approval of annual business plans and budgets and by reviewing the achievement of Group goals.

The sector faced unprecedented policy changes following the Summer Budget 2015, which was an announcement that rental incomes would be reduced by 1% for four years from April 2016. Action was required to identify efficiencies and savings to ensure that the Group's overall financial viability remained strong. The Board approved a number of measures to be implemented and the Group's Business Plan was revised to take into account these measures.

The Group has retained its strong financial outlook and retains its capacity to develop new properties in line with the Corporate Plan.

SUMMARY STATEMENT OF TOTAL COMPREHENSIVE INCOME (EXTRACT)					
	2012 £000	2013 £000	2014 £000	2015 £000	2016 £000
Operating surplus	16,917	16,893	17,436	21,129	30,639
Surplus on disposal of property, plant & equipment	1,326	1,661	4,082	5,022	5,985
Movement in fair value of investment properties	-	-	-	(281)	75
Movement in fair value of financial instruments	-	-	-	(4,551)	(179)
Refinancing costs	-	-	-	(8,591)	0
Net interest payable	(7,644)	(9,631)	(9,632)	(14,279)	(18,372)
Surplus/(Deficit) before tax	10,599	8,923	11,886	(1,551)	18,148
Taxation				(14)	(12)
Remeasurements – Actuarial (loss)/gain in respect of pensions	-	-	-	(11,226)	4,773
Statement of Total Comprehensive Income	10,599	8,923	11,886	(12,791)	22,909
SUMMARY STATEMENT OF FINANCIAL POSITION (EXTRACT)					
Fixed assets	187,798	203,435	219,172	294,765	332,840
Net current (liabilities)/assets	(7,843)	2,497	4,252	126,426	96,278
Total assets less current liabilities	179,955	205,932	223,424	421,191	429,118

The Group and Company have adopted FRS 102 for the year ended 31 March 2016 and restated the comparative 2015 prior year amounts. 2012 to 2014 are prepared under old UK GAAP and certain figures will not be comparable.

NET REVENUE SURPLUS

The Group's surplus for the year ending 31 March 2016 was £18.1m compared to a prior year restated deficit of £1.6m.

RENTAL INCOME

The overall net rent performed higher than expected this year with an overall increase in net rental income of £3.7m. The increase is due mainly to the annual rent increase of 2.2% and a reduction in void loss of 15%. Overall void loss now stands at 0.71% (2015: 1.2%) one of the lowest rates in the sector.

INVESTMENT

This year we have invested £43.4m of which £12.1m has been treated as capital expenditure under component accounting. This includes £7m on energy saving measures.

Capital expenditure is set out in note 13 to the Financial Statements. By the end of the year the Group had completed 261 new homes and had 836 homes on site expected to complete during 2016/17 and 2017/18.

FINANCING COSTS

Outstanding loans have increased this year to £368.9m and financing costs have increased in line with the additional loans.

SALE OF FIXED ASSETS

The prevailing economic conditions and their impact on the housing market continue to affect Right to Buy (RTB) income. The net income from RTB and sale of land amounted to £6m in the year, which was higher than last year's total of £5.02m.

TREASURY MANAGEMENT

The Group has a formal Treasury Management Policy which is reviewed annually by the Board. This Policy provides the framework within which the Group seeks to mitigate risk relating to the borrowings and cash holding it has at any one time.

To achieve this aim, the Policy clearly provides guidance when dealing with:

- Group borrowings and subsequent debt management (with reference to the loan documentation);
- Investing surplus funds;
- The relationship with bankers, lenders and other advisors to the Group.

RESERVES

All surpluses generated are reinvested to meet the Group's principal objectives.

CURRENCY RISK

The Group borrows and invests cash in GBP sterling only and therefore does not have any currency risk.

CAPITAL STRUCTURE

The Group finances its activities using a £200m loan facility with Lloyds Banking Group and Santander, together with our bond issue of £175m.

INTEREST RATE MANAGEMENT

The Group manages its interest rates through 84% fixed rate loans, cancellable swaps of 11% and 5% variable rate undrawn revolving facility. This has allowed the Group to protect itself against the risks associated with increasing interest rates.

GROUP LIQUIDITY

Cash balances are invested with competitive term facilities until required. In accordance with the Treasury Management Policy, the Group maintains a list of investment limits for approved organisations with which it will deposit funds based upon short term credit ratings.

LOAN COVENANTS

The Group needs to ensure that the ratio of Adjusted Operating Surplus to Net Interest Payable (Net Interest Cover) is greater than 1.05:1 for the financial year. The actual rate achieved was 2.30:1.

The Net Debt per Unit must not exceed £25k throughout the duration of our bank facilities. The Net Debt per Unit at 31 March 2016 was £12k.

The Group ensures that it operates within prudent headroom and monitors covenants on a monthly basis and reports to Board on a quarterly basis.

As at 31 March 2016 the Group met its covenant targets for the financial year. The headroom achieved for the year was £15.8m.

FINANCIAL PERFORMANCE INDICATORS	2012	2013	2014	RESTATED 2015	2016
Average weekly operating cost per unit	£54.17	£59.54	£63.71	£67.04	£61.35
Operating cost as a % of turnover	73.3%	75.8%	76.6%	75.3%	66.5%
Weekly investment per unit of stock	£27.44	£33.10	£34.67	£38.58	£30.99

CASH FLOWS

The consolidated Cash Flow Statement is shown on page 64 of the Financial Statements. During the year the Group's net cash decreased by £13.7m.

TREASURY COMPANY

whg Treasury PLC is a non-charitable company registered with Companies House. Its principal activity is to act as an onward moneylender of bond monies to its immediate parent company, Walsall Housing Group Limited.

CREDIT RATING

Moody's carried out their annual credit rating review for the Group and provided the following assessment; 'The outlook on Walsall rating is stable reflecting our view that Walsall will maintain financial performance close to current levels despite the financial pressure imposed on the RP sector by the policies announced in the UK Summer Budget 2015'. The Group's rating remains at A2.



PRINCIPAL RISK AND UNCERTAINTIES

The Board holds responsibility for managing risk, specifically that relating to social housing and financial viability. Our homes are long term assets, normally funded by long term debt. The Board prioritises the management of risk; ensuring decisions do not put short term gains ahead of the long term sustainability of the business and security of our homes.

As with any business, we face risks and uncertainties on a daily basis. We are not averse to taking on measured risk to deliver our objectives, but when taking these decisions the Board fully appraises the risk to understand its potential impact.

The Executive Team, Risk Panel and Audit and Assurance Committee review and consider strategic risks on a quarterly basis, together with actions to manage or mitigate them. This ensures effective controls are in place. This approach is central to putting us in a good position to achieve our strategic aims and embrace opportunities as they may arise.

There have been significant changes in the sector's operating environment over the past 12 months. Legislative and regulatory changes have posed a new set of risks through reduced rent increases, extension of the Right to Buy, deregulation and the Government's policy change away from affordable rented homes to low cost home ownership.

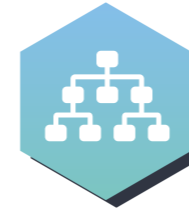
The Board revised its Business Plan to incorporate the changes and challenges to ensure that we maintain a strong financial position.

We are exposed to risks wider than those listed. However, we have disclosed those that are currently likely to have the greatest impact on our business and have been the subject of debate at recent Board and Audit and Assurance Committee meetings.

The most significant strategic risks identified by the Board, together with the mitigating actions taken in order to ensure that the risks are appropriately monitored and controlled are set out opposite.

The referendum vote in favour of leaving the EU has both short- and long-term impacts on the risk profile of whg, with the longer-term effects being dependent on the outcome of the negotiations between the UK Government and its European counterparts. The Board has considered the short to medium term impact of the vote to leave and has concluded that Brexit does not materially and adversely impact our financial plan, risk profile and corporate objectives. The Board will closely monitor and manage the change in the risks and increase in uncertainty that may affect whg for the next few years.

RISK RANK	RISK	STEPS TAKEN TO MANAGE OR MITIGATE
1	Increase in rent arrears and bad debt incorporating the effects of Welfare Benefits Reform.	This risk has clear potential impacts on rent collection and cash flow. A number of actions are in place to reduce the risk of increased arrears which have proven successful. Debt counselling and advice, financial inclusion measures and individual management of arrears cases act as mitigation. Sensitivities are also tested within the Business Plan as a further layer of control and assurance.
2	The effect of an increase in RTB sales on the business.	The longer term impact on security values and reduced financing options have been incorporated into the Business Plan as control options.
3	Change to Government priorities and economics results in the reduction of capital grant funding streams.	Alternative schemes to offer low cost home ownership are being explored. The development programme has been accelerated to take advantage of current Affordable Housing Programme schemes. The Development and Business Plans have incorporated an increase in shared ownership developments to mitigate this risk.
4	Increases in inflation fall short of those provided in the Business Plan reducing rental income significantly.	Renegotiation of major contracts is being undertaken to reduce exposure to inflationary increases. The Business Plan has been tested for several inflation scenarios and is set at a prudent level.
5	Effect of changes in Government policy on individuals' finances and benefits.	Changes to housing benefit eligibility and maximum housing benefit payable is being monitored together with potential impacts on groups of customers. Affordability testing is conducted with new customers prior to letting as a control for this risk.
6	whg fails to consider the impact of pension changes on its Business Plan.	The Group participates in two defined benefit pension schemes and a defined contribution scheme. Pension costs remain an issue as a result of lower investment returns and actuarial assumptions. The Business Plan includes prudent assumptions for pension liabilities to control and mitigate this risk. The Board has recently commissioned a review of our Pension Strategy which will be considered in 2016.
7	Changes to Government rent policy which could reduce planned rental income.	Policies and plans are in place to maximise income. Regular reviews to identify value for money gains are incorporated through the business. These mitigate and control the risk.
8	The market price for sales of shared ownership does not reach expectation or sales numbers fail to reach target.	Shared ownership valuations are maximised by choice of development location. All plans meet development conditions. The Business Plan includes increased development of shared ownership properties. The Group has introduced a dedicated Sales Team to ensure sales targets are met as a control to this risk.
9	Risk that business diversification could weaken the Group not considered.	Business plans and risk assessments are completed for all new business areas. New business gateway introduced to ensure all opportunities are authorised and approved at the right level dependent on risk level. These control mechanisms assure that this risk is managed.
10	Failure/delay in implementing governance changes following new Board structure being approved and adopted.	Board Members have been recruited and a training programme has been put in place. Succession planning has been agreed to ensure the continuation of an effective Board.



CORPORATE GOVERNANCE

Walsall Housing Group Limited is registered with the Homes and Communities Agency as a registered provider of Social Housing, as a company limited by guarantee at Companies House and as a registered charity. whg is the legal parent of the Group and owns and manages the properties. It has five subsidiaries, none of which are registered providers.

Visionary Investment Enhancing Walsall Limited (VIEW) is an entity registered under the Co-operative and Community Benefit Societies Act 2014, which has charitable tax status. It is registered with the Financial Conduct Authority. Its principal activity is to provide housing, accommodation and assistance to help house people and associated facilities and amenities for poor people or for the relief of aged, disabled, handicapped (whether physically or mentally) or chronically sick people.

whg Trading Company Limited is a non-charitable subsidiary of whg established to carry out commercial and similar activities on behalf of the Group and is a company limited by shares. Walsall Housing Group Limited is the sole shareholder. The company owns and receives feed in tariffs from the solar photo voltaic panels installed by the Group. The Surefire scheme is a partnership between whg and British Gas, launched in 2014 as a ground-breaking private-public sector partnership that makes ECO funding easily available to housing associations, local authorities and councils across the UK. This activity is carried out through whg Trading Company Limited as the contracting body. Arrangements are underway for whg to develop a partnership with Co-op Energy to offer low price energy tariffs to our customers and

a wider market, also to be carried out through whg Trading Company Limited.

whg Developments Limited is a non-charitable company registered with Companies House whose principal activity is to provide a design and build service to Walsall Housing Group Limited.

whg Treasury PLC is a non-charitable company registered with Companies House. Its principal activity is to act as an onward moneylender of bond monies to its immediate parent company, Walsall Housing Group Limited. The Group owns all of the Company's 50,000 £1 shares which were issued at par on incorporation.

Buy For Good is a Community Interest Company registered with Companies House whose principal activity is Management Consultancy activities other than financial management. It was set up to deliver social value through innovative and collaborative procurement initiatives.

GOVERNANCE ARRANGEMENTS

Following an independent governance review we have made improvements to our governance arrangements. These include reducing the size of the Board to a maximum of 12 Members so as to comply with the National Housing Federation Code of Governance. We have also created a new Committee structure with three

Committees responsible for Audit and Assurance, Governance and Remuneration and Customer Services. Committee Members are appointed by the Board and each Committee is chaired by a Board Member, providing accountability to the Board.

All Board and Committee Members are recruited for their skills and experience and new appraisal arrangements have been introduced with Board and Committee Members assessed individually and collectively against updated skills matrices.

A recruitment exercise undertaken to fill the skills gaps resulted in the appointment of two new Members adding to the Board's skills in particular in financial strategy and management and treasury management.

The WHG Board, made up of nine non-executive directors, is responsible for the Group's governance. The Board meets regularly, with additional development days, training and breakfast sessions. The Board works alongside the Executive Team which is responsible for day-to-day management.

AUDIT AND ASSURANCE COMMITTEE

The purpose of the Audit and Assurance Committee is:

- To review systems and procedures for internal control and to ensure that these provide a reasonable assurance to the Board;
- To oversee internal and external audits and our management of risk.

This includes recommending to the Board the annual statement of internal control, agreeing the audit framework for the Group's operations, reviewing stress testing and the asset and liability register and considering any issues relating to fraud, bribery, money laundering or whistleblowing.

CUSTOMER SERVICES COMMITTEE

The purpose of the Customer Services Committee is to provide assurance to the Board that services are provided in an efficient and effective way and that we take every opportunity to delight our customers within financial and regulatory constraints. This includes monitoring performance reports on customer facing services, reviewing compliance with the HCA's consumer standards and monitoring delivery of action plans to implement recommendations from service reviews carried out by the Customer Scrutiny Panel.

GOVERNANCE AND REMUNERATION COMMITTEE

The purpose of the Governance and Remuneration Committee is to consider and make recommendations to the Board

on governance and remuneration matters. This includes considering remuneration policies and pay review proposals, reviewing compliance with the HCA's economic standards and the NHF Code of Governance, as well as considering key constitutional and governance documents.

Terms of reference for the Committees were approved by the Board in 2015. Each Committee will report annually to the Board on the discharge of its function.

TASK AND FINISH GROUPS

During the year two task and finish groups were set up to deal with issues of strategic importance for the Group. The groups were made up of Board Members and supported by colleagues.

The 'Governance Review Working Group' was responsible for overseeing the delivery of the recommendations from the independent review of whg's governance and scrutiny arrangements.

The 'Chair Recruitment Working Group' was responsible for overseeing the recruitment of a new Chair in preparation for the former Chair standing down, having fulfilled his full term of office.

COMPLYING WITH THE NATIONAL HOUSING FEDERATION CODE OF GOVERNANCE

We have chosen to adopt the NHF Code of Governance. This Code is designed to ensure that housing providers such as whg aim for the highest possible standards of corporate governance. The principle underpinning the Code is that organisations should either confirm that they

comply with all the requirements or explain any areas of non-compliance.

Following thorough scrutiny of our compliance with the Code by the Governance and Remuneration Committee, the Board has concluded that whg is compliant with the NHF Code in all areas.

IN DEPTH ASSESSMENT

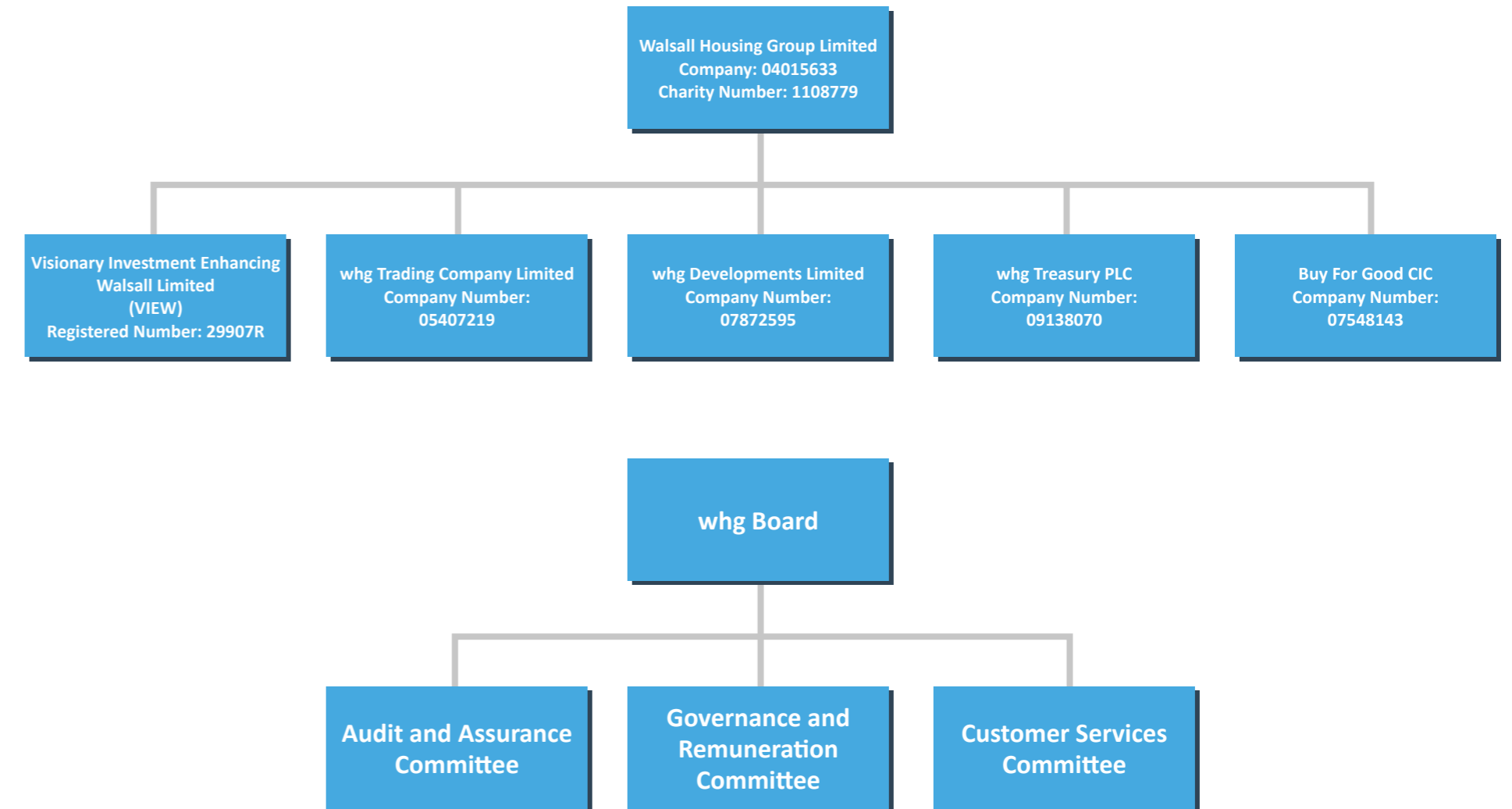
In October we were one of the first registered providers to undergo a thorough governance and financial viability evaluation as part of the Homes and Community Agency's In Depth Assessment Programme.

The HCA carried out a desktop review of a range of documentation relating to our governance and financial viability. Following this review, a HCA Regulation Team visited our offices and interviewed colleagues and Board Members in addition to attending a meeting of our Audit and Assurance Committee.

During the process, the HCA reviewed our financial strengths and weaknesses, management of risk, assets and liabilities register, approach to treasury management and value for money, as well as our governance structure, Board and Committee Member recruitment, training and skills.

We were delighted to successfully retain our top level G1 and V1 accreditations.

GOVERNANCE STRUCTURE





WHG BOARD

EDDIE HUGHES (CHAIR)

Eddie Hughes was appointed to the Board in November 2012 and became Chair in 2016. With a degree in Civil Engineering, he has previously worked in the private sector and as a site engineer and building site manager on social housing developments. He is currently the Director of Development and Asset Management for a specialist housing provider in Birmingham. His skills include strategic asset management, equality and diversity, audit, strategic management and project management. Eddie is also a Councillor on Walsall Council. He is a member of whg's Governance and Remuneration Committee.

TERRY MINGAY

Terry Mingay was appointed to the Board in 2011. Until recently she was a self-employed healthcare and management consultant, having retired from the NHS in Walsall in 2010, where she held a number of managerial posts and became an Executive Director in 1997. She held a number of positions as a Board Director, including nursing, human resources, partnerships and Deputy Chief Executive. In her partnership

role she worked closely with Walsall Council. Terry brings expertise in strategic and risk management, governance, HR and health and wellbeing and is a trustee of a hospice in Staffordshire. She is a member of the whg Trading Company Limited and VIEW Boards and is Chair of whg's Governance and Remuneration Committee.

LEE GLOVER

Lee Glover was appointed to the Board in September 2015. He is a Fellow of the Association of Chartered Certified Accountants with over 15 years' internal audit experience and 13 years' experience of working with registered providers; he is currently Director of Internal Audit at national accountancy firm Haines Watts. He has extensive experience of working with many organisations across the public, private and third sectors with particular expertise in internal audit, risk management, governance, finance and treasury management, strategic and commercial management, business expansion and information management/data protection. Lee is also the Chair of whg's Audit and Assurance Committee.

MIKE HEW

Mike Hew joined the Board in September 2014, having retired as the Chief Executive of a registered provider based in the West Midlands. He has many years of housing experience at a senior level in both housing associations and local authorities in the region and brings expertise in strategic and asset management, change management and organisational development, social housing policy and governance. He is a fellow of the Chartered Institute of Housing and a trustee of a local charity providing support services for families. Mike is a member of whg's Audit and Assurance Committee and Governance and Remuneration Committee.

NOEL MAXWELL

Noel Maxwell has been a Board Member since 2014. Now retired, he previously spent 10 years working as a miner in the Cannock area before moving to work for a Cannock firm which supplied machinery to the construction and quarrying industries. He is a member of the management committee of a local sporting organisation and brings experience of the needs of local communities, performance management, service user involvement and customer services. Noel is a whg customer and brings a clear focus on customer service and experience.

He is also a member of whg's Customer Services Committee.

LINDA COLE

Linda Cole was appointed to the Board in 2014. She has worked in a number of roles including classroom assistant, hospital visitor and tutoring adults. She brings a wealth of experience of the needs of local customers and communities as well as a sound understanding of equality and diversity, social housing, welfare reform and customer involvement and scrutiny. Linda is a whg customer and is involved in several local voluntary groups including a patient participation group. Linda chairs whg's Customer Services Committee and is a member of the Governance and Remuneration Committee and the VIEW Board.

IAN GARDNER

Ian Gardner was appointed to the Board in February 2016. He has been employed within the housing sector for over 18 years and has progressed via technical engineering positions and senior management posts to become a strategic leader in social housing. He brings expertise in strategic management and asset management. A chartered member of the CIOB and CIH, Ian is currently the Head of Housing Maintenance at Dudley Council. He is also a member of whg's Audit and Assurance Committee.

JATINDER SHARMA OBE

Jatinder Sharma was appointed to the Board in March 2016 and is the Principal and Chief Executive of Walsall College. He is a qualified accountant with both private and public sector experience. He has a wide range of skills and experience including financial and treasury management, strategic and risk management, business expansion and change management. Jatinder has excellent knowledge of the local area and our local communities. In 2015 he was awarded an OBE in recognition of his services to Further Education.

DR AMANZE EJIUGU

Amanze Ejiogu was appointed to the Board in March 2016. He is a qualified accountant and is currently a senior lecturer in accounting at Coventry University. His skills include finance and audit, treasury management, strategic management and business planning. He has previously worked as head of finance for a charity as well as doing consultancy work with Deloitte and KPMG. Amanze previously lived in Scotland where he was a Board Member of Grampian Housing.

BOARD MEMBERSHIP FROM APRIL 2015 TO MARCH 2016

Following a review of our governance arrangements, the composition of the Board has changed considerably over the last year. The table below shows the position for the 2015/16 financial year. Two new Board Members (Jatinder Sharma and Amanze Ejiogu) were appointed by the Board at its meeting on 22 March 2016. Consequently their first meeting was not until April 2016.

	DATE APPOINTED/ RESIGNED IN YEAR	WHG BOARD	AUDIT AND ASSURANCE COMMITTEE	CUSTOMER SERVICES COMMITTEE	GOVERNANCE AND REMUNERATION COMMITTEE
Amanze Ejiogu	Appointed 22/03/16	0	-	-	-
Jatinder Sharma	Appointed 22/03/16	0	-	-	-
Ian Gardner	Appointed 25/02/16	1 (1)	1 (1)	-	-
Lee Glover	Appointed 22/09/15	5 (7)	2 (2)	-	-
Linda Cole		13 (13)	-	1 (1)	2 (2)
Mike Hew		12 (13)	2 (2)	-	2 (2)
Edmund Hughes (Chair)		13 (13)	-	-	2 (2)
Noel Maxwell		12 (13)	-	1 (1)	-
Teresa Mingay		12 (13)	-	-	2 (2)
Gill Bateman*	Resigned 12/06/15	0 (1)	-	-	-
Vera Birch*	Resigned 25/02/16	4 (12)	-	-	-
Henriette Harnisch*	Resigned 22/09/15	0 (5)	-	-	-
Elizabeth Hazell*	Resigned 25/02/16	10 (10)	-	-	-
Paul Murray*	Resigned 22/03/16	13 (13)	-	-	-
Janet Poyner*	Resigned 14/08/15	3 (5)			
Amanda Tomlinson*	Resigned 22/03/16	11 (13)	1 (1)	-	-
Stephen Wade*	Resigned 25/02/16	4 (12)	-	-	-

Notes

Members marked with an asterisk (*) are no longer on the Board.

Figures in brackets indicate total number of possible Board/committee meetings.

The low number of committee meetings is a reflection of the timing of the implementation of the Governance Review late in the financial year.

VISIONARY INVESTMENT ENHANCING WALSALL LIMITED BOARD

		DATE RESIGNED	DATE APPOINTED
Paul Murray	3 out of 5	22.03.16	
Terry Mingay	4 out of 5		
Rob Gilham	5 out of 5		
Gary Fulford	4 out of 5		
Linda Cole	5 out of 5		
Richard Worrall	5 out of 5		
Eileen Russell	4 out of 5		
Christopher Towe	4 out of 5		
Mark Lavender	4 out of 5		
Neil Hollyhead	4 out of 5		
Peter Richmond	0 out of 1	16.07.15	
Fred Bell (Chair)	4 out of 5		
Joanne Morgan	1 out of 5	10.03.16	
Lucy Burfoot	0/0		09.03.16

WHG DEVELOPMENTS LIMITED BOARD

		DATE RESIGNED	DATE APPOINTED
Gary Fulford (Chair)	3 out of 3		
Martin Robertson	3 out of 3		
Carole Wildman	3 out of 3	22.03.16	
Rob Gilham			22.03.16

WHG TREASURY PLC BOARD

		DATE RESIGNED	DATE APPOINTED
Gary Fulford (Chair)	3 out of 3		
Martin Robertson	3 out of 3		
Amanda Tomlinson	3 out of 3		

WHG TRADING COMPANY LIMITED BOARD

		DATE RESIGNED	DATE APPOINTED
Gary Fulford	3 out of 3		
Martin Robertson	3 out of 3		
Craig Geens (Chair)	3 out of 3		
Fred Bell	3 out of 3		
Terry Mingay	2 out of 3		
Stuart Nicholls	0/0		16.06.16
David Hellier	0/0		16.06.16

BUY FOR GOOD COMMUNITY INTEREST COMPANY BOARD

		DATE RESIGNED	DATE APPOINTED
Gary Fulford (Chair)	3 out of 3		
Martin Robertson	3 out of 3		
Carole Wildman	3 out of 3	22.03.16	
Cliff Horrocks			22.03.16



STRATEGIC MANAGEMENT TEAM



GARY FULFORD GROUP CHIEF EXECUTIVE

Gary Fulford was appointed Group Chief Executive for whg in 2009. He is committed to ensuring that housing providers like whg take a leading role in tackling problems such as unemployment, poverty and health.

After a career working for housing organisations in the Midlands and South West (Director level roles with Somer Housing Group, Jephson Homes, Spa Housing Group and Housing 21), he joined whg as a Local Trust Chief Executive in 2004, before being promoted to Managing Director in 2007.

Gary is a member of the VIEW Board, whg Trading Company Limited Board, whg Developments Limited Board, whg Treasury PLC Board and Buy For Good CIC Board.

Gary is also a member of the Chartered Institute of Housing.

MARTIN ROBERTSON CORPORATE DIRECTOR – RESOURCES

Martin Robertson is a Chartered Accountant with more than 20 years' experience in housing finance.

In 2002 he joined the team that managed the stock transfer process from Walsall Council to whg. He led on legal negotiations, set up finance and ICT services and arranged a £200m syndicated loan.

Since then he has taken forward risk management, value for money, procurement and refinancing. In 2014 he led the team in securing a £250m bond from the markets to fund whg's ambitious development programme.

Martin is a member of the whg Trading Company Limited Board, whg Developments Limited Board, whg Treasury PLC Board and Buy For Good CIC Board.

CLIFF HORROCKS CORPORATE DIRECTOR – ASSET MANAGEMENT

Cliff Horrocks delivers refurbishment and retrofit investment through partnering arrangements and the repairs and maintenance function via an in house team.

Prior to moving to whg, he was an associate and senior member of the EC Harris Residential – Affordable Team providing housing asset optimisation services and

developing collaborative working and innovation in neighbourhood planning and resident engagement.

His extensive public sector experience includes managing the regeneration portfolio for a large Metropolitan Borough Council and heading a housing repairs and maintenance service for a City Council with 80,000 properties. He is an Independent Board Member at Solihull Community Housing and Chair of their Operations Committee.

Cliff is a member of the Buy For Good CIC Board.

ROBERT GILHAM CORPORATE DIRECTOR – OPERATIONS

Robert Gilham joined whg in 2003 having previously worked on the stock transfer from Walsall Council. Leading on operations across the Group he holds the portfolio for Business Excellence, Information Technology, Health and Wellbeing and Employment and Training.

As part of the Executive Team, he headed up the project team who worked on the recent In Depth Assessment from the Homes and Communities Agency, which delivered the highest levels of approval from the regulator.

Robert is a member of the VIEW Board and whg Developments Limited Board.

Robert is also a member of the Chartered Institute of Housing.

CAROLE WILDMAN, CORPORATE DIRECTOR – GROWTH

Carole Wildman joined whg in 2004 as Director of Regeneration and took responsibility for its borough-wide Regeneration and Development Strategy. She retired from the business in April 2016 having led on a number of key areas for whg.

During her career with whg she successfully formed a partnership with Walsall Council, an alliance which led to the jointly commissioned Walsall Strategic Regeneration Framework. From building a development team from scratch, Carole ultimately became responsible for a programme of some 300 homes per year.

Through Carole's work whg became able to access European funding, as well as money from the Neighbourhood Renewal Fund, the Working Neighbourhoods Fund and Big Lottery Funds to deliver a range of community focused activities in priority regeneration areas.

Carole began her career in housing over 30 years ago and worked for a number of housing associations across the West Midlands.

Until March 2016 Carole was a member of the whg Developments Limited Board and Buy For Good CIC Board.



BOARD STATEMENT ON THE EFFECTIVENESS OF INTERNAL CONTROL

The Board holds responsibility for establishing and maintaining adequate and effective systems of internal control and for reviewing their effectiveness.

The systems of internal control are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and to provide reasonable and not absolute assurance against material misstatement or loss.

In meeting its responsibilities, the Board has adopted a risk-based approach to establishing and maintaining internal controls which are embedded within the day-to-day management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the Group is exposed.

The process for identifying, evaluating and managing the significant risks faced by the Group is ongoing. This is reflected in every report considered by each Board, as well as being the subject of targeted exercises during the year.

The Board is of the opinion that internal control arrangements are effective.

The arrangements adopted by the Board in reviewing the effectiveness of the systems of internal control, together with some of the key elements of the control framework, include:

IDENTIFYING AND EVALUATING KEY RISKS

The Audit and Assurance Committee oversees the Risk Management Strategy and the work of internal and external auditors. The Group's Risk Management Strategy, setting out the Group's attitude to risk in the achievement of its objectives, underpins risk management, business planning and control arrangements. These arrangements clearly define management responsibility for the identification, evaluation and control of significant risks.

The Executive Team regularly considers reports on these risks and the Group Chief Executive is responsible for reporting any significant change affecting key risks to the Committee.

CONTROL ENVIRONMENT AND INTERNAL CONTROLS

The processes to identify and manage the key risks to which the Group is exposed are an integral part of the internal control environment. Such processes, which are reviewed annually and revised where necessary, include risk assessment, strategic planning, performance monitoring, control over major spend projects, the setting of standards and targets for health and safety, data protection, fraud prevention and detection and environmental performance.

INFORMATION AND REPORTING SYSTEMS

Financial reporting procedures include setting detailed budgets for the year ahead and Business Plan forecasts for subsequent

years. These are approved by the Board. Budgets are monitored throughout the year by the Board. In addition, regular reports cover performance in key areas such as collection of rents, managing voids, major works and responsive repairs.

MONITORING ARRANGEMENTS TO CHECK THE EFFECTIVENESS OF INTERNAL CONTROLS

Regular reporting to management, Boards and Committees is part of the control environment.

This is complemented by regular reviews by a firm of internal auditors who provide independent assurance to the Boards, via the Audit and Assurance Committee. The arrangements include a rigorous procedure, monitored by the Committee, for ensuring that corrective action is taken in relation to any significant control issues.

The Audit and Assurance Committee and Board receive an annual report on internal controls from the Group Chief Executive on behalf of the Executive Team as a body. In addition to reports on specific areas covered by their audit plan, the internal auditors provide an annual report covering the Group as a whole, summing up findings and improvements emerging during the year and proposing future priorities. External auditors provide reports on management and control issues identified during the course of their work. These too are subject to scrutiny by the Audit and Assurance Committee on behalf of the Board.

FRAUD ASSURANCE

We work with our internal and external auditors to ensure that controls are designed to reduce the risk of fraud and to respond to suspected instances of fraudulent activity. Our policies on fraud prevention and whistle blowing address the specific issues arising. These policies are reviewed regularly.

GOING CONCERN

The Group's business activities, together with the factors that are likely to affect its future developments, performance and position are set out within the Strategic Report. The Group has long-term debt facilities in place which provide adequate resources to finance committed reinvestment and development programmes, along with the Group's day to day operations. The Group also has a long-term Business Plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

On this basis, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months after the date on which the report and Financial Statements are signed. For this reason, it continues to adopt the going concern basis in the Financial Statements.

BOARD STATEMENT OF PUBLIC BENEFIT



The Group's aims and activities primarily benefit people in the following ways:

- Provision of housing at rents below market levels for those in housing need
- Related home repair, improvement and tenancy management services
- Support services that tackle social exclusion, money management and fuel poverty on the basis of identified needs
- Community interest activity aimed at helping residents into work or training; promoting new enterprise and health and wellbeing in the communities we work in
- Environmental initiatives that reduce our impact on the areas we work in and increase fuel efficiency for our customers.

The Board has concluded that our activities are in the public interest as defined in the Charity Commission's guidance. Our activities are restricted only in terms of our area of operation and our published policies, designed to ensure fair access to our services for all those in housing or other need. The Board is not aware of any private benefits and has robust policies in place to prevent unintended benefits to related parties. The incidental benefits of a well-run housing service and environmental improvements are shared by our residents.

BOARD STATEMENT ON MODERN SLAVERY



whg is one of the West Midlands' leading and most successful providers of high quality homes. Owning and managing around 20,000 homes across Walsall and surrounding areas, we provide affordable, good quality homes and services to the local community.

This statement is made under section 54(1) of the Modern Slavery Act 2015. It constitutes whg's Anti-Slavery and Human Trafficking Statement for the financial year ending 31 March 2016.

This statement is approved by whg's Group Board and applies to all organisations within the Group. It will be reviewed and updated annually.

whg is committed to acting ethically and with integrity in all its business relationships. We have started to take steps to ensure that adequate processes and controls are in place to ensure slavery and human trafficking is not taking place anywhere in our supply chains.

Specifically, all new procurement contracts contain the following clauses:

- The Service Provider shall, and shall use reasonable endeavours to ensure that its employees or agents and/or supply chain shall, at all times act in a way which is compatible with the Modern Slavery Act 2015.

- Where relevant the Service Provider must publish a statement as required by the Act.
- The Client reserves the right, upon reasonable notice, to audit this at any time during the contract period. In the event that the Client considers that a Service Provider is not in compliance with the Modern Slavery Act 2015 the Service Provider must take all such appropriate remedial actions as requested by the Client to address any areas of concern.
- The Service Provider agrees to indemnify and keep indemnified the Client against all loss, costs, proceedings or damages whatsoever arising out of or in connection with any breach by the Service Provider of its obligations under the Modern Slavery Act 2015.

whg will only trade with those who fully comply with this policy or those who are taking verifiable steps towards compliance. We will assess any suspected instances of non-compliance on a case-by-case basis and take appropriate remedial action.

Our recruitment and people management systems are designed to ensure that all prospective employees are legally entitled to work in the UK and that there are mechanisms in place for colleagues to access support if they are experiencing any type of abuse once in our employment.

When signing up new tenants we undertake a robust process to ensure that they are who they say they are which includes background and identification checks. Our Housing Management Teams always investigate any allegations from customers or the wider community regarding potential tenancy fraud.

We are committed to raising awareness amongst colleagues about anti-slavery and human trafficking and have delivered workshops on this topic to a range of colleagues. This topic will continue to be a regular feature in our Equality, Diversity and Inclusion training plans.



BOARD STATEMENT ON COMPLIANCE WITH NHF CODE AND HCA GOVERNANCE AND FINANCIAL VIABILITY STANDARD

whg, the registered provider, has adopted and complies with the NHF Code of Governance. The subsidiaries have also adopted the sections of the Code that are relevant. One action for VIEW is to reduce the size of its Board to 12 members. This will be addressed through a General Meeting in September 2016.

whg has assessed its compliance with the Homes and Communities Agency's Governance and Financial Viability Standard and is fully compliant.

We use all reasonable endeavours to ensure compliance with all relevant law. An assessment has been carried out

across the business of how whg identifies and complies with relevant legislation and keeps abreast of any new areas requiring compliance. Our procedures ensure that we comply with statutory guidance in areas such as health and safety, for example Legionella testing and gas servicing.

whg has effective and robust governance arrangements in place that enable us to successfully deliver our Corporate Plan and improve our services to customers. Tight procedures are in place to ensure that we remain viable and that our assets are not put at risk.



STATEMENT OF BOARD RESPONSIBILITIES

The Board is responsible for preparing the Report of the Board and the Financial Statements in accordance with applicable law and regulations.

The Companies Act 2006 and the Housing Act 1996 require the directors to prepare Financial Statements for each financial year. Under that law the directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law, the directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the surplus or deficit of the Group and the Company for that period.

- In preparing those Financial Statements, the directors are required to:
- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards 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 Group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

DISCLOSURE OF INFORMATION TO THE AUDITOR

Each Member of the Board has taken all the steps required of them by the Board Member's duty to exercise due care, skill and diligence in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

AUDITOR

A resolution to appoint RSM UK Audit LLP, (formerly Baker Tilly UK Audit LLP) as the external auditor will be proposed at the forthcoming annual general meeting.

This report was approved by the Board and authorised for issue on 19 July 2016 and signed on its behalf by:

Chairman

Date

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WALSALL HOUSING GROUP LIMITED

We have audited the parent and Group Financial Statements of Walsall Housing Group Limited for the year ended 31 March 2016 (the "Financial Statements") on pages 73 to 131. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company'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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF BOARD AND AUDITOR

As explained more fully in the Board Responsibilities Statement set out on pages 68 to 70 the Board (who are also the directors of the company for the purposes of company

law) are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view.

We have been appointed auditors under the Companies Act 2006 and section 151 of the Charities Act 2011 and report in accordance with those Acts.

Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of Financial Statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

OPINION ON FINANCIAL STATEMENTS

In our opinion the Financial Statements:

- give a true and fair view of the state of the Group's and the parent company's affairs as at 31 March 2016 and of the group's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

OPINION ON OTHER REQUIREMENTS OF THE COMPANIES ACT 2006

In our opinion the information in the Strategic Report and the Report of the Board for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

GARY MORETON (*Senior Statutory Auditor*)

For and on behalf of RSM UK Audit LLP
(formerly Baker Tilly UK Audit LLP)

Statutory Auditor

Chartered Accountants

St Philips Point, Temple Row, Birmingham B2 5AF



CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2016	NOTE	2016 £000	2015 £000
Turnover	3	97,256	92,632
Operating expenditure		(66,617)	(71,503)
Operating surplus	5	30,639	21,129
Movement in fair value of investment properties	15	75	(281)
Surplus on disposal of property, plant and equipment	6	5,985	5,022
Interest receivable and other income	7	809	514
Interest and financing costs	8	(19,181)	(14,793)
Refinancing costs	8	-	(8,591)
Movement in fair value of financial instruments	25,34,35	(179)	(4,551)
Surplus / (deficit) for the year before tax		18,148	(1,551)
Taxation	11	(12)	(14)
Surplus / (deficit) for the year after tax		18,136	(1,565)
Remeasurements – Actuarial gain / (loss) in respect of pension schemes	26	4,773	(11,226)
Total comprehensive income / (expenditure) for the year		22,909	(12,791)

The consolidated Financial Statements were approved by the Board on 19 July 2016

Edmund Hughes
Chair

Gary Fulford
Group Chief Executive

*The consolidated results relate wholly to continuing activities.
The accompanying notes form part of these Financial Statements.*

COMPANY STATEMENT OF TOTAL COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2016	NOTE	2016 £000	2015 £000
Turnover	3	97,360	92,076
Operating expenditure		(66,391)	(71,220)
Operating surplus	5	30,969	20,856
Movement in fair value of investment properties	15	75	(281)
Surplus on disposal of property, plant and equipment	6	5,985	5,022
Interest receivable and other income	7	806	499
Interest and financing costs	8	(11,677)	(11,165)
Interest Payable to Group undertakings		(7,504)	(3,628)
Refinancing costs		-	(8,591)
Movement in fair value of financial instruments	25,34,35	(179)	(4,551)
Gift Aid		320	425
Surplus / (deficit) for the year		18,795	(1,414)
Remeasurements – Actuarial gain/(loss) in respect of pension schemes	26	4,773	(11,226)
Total comprehensive income / (expenditure) for the year		23,568	(12,640)

The Financial Statements were approved by the Board on 19 July 2016

Edmund Hughes
Chair

Gary Fulford
Group Chief Executive

*The company's results relate wholly to continuing activities.
The accompanying notes form part of these Financial Statements.*

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH 2016	INCOME AND EXPENDITURE RESERVE £000	TOTAL £000
Balance as at 1 April 2014	15,911	15,911
Total comprehensive (expenditure) for the year	(12,791)	(12,791)
Balance at 31 March 2015	3,120	3,120
Total comprehensive income for the year	22,909	22,909
Balance at 31 March 2016	26,029	26,029

COMPANY STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH 2016	INCOME AND EXPENDITURE RESERVE £000	TOTAL £000
Balance as at 1 April 2014	27,976	27,976
Total comprehensive (expenditure) for the year	(12,640)	(12,640)
Balance at 31 March 2015	15,336	15,336
Total comprehensive income for the year	23,568	23,568
Balance at 31 March 2016	38,904	38,904

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2016 COMPANY NO. 4015633	NOTE	2016 £000	2015 £000
Fixed Assets			
Intangible assets	12	1,485	1,258
Tangible fixed assets - Housing Properties	13	310,790	272,453
Tangible fixed assets - Other Fixed Assets	14	15,594	16,478
Investment properties	15	4,834	4,439
Homebuy loans receivable	16	137	137
Investments in subsidiaries	17	-	-
		332,840	294,765
Current Assets			
Properties held for sale	18	1,222	189
Stocks	19	124	108
Trade and other debtors	20	8,627	8,235
Investments	34	114,153	118,642
Cash and cash equivalents	34	9,423	23,103
		133,549	150,277
Creditors: Amounts falling due within one year	21	(37,271)	(23,851)
Net current assets		96,278	126,426
Total assets less current liabilities		429,118	421,191
Creditors: Amounts falling due after more than one year	22	390,577	403,412
Provisions for liabilities			
Defined Benefit Pension provision	26	10,438	13,025
Other provision	27	2,074	1,634
Total net assets		26,029	3,120
Reserves			
Income and expenditure reserve		26,029	3,120
Total Reserves		26,029	3,120

The accompanying notes form part of these Financial Statements.

The Financial Statements on pages 60 to 103 were approved by the Board and authorised for issue on 19 July 2016 and are signed on its behalf by:

Edmund Hughes
Chair

Gary Fulford
Group Chief Executive

COMPANY STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2016 COMPANY NO. 4015633	NOTE	2016 £000	2015 £000
Fixed Assets			
Intangible assets	12	1,485	1,258
Tangible fixed assets – Housing properties	13	328,380	289,749
Tangible fixed assets – other fixed assets	14	15,588	16,468
Investment properties	15	4,834	4,439
Homebuy loans receivable	16	137	137
Investment in subsidiaries	17	50	50
		350,474	312,101
Current Assets			
Properties for sale	18	1,222	189
Stocks	19	124	108
Trade and other debtors	20	9,019	9,398
Investments	34	110,614	114,620
Cash and cash equivalents	34	7,909	20,801
		128,888	145,116
Creditors: Amounts falling due within one year	21	(37,369)	(23,810)
Net current assets		91,519	121,306
Total assets less current liabilities		441,993	433,407
Creditors: Amounts falling due after more than one year	22	390,577	403,412
Provisions for liabilities			
Defined benefit Pension provision	26	10,438	13,025
Other provision	27	2,074	1,634
Total net assets		38,904	15,336
Reserves			
Income and expenditure reserve		38,904	15,336
Total Reserves		38,904	15,336

The accompanying notes form part of these Financial Statements.

The Financial Statements on pages 60 to 103 were approved by the Board and authorised for issue on 19 July 2016 and are signed on its behalf by:

Edmund Hughes
Chair

Gary Fulford
Group Chief Executive



CONSOLIDATED STATEMENT OF CASH FLOWS	NOTE	2016 £000	2015 £000
Net cash generated from operating activities	29	42,440	38,700
Cash flow from investing activities			
Purchase of tangible fixed assets		(52,746)	(40,793)
Proceeds from sale of tangible fixed assets		7,653	6,179
Grants received		3,038	11,053
Interest received		829	466
Cash acquired with subsidiary undertaking		-	5
		(41,226)	(23,090)
Cashflow from financing activities			
Interest paid		(19,383)	(15,412)
Refinancing costs paid		-	(8,591)
New secured bonds and loans		-	356,902
Repayments of borrowings		-	(223,346)
Increase in deposits		-	(109,703)
Withdrawal from deposits		4,489	-
		(14,894)	(150)
Net change in cash and cash equivalents		(13,680)	15,460
Cash and cash equivalents at beginning of the year		23,103	7,643
Cash and cash equivalents at end of the year		9,423	23,103

The accompanying notes form part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. LEGAL STATUS

Walsall Housing Group Limited is a company limited by guarantee, registered under the Companies Act 2006 and is an English registered social housing provider.

The address of the Company's registered office and principal place of business is:

100 Hatherton Street, Walsall WS1 1AB

Walsall Housing Group's principal activities can be found in the Corporate Plan and Strategic Aims on page 9. The nature of the Company's operations is described within this report on page 8.

2. ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The consolidated Financial Statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice (SORP): "Accounting by Registered Social Landlords" updated in 2014, and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015 (the Accounting Direction). They have been prepared under the historical cost convention, modified to include certain financial instruments at fair value.

Monetary amounts in these Financial Statements are rounded to the nearest whole £1,000, except where otherwise indicated.

The Board is satisfied that the current accounting policies are the most appropriate for the Group.

BASIS OF CONSOLIDATION

The consolidated Financial Statements incorporate those of the Company and all of its subsidiaries (i.e. entities that the Group controls though its power to govern the financial and operating policies so as to obtain economic benefits). All Financial Statements are made up to 31 March 2016.

All intra-Group transactions and balances between Group companies are eliminated on consolidation.

The wholly owned subsidiaries which are consolidated are:

- Visionary Investment Enhancing Walsall Limited (VIEW)
- whg Trading Company Limited
- whg Developments Limited
- whg Treasury PLC
- Buy For Good CIC.

BUSINESS COMBINATIONS

The cost of a business combination is the fair value at the acquisition date, of the assets given, equity instruments

issued and liabilities incurred or assumed, plus costs directly attributable to the business combination.

The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

PROVISIONAL FAIR VALUES

Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date.

REDUCED DISCLOSURES

The individual accounts of Walsall Housing Group Limited have adopted the following disclosure exemptions:

- the requirement to present a statement of cash flows and related notes
- financial instrument disclosures, including:
 - categories of financial instruments,
 - items of income, expenses, gains or losses relating to financial instruments, and
 - exposure to and management of financial risks.

CHANGE TO NEW UK GAAP

This is the first year in which the Financial Statements have been prepared under FRS 102. The Financial Statements of Walsall Housing Group Limited for the year ended 31 March 2015 were prepared in accordance with UK GAAP and SORP 2010, and complied with the Accounting Direction 2012. An explanation of how FRS102 has affected the reported financial position and financial performance is given in note 35. Comparative figures have been restated to reflect the adjustments made, except to the extent that the directors have taken advantage of exemptions to retrospective application of FRS 102 permitted by Chapter 35 'Transition to this FRS'. Adjustments are recognised directly in reserves at the transition date.

Under FRS 102, the Statement of Cash Flows presents changes in cash and cash equivalents (which include cash in hand, deposits repayable on demand and overdrafts and short-term, highly liquid investments), showing changes arising from operating activities, investing activities and financing activities separately. Under previous UK GAAP, the Cash Flow Statement presented changes in cash (which includes cash in hand, deposits repayable on demand and overdrafts) under the headings of operating activities, returns on investments and servicing of finance, taxation, capital expenditure and financial investment, acquisitions and disposals, equity dividends paid, management of liquid resources and financing.

CHANGE IN ACCOUNTING ESTIMATE

Boilers are now considered to be a component of the property to be depreciated separately for depreciation purposes, assuming an expected useful economic life of 10 years. In 2015/16 this expenditure totalled £295k which has been

included within Tangible Fixed Assets - Housing Properties in the Statement of Financial Position. Previously this would have been accounted for as revenue expenditure and included within the Statement of Comprehensive Income (SOC1).

GOING CONCERN

The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. The Group has in place long-term debt facilities, which provide adequate resources to finance committed reinvestment and development programmes, along with the Group's day to day operations. The Group also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

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

TURNOVER AND REVENUE RECOGNITION

Turnover represents rental income receivable in the year, grant income, service charges, first tranche shared ownership sales and other goods and services supplied in the year (excluding VAT), grants receivable in the year and the amortisation of Deferred Capital Grant.

Rental income is recognised from the point when properties under development reach practical completion or otherwise

become available for letting, net of any voids. Income from first tranche sales and sales of properties built for sale is recognised at the legal completion of the sale.

OTHER INCOME

Interest income is accrued on a time-apportioned basis, by reference to the principle outstanding at the effective interest rate.

Investment income is recognised on an accruals basis.

INTANGIBLE FIXED ASSETS

Intangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided evenly on the cost of intangible fixed assets to write them down to their estimated residual values over their expected useful lives. The principal period used for intangible assets is seven years.

TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

Housing properties are properties for the provision of social housing and are principally properties available for rent and shared ownership.

Completed housing and shared ownership properties are stated at cost less accumulated depreciation and impairment losses.

Cost includes the cost of acquiring land and buildings, and expenditure incurred during the development period. Only the direct overhead costs including interest associated with new developments or improvements are capitalised.

Housing properties are transferred at cost to completed properties when they are ready for letting.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that enhance the economic benefits of the asset, are capitalised as improvements. Such enhancements can occur if improvements result in either:

- an increase in rental income;
- a material reduction in future maintenance costs;
- a significant extension to the life of the property.

Shared ownership properties are split proportionally between fixed assets and current assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds are included in turnover and related costs charged to operating costs. The remaining element is classed as a fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment. Disposals of the second and subsequent tranches are treated as fixed asset disposals in the normal manner and the resultant surplus is shown within "surplus/(deficit) on disposal of property, plant and equipment". Where the first tranche has been sold prior to the acquisition of the properties, these are included in fixed assets only.

Under shared ownership arrangements, the Group disposes of a long lease of shared ownership housing units to persons who occupy them, at a premium of between 25% and 75% of value. The occupier has the right to purchase further proportions at the current valuation up to 100%.

DISPOSAL PROCEEDS FUND

Net proceeds of Right to Acquire sales are credited to a Disposal Proceeds Fund in line with the Housing Act 1996. Interest is accrued at a rate specified by the Regulator and the Fund is applied for authorised purposes only, i.e. the provision of social housing dwellings for lettings.

INVESTMENT PROPERTIES

Investment properties consist of market rent housing properties. These properties are initially measured at cost and subsequently measured at fair value whilst a reliable measure of fair value is available without undue cost or effort. Changes in fair value are recognised in the SOC1.

The Companies Act 2006 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in FRS 102. The Board consider that, because investment properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view.

If this departure from the Companies Act 2006 had not been made in order to give a true and fair view, the profit for the financial year would have been reduced by depreciation. However the amount of depreciation cannot reasonably be quantified because depreciation is only one of many factors reflected in the annual valuation and the amount relating to the depreciation of the property cannot be separately identified.

GOVERNMENT GRANTS

Government grants include grants receivable from the Homes and Communities Agency (HCA), local authorities and other Government bodies.

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants received for housing properties are recognised in income over the useful life of the housing property structure and, where applicable, its individual components (excluding land) under the accruals model. Government grants relating to revenue are recognised in income over the same period as the expenditure to which they relate once reasonable assurance has been gained that the entity will comply with the conditions and that the funds will be received. Grants due from government organisations or received in advance are included as current assets or liabilities. Government grants received for housing properties are subordinated to the repayment of loans by agreement with the HCA. Government grants released on sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the statement of financial position in creditors. Previously amortised SHG on disposed of properties is credited to the RCGF through a charge to the surplus on disposal.

If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income. Where individual components are disposed of and this does not

create a relevant event for recycling purposes, any grant which has been allocated to the component is released to income and expenditure. Upon disposal of the associated property, the Group is required to recycle these proceeds and recognise them as a liability.

OTHER GRANTS

Grants received from non-Government sources are recognised using the performance model. A grant which does not impose specified future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions on the Company is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

DEPRECIATION OF HOUSING PROPERTIES

Freehold land or assets under construction are not depreciated.

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

The Group depreciates the major components of its housing properties based on the following:

BUILDING COMPONENTS	YEARS
Structure	100
Windows	30
Kitchen	20
Bathroom	30
Central Heating	30
Boilers	10
Wiring	25
External Wraps	40

IMPAIRMENTS OF FIXED ASSETS

An assessment is made at each reporting date of whether there are indications that a fixed asset (including housing properties) may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the recoverable amount of the asset is estimated.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use of the asset based on its service potential, are recognised as impairment losses in income and expenditure.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in the SOCI. On reversal of an impairment loss, the depreciation or amortisation is

adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

OTHER TANGIBLE FIXED ASSETS

Tangible fixed assets are initially measured at cost, net of depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets, other than freehold land and investment properties, at rates calculated to write off the cost or valuation of each asset to its estimated residual value on a straight line basis over its expected useful life, as follows:

OTHER ASSETS	YEARS
Office Buildings	50
IT	7
Furniture & Office Equipment	10
Motor Vehicles	4
Office Improvements	4

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

Properties in the course of construction are carried at cost, less any identified impairment loss. Cost includes professional fees and other directly attributable costs that are necessary to bring the property to its operating condition. Depreciation commences when the properties are ready for their intended use.

BORROWING COSTS

General and specific borrowing costs directly attributable to the acquisition and construction of qualifying properties are added to the cost of those properties until such a time as the properties are ready for their intended use or sale.

Bond discount costs are accrued on an amortised cost basis so as to build up the total discount payable in proportion to the outstanding capital over the life of the bond.

Loan and bond issue costs are deducted from the capital owed and amortised using the amortised cost basis so as to charge them to income in proportion to the outstanding capital.

STOCKS

Stocks are valued at the lower of cost and net realisable value.

TAXATION

Walsall Housing Group Limited has charitable status and is registered with the Charities Commission and is therefore exempt from paying corporation tax on charitable activities.

whg Trading Company Limited, whg Developments Limited, whg Treasury PLC and Buy For Good CIC are not registered as charities and therefore corporation tax would be provided on tax surpluses should they arise.

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it

is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is recognised when income or expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:

- the Group is able to control the reversal of the timing difference; and
- It is probable that the timing difference will not reverse in the foreseeable future.

A deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of assets and liabilities that are recognised in a business combination. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the Group has a legally enforceable right to set off current tax assets against current tax liabilities, and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

VALUE ADDED TAX (VAT)

The Company and the Group are included in a Group VAT registration, which covers Walsall Housing Group Limited, Visionary Investment Enhancing Walsall Limited and whg Trading Company Limited. whg Developments Limited and Buy For Good CIC each have separate registrations. whg Treasury PLC is not registered for VAT.

The majority of the Group expenditure is subject to VAT which cannot be reclaimed. Expenditure is therefore shown inclusive of VAT.

Although a large proportion of the Group's income is exempt from VAT, the Group charges VAT on some of its income and is able to recover VAT on directly attributable costs. The Company and the Group are able to recover VAT in full on major works expenditure covered by the VAT shelter and development expenditure carried out through whg Developments Limited. This expenditure is reported net of VAT.

The Group is also able to recover part of the VAT it incurs on overhead expenditure in line with a partial exemption method agreed with HM Revenue and Customs (HMRC), which is shown in turnover.

The Financial Statements include VAT to the extent that it is suffered by the Group and not recoverable from HMRC. The balance of VAT payable or recoverable at the year end is included as a current liability or asset.

INTEREST PAYABLE

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

- interest on borrowings specifically financing the development programme after deduction of related grants received in advance; or
- a fair amount of interest on borrowings of the Company as a whole after deduction of social housing grant received in advance to the extent that they can be deemed to be financing the development programme.

Capitalised interest is amortised over the life of the underlying asset.

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

LEASES

All leases are operating leases and the annual rentals are charged to income and expenditure on a straight line basis over the lease term. Rent free periods or other incentives received for entering into an operating lease are accounted for as a reduction to the expense and are recognised, on a straight-line basis over the lease term.

EMPLOYEE BENEFITS

The costs of short-term employee benefits are recognised as a liability and an expense.

The holiday year for Walsall Housing Group runs from 1 January – 31 December. The cost of any unused entitlement at 31 March is recognised in the period in which the employee's services are received.

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when whg is demonstrably committed to terminate the employment of the employee or to provide termination benefits.

RETIREMENT BENEFITS

DEFINED BENEFIT PLANS

The Group participates in two funded multi-employer defined benefit schemes, the Social Housing Pension Scheme (SHPS) which is administered independently by the Pensions Trust, and the West Midlands Metropolitan Authorities Pension Fund (WMMAPF), a multi-employer scheme with more than one participating employer and administered under the regulations governing the Local Government Pension Scheme (LGPS).

SHPS

For the SHPS, retirement benefits to employees of the Company are funded by contributions from all participating employers and employees in the Scheme. Payments are made to a fund operated by the Pensions Trust, an independent trust providing superannuation benefits for employees of voluntary organisations. These payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating Companies taken as a whole.

Contributions are recognised in the SOCI in the period to which they relate as there is insufficient information available to use defined benefit accounting. A liability is recognised for contributions arising from an agreement with the multi-employer plan that determines how the Group will fund a deficit. Contributions are discounted when they are not expected to be settled wholly within 12 months of the period end.

The rate used to discount the benefit obligations to their present value is based on market yields for high quality corporate bonds with terms and currencies consistent with those of the benefit obligations.

LGPS

The scheme is administered by trustees and is independent of the Group finances. Contributions are paid to the scheme in accordance with the recommendations of an independent actuary to enable the trustees to meet from the scheme the benefits accruing in respect of current and future service. The cost of providing benefits is determined using the projected unit credit method.

The net defined benefit asset/liability represents the present value of the defined benefit obligation minus the fair value of plan assets out of which obligations are to be settled. Any asset resulting from this calculation is limited to the present value of available refunds or reductions in future contributions to the plan.

Surpluses or deficits recognised in the statement of comprehensive income:

- The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost
- The cost of plan introductions, benefit changes, settlements and curtailments are recognised as incurred.
- Net interest on the defined benefit asset/liability comprises the interest cost on the defined benefit obligation and interest income on plan assets, calculated by multiplying the fair value of the plan assets at the beginning of the period by the rate to discount the benefit obligations.

Surpluses or deficits recognised in other comprehensive income:

- Actuarial surpluses and deficits.
- The difference between the interest income on the plan assets and the actual return on the plan assets.

HOME BUY

The Group operates the Homebuy scheme, lending a percentage of the cost to home purchasers, secured on the property. Homebuy loans are treated within these Financial Statements as concessionary loans. The loans are interest

free and repayable only on the sale of the property. No Homebuy grant has been received by the Company. On a sale, the fixed percentage of the proceeds is repaid. Therefore, no impairment exists at the reporting date.

FINANCIAL INSTRUMENTS

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised historic cost model.

Non-basic financial instruments are recognised at fair value using a valuation technique provided by the lenders with any gains or losses being reported in surplus or deficit.

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument, and are offset only when the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

FINANCIAL ASSETS

DEBTORS

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a trade debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

A provision for impairment of debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in income or expenditure.

FINANCIAL LIABILITIES

TRADE CREDITORS

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

BORROWINGS

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest

method and is included in interest payable and other similar charges.

Commitments to receive a loan are measured at cost less impairment.

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

DERIVATIVES

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to fair value, at each reporting date. Fair value gains and losses are recognised in income or expenditure.

PROVISIONS

The Group recognises provisions where it has an obligation at the reporting date as a result of a past event, which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on

the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

Due to the numbers of properties and the establishment of regular programmes of repair and maintenance, the Group does not make a provision for future works. Actual costs are charged to the Statement of Comprehensive Income.

CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

DEFINED BENEFIT OBLIGATION (DBO) – WMMAPF

whg's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analysed in Note 26). The liability at 31 March 2016 was £10.4m.

PENSION DEFICIT PAYMENT PROVISION - SHPS

For SHPS, the rate used to discount the schedule of pension deficit payments to their present value is based upon market yields for high quality corporate bonds with terms consistent with those of the benefit obligations. Our commitment to the SHPS of £524k for the next 11 years has been discounted at a rate of 2.06% amounting to a net present value of £480k at 31 March 2016.

FAIR VALUE MEASUREMENT

whg uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices. Fair value measurements were applied to the eight callable swaps which had options in the year. The total value of this instrument was £14.7m at 31 March 2016.

USEFUL LIVES OF DEPRECIABLE ASSETS

whg reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to decent homes standards which may require more frequent replacement of key components. Accumulated depreciation at 31 March 2016 was £86.4m.

CRITICAL AREAS OF JUDGEMENT

IMPAIRMENT

From 1 April 2016, Walsall Housing Group has reduced social housing rents by one per cent per annum and will continue to do so in each year until 2019/20 in accordance with the Housing and Planning Act 2016.

Despite cost efficiency savings and other changes to the business, compliance with the new rent regime has resulted in a loss of net income for certain social housing property. This is a trigger for impairment.

As a result, we estimated the recoverable amount of its housing properties as follows:

- determined the level at which recoverable amount is to be assessed (ie, the asset level or cash generating unit (CGU) level). The CGU level was determined to be an individual scheme
- estimated the recoverable amount of the cash-generating unit
- calculated the carrying amount of the cash-generating unit and
- compared the carrying amount to the recoverable amount to determine if an impairment loss has occurred.

Based on this assessment, we have concluded that there is no impairment of our social housing properties.

CAPITALISATION OF PROPERTY DEVELOPMENT COSTS

Distinguishing the point at which a project is more than likely not to continue, allowing capitalisation of associated development costs requires judgement. After capitalisation

whg monitors the asset and considers whether changes indicate that impairment is required.

LEASES

In categorising leases as finance leases or operating leases, management makes judgements as to whether significant risks and rewards of ownership have transferred to the Company as lessee, or the lessee, where the Company is a lessor.

3A. PARTICULARS OF TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

2016	TURNOVER £000	COST OF SALES £000	OPERATING EXPENDITURE £000	OPERATING SURPLUS £000
GROUP – CONTINUING ACTIVITIES				
Social housing lettings	92,657	-	61,197	31,460
Other social housing activities				
First tranche low cost home ownership sales	413	275	-	138
Charges for support services	-	-	380	(380)
Development costs	-	-	505	(505)
Other social housing grants	207	-	186	21
VAT recoverable	986	-	-	986
Other social housing	792	-	264	528
	95,055	275	62,532	32,248
Activities other than Social Housing				
Non social housing lettings	796	-	135	661
Non social housing grants	307	-	1,402	(1,095)
Other non social housing	1,098	-	482	616
Defined benefit pension costs	-	-	1,791	(1,791)
	97,256	275	66,342	30,639

3B. PARTICULARS OF TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

2016	TURNOVER £000	COST OF SALES £000	OPERATING EXPENDITURE £000	OPERATING SURPLUS £000
COMPANY – CONTINUING ACTIVITIES				
Social housing lettings	92,957	-	61,347	31,610
Other social housing activities				
First tranche low cost home ownership sales	413	275	-	138
Charges for support services	-	-	380	(380)
Development costs	-	-	505	(505)
Other social housing grants	207	-	186	21
VAT recoverable	986	-	-	986
Other social housing	1,013	-	260	753
	95,576	275	62,678	32,623
Activities other than Social Housing				
Non social housing lettings	796	-	135	661
Non social housing grants	699	-	1,402	(703)
Other non social housing	289	-	110	179
Defined benefit pension costs	-	-	1,791	(1,791)
	97,360	275	66,116	30,969

In the Group and Company commercial properties income previously disclosed in non social housing turnover has been reclassified to other social housing turnover £161k (2015: £154k) as they are only held for social benefit and not classed as investment properties. Leaseholder service charge income previously disclosed in non social housing turnover has been reclassified to low cost home ownership under social housing £549k (2015: £508k)

2015	TURNOVER £000	COST OF SALES £000	OPERATING EXPENDITURE £000	OPERATING SURPLUS £000
COMPANY – CONTINUING ACTIVITIES				
Social housing lettings	88,854	-	66,870	21,984
Other social housing activities				
First tranche low cost home ownership sales	-	-	-	-
Charges for support services	-	-	225	(225)
Development costs	-	-	559	(559)
Other social housing grants	81	-	-	81
VAT recoverable	48	-	-	48
Other social housing	1,120	-	455	665
	90,103	-	68,109	21,994
Activities other than Social Housing				
Non social housing lettings	786	-	126	660
Non social housing grants	822	-	1,773	(951)
Other non social housing	365	-	118	247
Defined benefit pension costs	-	-	1,094	(1,094)
	92,076	-	71,220	20,856

3C. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

GROUP	2016				2015
	GENERAL NEEDS HOUSING £000	SUPPORTED HOUSING AND HOUSING FOR OLDER PEOPLE £000	LOW COST HOME OWNERSHIP £000	TOTAL £000	TOTAL £000
Rent receivable net of identifiable service charges	87,913	256	14	88,183	84,609
Service charge income	3,310	79	549	3,938	3,601
Amortised government grants	536	-	-	536	644
Turnover from social housing lettings	91,759	335	563	92,657	88,854
Management	14,279	19	163	14,461	13,247
Service charge costs	4,157	6	289	4,452	4,883
Routine maintenance	7,891	11	-	7,902	10,888
Planned maintenance	14,149	19	-	14,168	12,703
Major repairs expenditure	9,164	12	-	9,176	14,928
Bad debts	714	1	124	839	1,239
Depreciation of housing properties	10,183	14	2	10,199	8,830
Operating expenditure on social housing lettings	60,537	82	578	61,197	66,718
Operating surplus/(deficit) on social housing lettings	31,222	253	(15)	31,460	22,136
Void losses	(660)	(3)	-	(663)	(988)

3D. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

COMPANY	2016				2015
	GENERAL NEEDS HOUSING £000	SUPPORTED HOUSING AND HOUSING FOR OLDER PEOPLE £000	LOW COST HOME OWNERSHIP £000	TOTAL £000	TOTAL £000
Rent receivable net of identifiable service charges	87,913	256	14	88,183	84,609
Service charge income	3,310	79	549	3,938	3,601
Amortised government grants	536	-	-	536	644
Non government grant	300	-	-	300	-
Turnover from social housing lettings	92,059	335	563	92,957	88,854
Management	14,279	19	163	14,461	13,247
Service charge costs	4,157	6	289	4,452	4,883
Routine maintenance	7,891	11	-	7,902	10,888
Planned maintenance	14,149	19	-	14,168	12,703
Major repairs expenditure	9,164	12	-	9,176	14,928
Bad debts	714	1	124	839	1,239
Depreciation of housing properties	10,333	14	2	10,349	8,982
Operating expenditure on social housing lettings	60,687	82	578	61,347	66,870
Operating surplus/(deficit) on social housing lettings	31,372	253	(15)	31,610	21,984
Void losses	(660)	(3)	-	(663)	(988)

3E. PARTICULARS OF TURNOVER FROM NON-SOCIAL HOUSING LETTINGS

GROUP AND COMPANY	2016 £000	2015 £000
Market rented housing properties	311	290
Garage rents	485	496
	<u>796</u>	<u>786</u>

4. ACCOMMODATION IN MANAGEMENT AND DEVELOPMENT

At the end of the year accommodation in management for each class of accommodation was as follows:

GROUP AND COMPANY SOCIAL HOUSING	2016 NUMBER	2015 NUMBER
General housing:		
- social rent	18,343	18,413
- affordable rent	917	738
Supported housing	110	30
Housing for older people	0	17
Low cost home ownership	17	4
Total owned	19,387	19,202
Leasehold properties	577	565
Total managed	19,964	19,767
Non-social housing		
Market rented housing properties	56	51
Total owned and managed	56	51
Accommodation in development at the year end	868	384

The Group owns nine general needs homes (2015:9) that are managed on its behalf, under management agreements, by Heantun Housing Association.

The Group owns 45 commercial properties (2015:45) that are managed on its behalf, under management agreements, by Walsall Council.

5. OPERATING SURPLUS

The operating surplus is arrived at after charging/(crediting):

	GROUP		COMPANY	
	2016 £000	2015 £000	2016 £000	2015 £000
Amortisation of deferred capital grant	(545)	(654)	(545)	(654)
Non government grant	-	-	(300)	-
Amortisation of intangible fixed assets	270	204	270	204
Depreciation of housing properties	10,199	8,837	10,349	8,985
Depreciation of other tangible fixed assets	1,285	1,105	1,285	1,105
Operating lease rentals:				
- land and buildings	69	39	49	39
- vehicles and equipment	1,475	1,518	1,475	1,518
Auditors' remuneration (excluding VAT)				
- Fees payable to the Company's auditors for the audit of the Financial Statements	77	51	77	51
- Fees payable to the Company's auditors for other services:				
Audit of the Financial Statements of subsidiaries	10	14	-	-
Transition to FRS 102	10	-	10	-
Total audit services	97	65	87	51
- Tax compliance services	6	6	6	6
- All other services	-	74	-	74
Total non-audit services	6	80	6	80

VAT recovery of £986k has been received from HMRC covering the period from 1 April 2012 to 31 March 2016. The credit is a culmination of joint working with HMRC over the last four years to agree a partial exemption method which is representative of the Group's activities.

6. SURPLUS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

GROUP AND COMPANY	2016 £000	2015 £000
Disposal proceeds	6,917	6,179
Carrying value of fixed assets	(888)	(1,187)
Other costs of sale	(44)	30
Surplus on disposal	5,985	5,022
Disposal proceeds fund (note 24)	780	746
	<u>6,765</u>	<u>5,768</u>

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	GROUP		COMPANY	
	2016 £000	2015 £000	2016 £000	2015 £000
Interest receivable and similar income	809	495	806	480
Net interest receivable West Midlands Pension Fund	-	19	-	19
	809	514	806	499

8. INTEREST AND FINANCING COSTS

	GROUP		COMPANY	
	2016 £000	2015 £000	2016 £000	2015 £000
Net interest payable West Midlands Pension Fund	395	-	395	-
Net interest payable SHPS	7	12	7	12
Bank interest	11,835	11,769	11,835	11,770
Bond Interest and finance costs	7,438	3,597	7,453	3,615
Amortisation of issue costs	51	24	51	13
Bond coupon discount	15	8	0	-
	19,741	15,410	19,741	15,410
Interest payable capitalised on housing properties under construction	(560)	(617)	(560)	(617)
	19,181	14,793	19,181	14,793
Refinancing costs (loan breakage costs)	-	8,591	-	8,591
	19,181	23,384	19,181	23,384
Capitalisation rate used to determine the finance costs capitalised during the period	5.35%	5.34%	5.35%	5.34%

On 6 October 2014, Walsall Housing Group Limited borrowed £175m from the capital markets through its subsidiary whg Treasury PLC, via a 31 year, 4.25% coupon bond issue. Some of the proceeds were used to pay fixed term bank loans, which incurred £8.6m in loan agreement breakage costs in the prior year.

9. EMPLOYEES

Average monthly number of employees expressed as full time equivalents (calculated based on a standard working week of 37 hours):

GROUP AND COMPANY	2016	2015
Administration	132	129
Development	10	8
Housing, support and care	510	504
	652	641

The full time equivalent number of staff who received remuneration (including Directors).

	2016	2015
£60,000 - £70,000	13	5
£70,001 - £80,000	14	1
£80,001 - £90,000	3	1
£100,001 - £110,000	1	2
£110,001 - £120,000	3	3
£120,001 - £130,000	0	1
£130,001 - £140,000	1	0
£150,001 - £160,000	1	0
£160,001 - £170,000	0	1
£170,001 - £180,000	1	1

The increased figures for the year ended 2016 include redundancy payments, along with salary payments made to a number of colleagues that have left the business as a result of organisational restructure.

EMPLOYEE COSTS	2016 £000	2015 £000
Wages and salaries	20,600	19,121
Social security costs	1,654	1,607
Other pension costs	4,207	3,401
	26,461	24,129
Restructuring costs	1,792	570
	28,253	24,699

The Company's employees are members of the West Midlands Pension Scheme (WMPS) or of the Social Housing Pension Scheme (SHPS). Further information on each scheme is given in note 26.

10. KEY MANAGEMENT PERSONNEL

The Directors are defined for the purpose of this note as the Members of the Board and Executive Directors of the Group, the latter having executive responsibility. This satisfies the definition included in the Accounting Direction for Private Registered Providers of Social Housing 2015.

The aggregate remuneration for key management personnel charged in the year is:

GROUP AND COMPANY	2016 £000	2015 £000
Basic salary	608	649
Benefits in kind	72	75
Pension contributions	83	88
	<u>763</u>	<u>812</u>

The Group Chief Executive is an ordinary member of the West Midlands Pension Scheme. No enhanced or special terms apply. The Group does not make any further contribution to an individual pension arrangement for the Group Chief Executive.

The number of Directors to whom retirement benefits are accruing under defined benefit schemes was 5 (2015: 5)

During the year, the aggregate compensation for loss of office of key management personnel was £40k (2015: £63.5k).

None of the Board Members received emoluments. The emoluments of the highest paid Director, the Group Chief Executive are shown below:

HIGHEST PAID DIRECTOR	2016 £000	2015 £000
Remuneration	182	161
Accrued pension at year end	22	20
	<u>204</u>	<u>181</u>

The remuneration payable to the Group Chief Executive was reviewed from April 2015 following an independent market evaluation carried out by an external consultancy.

11. TAXATION

All active Group companies except whg Trading Company Limited, whg Developments Limited, whg Treasury PLC and Buy for Good CIC are registered as charitable with HMRC and as such benefit from charitable tax exemptions.

	2016 £000	2015 £000
Current tax		
UK corporation tax	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	12	14
Total deferred tax	12	14
Total tax on surplus on ordinary activities	<u>12</u>	<u>14</u>

	2016 £000	2015 £000
Surplus/(deficit) on ordinary activities before tax	18,148	(1,551)
Surplus/(deficit) on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 20% (2015: 20%)	3,630	(310)
Exempt charitable activities	(3,615)	321
Capital allowances in excess of depreciation	(12)	(14)
Utilisation of tax losses	(3)	3
Current tax charge for the year	-	-

12. INTANGIBLE FIXED ASSETS

GROUP AND COMPANY	IT SOFTWARE £000
Cost	
At 1 April 2015	3,052
Additions	98
Work in progress	527
Costs written off	(128)
Disposals	(256)
At 31 March 2016	3,293
Depreciation	
At 1 April 2015	1,794
Charged in the year	270
Released on disposal	(256)
At 31 March 2016	1,808
Net book value	
At 31 March 2016	1,485
At 31 March 2015	1,258

13. FIXED ASSETS – HOUSING PROPERTIES

GROUP – HOUSING PROPERTIES	SOCIAL HOUSING PROPERTIES HELD FOR LETTING £000	HOUSING PROPERTIES FOR LETTING UNDER CONSTRUCTION £000	COMPLETED SHARED OWNERSHIP HOUSING PROPERTIES £000	SHARED OWNERSHIP HOUSING PROPERTIES UNDER CONSTRUCTION £000	TOTAL HOUSING PROPERTIES £000
Cost					
At 1 April 2015 restated	325,033	14,873	274	188	340,368
Additions	98	33,683	-	1,315	35,096
Properties acquired	2,045	-	-	-	2,045
Component additions	8,730	3,376	-	-	12,106
Components completed	7,264	(7,264)	-	-	-
Interest capitalised	-	560	-	-	560
Schemes completed	27,197	(27,197)	740	(740)	-
Reclassification to investment properties	(253)	(5)	-	-	(258)
Property disposals	(1,246)	-	-	-	(1,246)
Costs written off	-	(129)	-	-	(129)
Component disposals	(683)	-	-	-	(683)
At 31 March 2016	368,185	17,897	1,014	763	387,859
Depreciation and impairment					
At 1 April 2015 restated	67,825	-	90	-	67,915
Depreciation charged in year	10,193	-	2	-	10,195
Released on disposal – components	(683)	-	-	-	(683)
Released on disposal – properties	(358)	-	-	-	(358)
At 31 March 2016	76,977	-	92	-	77,069
Net book value					
At 31 March 2016	291,208	17,897	922	763	310,790
At 31 March 2015 restated	257,208	14,873	184	188	272,453

COMPANY – HOUSING PROPERTIES	SOCIAL HOUSING PROPERTIES HELD FOR LETTING £000	HOUSING PROPERTIES FOR LETTING UNDER CONSTRUCTION £000	COMPLETED SHARED OWNERSHIP HOUSING PROPERTIES £000	SHARED OWNERSHIP HOUSING PROPERTIES UNDER CONSTRUCTION £000	TOTAL HOUSING PROPERTIES £000
Cost					
At 1 April 2015 restated	343,207	14,997	274	188	358,666
Additions	98	34,126	-	1,315	35,539
Properties acquired	2,045	-	-	-	2,045
Component additions	8,730	3,376	-	-	12,106
Components completed	7,264	(7,264)	-	-	-
Interest capitalised	-	560	-	-	560
Schemes completed	27,385	(27,385)	740	(740)	-
Reclassification to investment properties	(253)	(5)	-	-	(258)
Property disposals	(1,246)	-	-	-	(1,246)
Costs written off	-	(129)	-	-	(129)
Component disposals	(683)	-	-	-	(683)
At 31 March 2016	386,547	18,276	1,014	763	406,600
Depreciation and impairment					
At 1 April 2015 restated	68,827	-	90	-	68,917
Depreciation charged in year	10,342	-	2	-	10,344
Released on disposal - properties	(358)	-	-	-	(358)
Released on disposal – components	(683)	-	-	-	(683)
At 31 March 2016	78,128	-	92	-	78,220
Net book value					
At 31 March 2016	308,419	18,276	922	763	328,380
At 31 March 2015 restated	274,380	14,997	184	188	289,749

13. FIXED ASSETS – HOUSING PROPERTIES - CONTINUED

HOUSING PROPERTIES BOOK VALUE NET OF DEPRECIATION COMPRISES

	GROUP		COMPANY	
	2016 £000	2015 £000	2016 £000	2015 £000
Freehold land and buildings	307,759	270,713	325,349	288,009
Leasehold buildings	1,346	1,366	1,346	1,366
Shared ownership	1,685	374	1,685	374
	310,790	272,453	328,380	289,749

EXPENDITURE ON WORKS TO EXISTING PROPERTIES

	GROUP		COMPANY	
	2016 £000	2015 £000	2016 £000	2015 £000
Components capitalised	12,106	12,991	12,106	12,991
Amounts charged to income and expenditure	9,176	14,928	9,176	14,928
	21,282	27,919	21,282	27,919

Assets held in the Company include an uplift in the net book value of assets transferred from its subsidiaries arising from the Group restructure in January 2009. This has been eliminated on consolidation.

SOCIAL HOUSING ASSISTANCE

SOCIAL HOUSING ASSISTANCE	GROUP		COMPANY	
	2016 £000	2015 £000	2016 £000	2015 £000
Total accumulated social housing grant received or receivable at 31 March	41,587	36,350	43,527	37,428
Recognised in the Statement of Comprehensive Income	(3,050)	(2,507)	(4,425)	(3,585)
Held as deferred Income	38,537	33,843	39,102	33,843

FINANCE COSTS

FINANCE COSTS	GROUP		COMPANY	
	2016 £000	2015 £000	2016 £000	2015 £000
Aggregate amount of finance costs included in the cost of housing properties	2,186	1,626	2,186	1,626

IMPAIRMENT

The Group considers individual schemes to be separate Cash Generating Units (CGU) when assessed for impairment, in accordance with the requirements of Financial Reporting 102 and SORP 2014. Where this is not possible, individual homes are considered as separate CGUs for the assessment of impairment.

The Group recognised the introduction of the Welfare Reform and Work Act 2016 to be an impairment trigger and accordingly has undertaken an impairment assessment to compare the carrying value of the CGUs to their estimated recoverable amounts. The Group has determined that no impairment has occurred.

14. TANGIBLE FIXED ASSETS – OTHER

GROUP	OFFICES £000	FURNITURE FIXTURES AND FITTINGS £000	COMPUTERS & OFFICE EQUIPMENT £000	COMPUTERS WIP £000	MOTOR VEHICLES £000	TOTAL £000
Cost						
At 1 April 2015	14,744	2,373	6,761	3	62	23,943
Additions	137	98	108	53	-	396
Reclassifications	158	(158)	-	-	-	-
Costs written off	(24)	(12)	-	-	-	(36)
Disposals	-	(5)	(1,212)	-	-	(1,217)
At 31 March 2016	15,015	2,296	5,657	56	62	23,086
Depreciation						
At 1 April 2015	2,736	430	4,247	-	52	7,465
Charged in the year	275	340	620	-	4	1,239
Released on disposal	-	-	(1,212)	-	-	(1,212)
At 31 March 2016	3,011	770	3,655	-	56	7,492
Net book value						
At 31 March 2016	12,004	1,526	2,002	56	6	15,594
At 31 March 2015	12,008	1,943	2,514	3	10	16,478

14. TANGIBLE FIXED ASSETS – OTHER - CONTINUED

COMPANY	OFFICES £000	FURNITURE FIXTURES AND FITTINGS £000	COMPUTERS & OFFICE EQUIPMENT £000	COMPUTERS WIP AND OFFICE EQUIPMENT £000	MOTOR VEHICLES £000	TOTAL £000
Cost						
At 1 April 2015 restated	14,743	2,367	6,759	3	62	23,934
Additions	138	98	109	53	-	398
Transfer between type	158	(158)	-	-	-	-
Costs written off	(23)	(12)	-	-	-	(35)
Disposals	-	(5)	(1,212)	-	-	(1,217)
At 31 March 2016	15,016	2,290	5,656	56	62	23,080
Depreciation						
At 1 April 2015 restated	2,736	430	4,248	-	52	7,466
Charged in the year	276	340	618	-	4	1,238
Released on disposal	-	-	(1,212)	-	-	(1,212)
At 31 March 2016	3,012	770	3,654	-	56	7,492
Net book value						
At 31 March 2016	12,004	1,520	2,002	56	6	15,588
At 31 March 2015	12,007	1,937	2,511	3	10	16,468

15. INVESTMENT PROPERTIES

GROUP AND
COMPANY

	NON SOCIAL HOUSING PROPERTIES HELD FOR LETTING 2016 £000	NON SOCIAL HOUSING PROPERTIES HELD FOR LETTING 2015 £000
At 1 April	4,439	4,631
Additions	320	89
Revaluation	75	(281)
At 31 March	4,834	4,439

The Company owns a small portfolio of market rented properties which were previously reported at book value. Under FRS 102 these properties are accounted for at fair value. The Company undertook a desktop review which established the current worth of the properties using the Mouseprice website commonly used by Estate Agents. The current worth was then adjusted for movements in the property market using the median property price trends for the Walsall area. The methodology produced an estimated valuation of £4.4m at March 2015 and £4.8m at March 2016. The movements in fair value £75k (2015: (£281k)) have been recognised in the Statement of Total Comprehensive Income.

16. HOMEBUY LOANS
RECEIVABLEGROUP AND
COMPANY

	2016 £000	2015 £000
At 1 April	137	137
At 31 March	137	137

17. INVESTMENTS IN SUBSIDIARIES

As required by statute, the Financial Statements consolidate the results of Visionary Investment Enhancing Walsall Limited (VIEW), whg Trading Company Limited, whg Developments Limited, whg Treasury PLC and Buy For Good CIC, which were 100% subsidiaries of the Company throughout the year. The Company has the right to appoint members to the Boards of the five subsidiaries and thereby exercises control over them. None of the subsidiaries are registered providers. VIEW is an entity registered under the Co-operative and Community Benefit Societies Act 2014 and the other subsidiaries are non-regulated companies, registered under the Companies Act 2006 in England.

Walsall Housing Group Limited (whg) is the immediate and ultimate parent undertaking of all the subsidiaries.

whg Treasury PLC's principal activity is to act as an onward moneylender of bond monies to its immediate parent company Walsall Housing Group Limited. whg owns all of the 50,000 £1 shares, which were issued at par on incorporation.

During the year the whg had the following intra-Group transactions and year end balances with VIEW.

whg TO VIEW		2016 £000	2015 £000
INTRA-GROUP TRANSACTIONS	ALLOCATION BASIS		
Contribution in respect of VAT recovered under the parent VAT shelter scheme	25% of VAT recovered on whg partnering works	(460)	(680)
Management services	Percentage of payroll costs	130	142
		(330)	(538)

17. INVESTMENTS IN SUBSIDIARIES - CONTINUED

VIEW to whg				
INTRA-GROUP TRANSACTIONS	ALLOCATION BASIS	2016 £000	2015 £000	
Regeneration grants	Grant funding project expenditure	(261)	(338)	
Development grant	Grant subsidy for new developments	(583)	(283)	
		<u>(844)</u>	<u>(621)</u>	

There is a £50k intra-group debtor owed by VIEW at the year end. (2015: £357k)

During the year whg had the following intra-Group transactions and year end balances with whg Trading Company Limited:

whg TO whg TRADING COMPANY LIMITED				
INTRA-GROUP TRANSACTIONS	ALLOCATION BASIS	2016 £000	2015 £000	
Management services	Percentage of payroll costs	109	184	
		<u>109</u>	<u>184</u>	

17. INVESTMENTS IN SUBSIDIARIES - CONTINUED

There is a £938k intra-group debtor owed by whg Developments Ltd at the year end. This includes gift aid payable of £204k (2015 : £863k)

During the year whg had the following intra-Group transactions and year end balances with whg Treasury PLC:

whg Treasury PLC to whg				
INTRA-GROUP TRANSACTIONS	ALLOCATION BASIS	2016 £000	2015 £000	
Interest payable	Bond interest charge payable	7,477	3,658	

There is a £172.7m long term intra-group creditor payable to whg Treasury PLC at the year end. (2015: £172.6m)

During the year the Company had the following intra-Group transactions and year end balances with Buy for Good CIC:

whg to Buy For Good CIC				
INTRA-GROUP TRANSACTIONS	ALLOCATION BASIS	2016 £000	2015 £000	
Management services	Percentage of website costs	10	-	

Buy For Good CIC to whg				
INTRA-GROUP TRANSACTIONS	ALLOCATION BASIS	2016 £000	2015 £000	
Gift aid	Percentage of surplus	(19)	-	

There is a £20k intra-group debtor owed for gift aid by Buy For Good CIC at the year end. (2015 : £nil)

18. PROPERTIES HELD FOR SALE

	GROUP		COMPANY	
	2016 £000	2015 £000	2016 £000	2015 £000
Shared ownership properties:				
Completed properties	458	-	458	-
Work in progress	764	189	764	189
	<u>1,222</u>	<u>189</u>	<u>1,222</u>	<u>189</u>

19. STOCKS

	GROUP		COMPANY	
	2016 £000	2015 £000	2016 £000	2015 £000
Van stocks	<u>124</u>	<u>108</u>	<u>124</u>	<u>108</u>

20. DEBTORS

	GROUP		COMPANY	
	2016 £000	2015 £000	2016 £000	2015 £000
Due within one year				
Rent and service charges receivable	4,269	5,860	4,269	5,860
Less: provision for bad and doubtful debts	(1,882)	(1,991)	(1,882)	(1,991)
	<u>2,387</u>	<u>3,869</u>	<u>2,387</u>	<u>3,869</u>
Deferred tax asset	137	149	-	-
Other debtors	699	635	666	466
Prepayments and accrued income	5,404	3,582	4,700	3,491
Amounts owed by Group undertakings	-	-	1,266	1,572
	<u>8,627</u>	<u>8,235</u>	<u>9,019</u>	<u>9,398</u>

21. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP		COMPANY	
	2016 £000	2015 £000	2016 £000	2015 £000
Bank loans (note 25)	18,489	-	18,489	-
Trade creditors	2,141	6,663	1,972	4,728
Rent and service charges received in advance	2,252	1,125	2,252	1,125
Social housing grant received in advance	571	1,769	571	2,052
Other grants received in advance	1,200	-	1,200	-
Amounts owed to Group undertakings	-	-	240	1,622
Deferred grant income (note 23)	534	471	1,099	472
Other taxation and social security	440	515	449	506
Unpaid contributions for retirement benefits	288	292	288	292
Other creditors	1,586	1,396	1,487	1,384
Accruals and deferred income	9,770	11,620	9,322	11,629
	37,271	23,851	37,369	23,810

Social housing grants received in advance will be utilised against capital expenditure in 2016-17.

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

	GROUP		COMPANY	
	2016 £000	2015 £000	2016 £000	2015 £000
Debt (note 25)	350,402	368,644	350,402	368,644
Disposal proceeds fund (note 24)	1,714	927	1,714	927
Deferred grant income (note 23)	38,461	33,841	38,461	33,841
	390,577	403,412	390,577	403,412

23. DEFERRED GRANT INCOME

	GROUP		COMPANY	
	2016 £000	2015 £000	2016 £000	2015 £000
At 1 April 2015	34,312	26,888	34,312	26,888
Grant received in the year	5,228	8,078	6,093	8,078
Released to income in the year	(545)	(654)	(845)	(654)
At 31 March 2016	38,995	34,312	39,560	34,312
Amounts to be released within one year	534	471	1,099	471
Amounts to be released in more than one year	38,461	33,841	38,461	33,841
	38,995	34,312	39,560	34,312

Deferred Grant includes £458k (2015: £469k) relating to office buildings.

24. DISPOSAL PROCEEDS FUND

	GROUP		COMPANY	
	2016 £000	2015 £000	2016 £000	2015 £000
At 1 April 2015	927	472	927	472
Net sale proceeds recycled	780	746	780	746
Interest accrued	7	1	7	1
Withdrawals	0	(292)	0	(292)
At 31 March 2016	1,714	927	1,714	927
Repayment Due				
Between one and two years	181	181	181	181
Between two and three years	1,533	746	1,533	746
	1,714	927	1,714	927

Withdrawals from the disposal proceeds fund in the prior year were used for approved works to existing housing properties.

As at 31 March 2016, there are no amounts due for repayment.

25. DEBT ANALYSIS

BORROWINGS	GROUP		COMPANY	
	2016 £000	2015 £000	2016 £000	2015 £000
Due within one year				
Bank loans	18,489	-	18,489	-
	18,489	-	18,489	-
Due after more than one year				
Bank loans	178,097	196,406	178,097	196,406
Bond	174,096	174,082	174,096	174,082
	352,193	370,488	352,193	370,488
Less: issue costs	(1,791)	(1,844)	(1,791)	(1,844)
	350,402	368,644	350,402	368,644
Total loans	368,891	368,644	368,891	368,644

BANK LOANS

At 31 March 2016 the Group had eight callable interest rate swaps which had a mark to market valuation at that date of £14.7m (2015: £14.5m). These liabilities are included within Bank loans. The movement in the fair value of the swaps (£179k) (2015: (£4,551k)) has been taken through the surplus for the year in the Statements of Total Comprehensive Income (Note 34).

25. DEBT ANALYSIS - CONTINUED

BOND

In 2014/15, Walsall Housing Group Limited borrowed £175m from the capital markets through its newly incorporated subsidiary whg Treasury PLC, via a 31 year 4.25% coupon bond issue at a discount of 0.529%. The bond monies were subsequently lent on to the parent Company Walsall Housing Group Limited under the same terms and so the bond in the company above is therefore owed to the subsidiary, whg Treasury PLC.

The market value of the bond as at 31 March 2016 was £189.7m (2015: £200.3m).

FACILITIES AND SECURITY

At 31 March 2016 the Group had £18.1m of agreed borrowing facilities available to draw down and the ability to issue a retained bond of up to £75m.

The bank loans and the bond are secured by specific charges on the housing properties of the Group in favour of the lenders. The underlying assets of the issuance belong to Walsall Housing Group Limited through a security trust arrangement with the Prudential Trustee Company Limited.

TERMS OF REPAYMENT, INTEREST RATES AND ISSUE COSTS

Bank loan repayments are via a mixture of instalments and one off bullet repayments. The current bond liability is payable in full in 2045.

The bank loans accrue interest at an average rate of approximately 6.402%. As above, the bond was issued at a 4.25% coupon.

Gross issue costs for both the bank loans and the bond were £1,876k and were capitalised in the year in which they were incurred. Amortisation charged in the year was £51k leaving issue costs of £1,791k (2015: £1,844k) to be carried forward.

Based on the lender's earliest repayment date, borrowings are repayable as follows:

	GROUP		COMPANY	
	2016 £000	2015 £000	2016 £000	2015 £000
Within one year or on demand	18,489	-	18,489	-
One year or more but less than two years	-	18,489	-	18,489
Two years or more but less than five years	25,000	14,511	25,000	14,511
Five years or more	327,193	337,488	327,193	337,488
	370,682	370,488	370,682	370,488
Less: amortised issue costs	(1,791)	(1,844)	(1,791)	(1,844)
	368,891	368,644	368,891	368,644

26. PENSION OBLIGATIONS

The Group operates two pension schemes; West Midlands Pension Fund and Social Housing Pension Scheme. Both schemes are funded through payments to trustee-administered funds, determined by periodic actuarial valuations. Both schemes provide defined benefits based on members' final salary at retirement, death or leaving service.

WEST MIDLANDS PENSION FUND

The West Midlands Pension Fund (WMPF) is a multi-employer scheme with more than one participating employer and is administered under the regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme. Triennial actuarial valuations of the pension scheme are performed by an independent, professionally qualified actuary using the projected unit method. The most recent formal actuarial valuation was completed as at 31 March 2013.

The market value of the scheme assets at that date was £135.9m.

KEY RESULTS

The estimated position at 31 March 2016 shows a deficit of £10.4m compared with a £13m deficit last year. The key reasons for this change are:

- Higher assumed rates of salary increases, pension increases and inflation
- Higher discount rate.

The employer's contributions to the WMPF by the Company and Group for the year ended 31 March 2016 were £2.3m (2015: £2.3m) and the employer's contribution rate has been fixed as 13.6% of pensionable salaries until 31 March 2017.

Early retirements over the year, have resulted in a past service cost of £nil in the year to 31 March 2016 (2015: £32k). There were £nil (2015: £nil) of other settlements, curtailments, discretionary practices, constructive obligations or other material events during the year.

CALCULATION METHOD

The figures at 31 March 2016 are based on projecting forward the results of the last formal actuarial valuation of the Fund as at 31 March 2013.

KEY ASSUMPTIONS

The key financial assumptions have been based on market assumptions as at 31 March 2016 and have been derived in a consistent manner to last year. This has resulted in the following assumptions:

PRINCIPAL ACTUARIAL ASSUMPTIONS FINANCIAL ASSUMPTIONS - GROUP AND COMPANY	31 MARCH 2016 % PER ANNUM	31 MARCH 2015 % PER ANNUM
Discount rate	3.80	3.30
Future salary increases	3.95	3.75
Future pension increases	2.20	2.00
Inflation assumption	2.20	2.00

MORTALITY ASSUMPTIONS

The post-retirement mortality assumptions adopted to value the benefit obligation at March 2016 and March 2015 are based on the PA92 series. The assumed life expectations on retirement at age 65 are:

GROUP AND COMPANY	2016 NO. OF YEARS	2015 NO. OF YEARS
Retiring today:		
Males	23.0	23.0
Females	25.7	25.6
Retiring in 20 years:		
Males	25.3	25.2
Females	28.0	28.0

AMOUNTS RECOGNISED IN SURPLUS OR DEFICIT - GROUP AND COMPANY	2016 £000	2015 £000
Current service cost	3,898	3,156
Loss on settlements	0	0
Amounts charged to operating costs	3,898	3,156
Net interest received	-	19
Amounts within interest receivable and similar income	-	19
Net interest payable	395	-
Amounts within interest and financing costs	395	-

26. PENSION OBLIGATIONS - CONTINUED

AMOUNTS RECOGNISED IN THE STATEMENT OF TOTAL COMPREHENSIVE INCOME	2016 £000	2015 £000
Re measurements	4,773	(11,226)
Actuarial gain/(loss) in respect of pension scheme	4,773	(11,226)

AMOUNTS RECOGNISED IN STATEMENT OF FINANCIAL POSITION - GROUP AND COMPANY	2016 £000	2015 £000	2014 £000
Present value of funded obligations	171,842	174,443	140,167
Fair value of plan assets	161,404	161,418	139,560
Net pension liability	(10,438)	(13,025)	(607)

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE PRESENT VALUE OF SCHEME LIABILITIES - GROUP AND COMPANY	2016 £000
Opening scheme liabilities	174,443
Current service cost	3,898
Interest cost	5,731
Change in financial assumptions	(10,640)
Benefits paid	(2,701)
Member Contributions	1,111
Closing scheme liabilities	171,842

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE FAIR VALUE OF PLAN ASSETS - GROUP AND COMPANY	2016 £000
Opening fair value of plan assets	161,418
Interest income	5,336
Return on plan assets (in excess of interest income)	(5,867)
Contributions by employer	2,176
Benefits paid	(2,701)
Administration expenses	(69)
Member contributions	1,111
Closing fair value of plan assets	161,404

	2016 £000	2015 £000
Actual return on scheme assets	(531)	21,487

MAJOR CATEGORIES OF PLAN ASSETS AS A PERCENTAGE OF TOTAL PLAN ASSETS	2016 %	2015 %
Equities	61.0	59.1
Government Bonds	8.0	7.9
Other Bonds	5.0	10.5
Properties	8.0	8.7
Cash	5.0	4.1

SENSITIVITY ANALYSIS			
ADJUSTMENT TO MORTALITY AGE RATING ASSUMPTION	+ 1 YEAR £000	NONE £000	- 1 YEAR £000
Present value of total obligation	176,907	171,842	166,927
Projected service cost	3,706	3,614	3,524

ADJUSTMENT TO DISCOUNT RATE	+0.1% £000	+0.0% £000	-0.1% £000
Present value of total obligation	168,413	171,842	175,345
Projected service cost	3,542	3,614	3,688

SOCIAL HOUSING PENSION SCHEME

Walsall Housing Group Limited participates in the Social Housing Pension Scheme (SHPS) provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the Company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

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

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

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

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

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

	31 March 2016 % per annum	31 March 2015 % per annum	31 March 2014 % per annum
Rate of discount	2.06	1.92	3.02

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

26. PENSION OBLIGATIONS - CONTINUED

The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate until 31 March 2007. From April 2007 there are three benefit structures available, namely:

Final salary with a 1/60th accrual rate

Final salary with a 1/70th accrual rate

Career average revalued earnings with a 1/60th accrual rate

Walsall Housing Group Limited has elected to operate the final salary with a 1/60th accrual rate benefit structure for its active members.

Walsall Housing Group Limited paid contributions at the rate of 11.3% during the accounting period. Member contributions vary between 7.5% and 8.5% depending on their age.

The number of scheme members employed by the Group at 31 March 2016 was 3 (2015: 4). The charge to the Group for the year was £82.7k (2015: £83.2k).

SOCIAL HOUSING PENSION SCHEME CONTRIBUTIONS

The employer expects to contribute £81k in the year to 31 March 2017.

As a result of pension scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of debt therefore depends on many factors

including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

Walsall Housing Group Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme based on the financial position of the Scheme as at 30 September 2015. As of this date the estimated employer debt for Walsall Housing Group Limited was £2,125,364 (2015: £1,864,908).

The Group has agreed to make additional deficit payments to SHPS at the rate of £48k per year for 10 years. Using the discount rate based on an AA corporate bond for the same period a liability with a net present value of £480k is recognised within provisions for this contractual obligation. (Note 27)

	£000
At 1 April 2015	409
Increase in provision due to new deficit agreement	113
Released in the year	(49)
Unwinding of discount included in finance costs	7
At 31 March 2016	480

27. PROVISIONS FOR LIABILITIES AND CHARGES

GROUP AND COMPANY	SHPS OBLIGATION £000	INSURANCE CLAIMS £000	OFFICE CLOSURE COSTS £000	RESTRUC-TURING COSTS £000	LEAVE PAY £000	TOTAL £000
At 1 April 2015	409	823	-	114	288	1,634
Additions	113	225	215	810	23	1,386
Utilised	(49)	(646)	-	(114)	(144)	(953)
Reversals	7	-	-	-	-	7
At 31 March 2016	480	402	215	810	167	2,074

The SHPS obligation is referred to in note 26. The provision is based on the net present value of payments agreed at the year end. The provision will be adjusted following the triennial valuations in the pension scheme, either increasing or decreasing the provision with the opposite entry being shown as operating costs within income and expenditure. The unwinding of the discount is shown as a finance cost.

Provision is made for insurance claims awaiting final settlement that fall within the self funding element of the Group's insurance policies. The settlement can take up to two years.

The office closure costs provision represents expected dilapidation works to existing offices and rent charges to the end of the lease for offices which have been closed.

The Group is currently changing its organisational structure to align with its objectives within its Corporate Plan. Consultations regarding redundancies commenced prior to the year end have since been completed.

The leave pay provision represents holiday balances accrued as a result of services rendered in the current period and which employees are entitled to carry forward. The provision is measured as the salary cost payable for the period of absence.

28. SHARE CAPITAL

Walsall Housing Group Limited is a Company Limited by Guarantee. No shares have been issued.

29. CASH FLOW FROM OPERATING ACTIVITIES

	2016 £000	2015 £000
Surplus / (deficit) for the year	18,148	(1,551)
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	11,481	9,942
Amortisation of intangible assets	270	204
(Increase)/decrease in stock	(16)	6
(Increase)in properties held for sale	(1,033)	(189)
Decrease/(Increase) in trade and other debtors	1,894	(1,224)
Increase/(decrease) in trade and other creditors	(2,490)	8,226
Increase/(decrease) in provisions	327	(125)
Pension costs less contributions payable	1,904	1,148
Surplus on disposal of property, plant & equipment	(5,985)	(5,022)
Movement in fair value of investment properties	(75)	281
Government grants amortised in the year	(536)	(417)
Interest payable	19,181	14,793
Interest received	(809)	(514)
Exceptional finance costs	-	8,591
Movement in fair value of financial instruments	179	4,551
Net cash generated from operating activities	42,440	38,700

30. CAPITAL COMMITMENTS

	GROUP		COMPANY	
	2016 £000	2015 £000	2016 £000	2015 £000
Expenditure contracted for but not provided for	75,037	47,061	75,037	47,061
Expenditure authorised by the board, but not contracted	3,958	2,973	3,958	2,973
	78,995	50,034	78,995	50,034

The above commitments will be financed primarily through borrowings (£71.6m), which are available for draw-down under existing loan arrangements, with the balance (£7.4m) funded through social housing grant.

	GROUP		COMPANY	
	2016 £000	2015 £000	2016 £000	2015 £000
Loans	71,567	42,900	71,567	42,900
Affordable housing grant	7,428	7,134	7,428	7,134
	78,995	50,034	78,995	50,034

31. CONTINGENT ASSETS/LIABILITIES

The Group and Company had no contingent assets at 31 March 2016 (2015:nil).

The Group receives capital grant from the Homes and Communities Agency, which is used to fund the acquisition and development of housing properties and their components. In certain circumstances upon disposal of grant funded properties, the Group is required to recycle this grant by crediting a Recycled Capital Grant Fund.

At 31 March 2016, the Group has disposed of components, which had received £nil (2015: £nil) of grant funding. Although the disposal of these components has not given rise to a relevant event for the purposes of recycling grant (as the Group retains the property asset) it does have a future obligation to recycle this grant once the property is disposed of.

As the timing of any future disposal is uncertain, no provision has been recognised in these Financial Statements.

The Company is party to a Group VAT registration. At the year end, the other parties' VAT liability was £7.1k (2015: £29.7k).

As stated within Note 26, the estimated payment required by Walsall Housing Group Limited if it were to close the Social Housing Pension Scheme would be £2.13m (2015: £1.86m).

32. LEASING COMMITMENTS

The total future minimum lease payments under non-cancellable operating leases are as set out below. Leases relate to land and buildings, aerals, vehicles and office equipment.

	2016 £000	2015 £000
Within one year	1,555	1,592
Between two and five years	3,324	4,562
Over five years	289	-
	5,168	6,154

33. RELATED PARTIES

Walsall Housing Group Limited is the parent company of the Group. It is registered with Companies House, the Charity Commission and the HCA and is a company limited by guarantee. Its wholly owned subsidiaries are:

- Visionary Investment Enhancing Walsall Limited (VIEW) is an entity registered under the Co-operative and Community Benefit Societies Act 2014, which has charitable tax status. It is registered with the Financial Conduct Authority. Its principal activity is to provide

housing, accommodation and assistance to help house people and associated facilities and amenities for poor people or for the relief of aged, disabled, handicapped (whether physically or mentally) or chronically sick people.

- whg Trading Company Limited is a non-charitable company registered with Companies House whose principal activity is providing housing related project management and professional services. The Company also receives feed in tariff from solar panels.
- whg Developments Limited is a non-charitable company registered with Companies House whose principal activity is to provide a design and build service to Walsall Housing Group Limited.
- whg Treasury PLC is a non-charitable company registered with Companies House. Its principal activity is to act as an onward moneylender of bond monies to its immediate parent company Walsall Housing Group Limited. The Group owns all of the Company's 50,000 £1 shares which were issued at par on incorporation.
- Buy For Good is a Community Interest Company registered with Companies House whose principal activity is providing management consultancy activities.

All entities are incorporated in England and Wales.

The intra-Group transactions which took place during the year between the parent undertaking and its subsidiaries are detailed within note 17.

During the year there were two tenant members of the Board, Noel Maxwell and Linda Cole. Their tenancies are on normal commercial terms and they are not able to use their position to their advantage. The rent charged in 2016 was £7k. Total arrears were £nil.

Disclosures in relation to key management personnel are included in note 10.

34. FINANCIAL ASSETS AND LIABILITIES

The Board policy on financial instruments is explained in the Board Report as are references to financial risks.

CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES	2016 £000	2015 £000
Financial liabilities measured at fair value through surplus or deficit	14,690	14,511
Financial liabilities measured at amortised cost	354,201	354,133
Total	368,891	368,644

FINANCIAL ASSETS

Other than short-term debtors, financial assets held are cash deposits placed on money markets at seven-day and monthly rates and cash at bank. They are sterling denominated and the interest rate profile at 31 March was:

	GROUP		COMPANY	
	2016 £000	2015 £000	2016 £000	2015 £000
Floating rate on money market deposits	47,209	81,607	42,156	75,283
Fixed rate on money market deposits	76,963	60,138	76,963	60,138
Total	124,172	141,745	119,119	135,421

The financial assets are floating rate, attracting interest at rates that vary with bank rates.

The financial assets held with fixed rates of interest attract rates of between 0.68% and 1% for a minimum of 95 days (2015: between 0.68% and 0.75% for 95 days).

FINANCIAL LIABILITIES EXCLUDING TRADE CREDITORS - INTEREST RATE PROFILE

The Group's financial liabilities have a weighted average interest rate of 5.35% (2015: 5.35%) and the weighted average for which it is fixed is 1 year (2015: 2 years).

The debt maturity profile is shown in note 25.

BORROWING FACILITIES

The Group has undrawn committed borrowing facilities. The facilities available at 31 March in respect of which all conditions precedent had been met were as follows:

	2016 £000	2015 £000
Expiring in more than two years	18,104	18,104
	18,104	18,104

35. TRANSITION TO FRS 102

The Group and Company have adopted FRS 102 for the year ended 31 March 2016 and has restated the comparative prior year amounts and this is explained below:

CHANGES FOR FRS 102 ADOPTION

1. FINANCIAL INSTRUMENTS

The Company has eight cancellable swaps which under previous UK GAAP were disclosed at amortised cost. Under FRS 102 the swaps are classified as non-basic financial instruments, which need to be accounted for at fair value with annual movements being reflected through the surplus or deficit. The fair value of the swaps has been provided by our lenders, Lloyds Bank plc and Santander Bank plc.

2. GRANT ACCOUNTING

Under previous UK GAAP, capital grants were netted off the cost of the related asset and depreciation charged as appropriate on the net amount. Under FRS 102, Government grants must be accounted for using the accruals model or the performance model. As the Group accounts for its properties at cost, it has adopted the accruals model for Government grants, as required by SORP 2014. Non-government grants are accounted for under the performance model.

Under the accruals model, the Government grants have been allocated to the related assets and amortised over the useful economic life of those assets. The unamortised amount is held within deferred income, split between < 1 year and > 1 year. The amount of amortised grant that has been recognised in the Group's opening reserves is £1,649k.

Under the performance model, grants have been recognised when the Group has entitlement or when performance conditions have been met. £75k of income has been recognised in the Group's opening reserves.

3. SHPS PENSION

Under FRS 102 the Group is now required to recognise the net present value of any contractual agreements to make additional payments for a past deficit. Using a discount rate of 1.92%, this has resulted in a liability of £409k being recognised as a provision in the Group's opening reserves.

4. DEFINED BENEFIT PENSION SCHEME

The net pension finance cost recognised in the Income and Expenditure account for the year ended 31 March 2015 under previous UK GAAP was the net of the expected return on pension plan assets and the interest on pension liabilities. FRS 102 requires the recognition in the Statement of Comprehensive Income, of a net interest cost, calculated by multiplying the net plan obligations by the market yield on high quality corporate bonds (the discount rate applied). The change has had no effect on net assets as the measurement of the net defined benefit plan obligation has not changed. Instead, the decrease in the surplus for the year has been mirrored by a reduction in actuarial losses presented within Other Comprehensive Income.

5. MARKET RENT PROPERTIES

The Company owns a portfolio of market rented properties which were previously reported at book value. Under FRS 102 these properties are classed as investment properties and are accounted for at fair value. The Company established the current worth of the properties which was then adjusted for movements in the property market over the respective accounting periods, using the Mouseprice website commonly used by Estate Agents. The revaluation amount recognised in the opening reserves at 1 April 2014 is £402k.

6. INTANGIBLE ASSETS

Under previous UK GAAP, IT software was included within other tangible fixed assets but under FRS 102, it is now classed as an intangible asset. The comparative Financial Statements have been adjusted to reclassify £3.1m as intangible assets. There has been no impact on the opening reserves but £204k amount of depreciation has been reclassified as amortisation in the comparative statement of Total Comprehensive Income.

TRANSITION TO FRS 102

A reconciliation of equity at the transition date (1 April 2014 and the end of the comparative period) is given below:

RESTATED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	31 MARCH 2015 £000	1 APRIL 2014 £000
Original reserves	17,353	25,459
Financial Instruments at fair value	(14,511)	(9,960)
Depreciation	(1,352)	(1,033)
Recognition of income from government grants	1,649	1,242
Recognition of income from non-government grants	75	65
SHPS Pension	(409)	(427)
Market rented properties at fair value	166	402
Deferred tax asset	149	163
Restated reserves	3,120	15,911

RESTATED COMPANY STATEMENT OF FINANCIAL POSITION	31 MARCH 2015 £000	1 APRIL 2014 £000
Original reserves	28,170	36,139
Financial Instruments at fair value	(14,511)	(9,960)
Depreciation	(1,352)	(1,033)
Recognition of income from government grants	2,727	2,320
Recognition of income from non-government grants	545	535
SHPS Pension	(409)	(427)
Market rented properties at fair value	166	402
Restated reserves	15,336	27,976

RESTATED CONSOLIDATED SURPLUS OR DEFICIT FOR THE YEAR ENDED 31 MARCH 2015	£000
Original surplus on ordinary activities before tax	5,231
Recognition of Income from government grants	407
Recognition of income from non-government grants	10
Depreciation	(319)
Market rented properties at fair value	(236)
SHPS Pension	18
Finance cost on defined benefit pension scheme	(2,111)
Movement in financial instruments at fair value	(4,551)
Restated deficit for the financial year before tax	(1,551)
Deferred taxation	(14)
Restated deficit for the financial year after tax	(1,565)
Actual movement in respect of pension scheme	(11,226)
Total Comprehensive Expenditure for the year under FRS 102	(12,791)

RESTATED COMPANY SURPLUS OR DEFICIT FOR THE YEAR ENDED 31 MARCH 2015	£000
Original surplus on ordinary activities before tax	5,368
Recognition of Income from government grants	407
Recognition of income from non-government grants	10
Depreciation	(319)
Market rented properties at fair value	(236)
SHPS Pension	18
Finance cost on defined benefit pension scheme	(2,111)
Movement in financial instruments at fair value	(4,551)
Restated deficit for the financial year	(1,414)
Actual movement in respect of pension scheme	(11,226)
Total Comprehensive Expenditure for the year under FRS 102	(12,640)



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