Walsall Housing Group
Financial Statements

For the year ended 31 March 2018

Company Registration Number:	**04015633**
Registered Provider Number:	**L4389**
Registered Charity Number:	**1108779**

Registered office: **100 Hatherton Street**
Walsall
WS1 1AB

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Board, Executive Directors and Advisors

Board

Michael Hew (Chair) (Acting Chair 8 June 2018, Appointed Chair 21 June 2018)
Edmund Hughes (Chair) (Resigned 8 June 2018)
Linda Cole
Amanze Ejiogu
Gary Fulford
Colin Ian Gardner
Lee Glover
Noel Maxwell
Teresa Mingay
Jatinder Sharma OBE
Gregory Warner-Harris (Appointed 5 April 2017)

Company Secretary

Karen Marshall

Executive Directors

Gary Fulford	Group Chief Executive
Martin Robertson	Corporate Director of Resources and Growth
Karen Marshall	Corporate Director of Governance and Compliance (Appointed 1 August 2017)
Theresa Huburn	Corporate Director of People and Learning (Appointed 1 August 2017)
Cliff Horrocks	Corporate Director of Asset Management (Resigned 30 September 2017)
Robert Gilham	Corporate Director of Business Strategy and Assets (Appointed 1 October 2017, previously Corporate Director of Operations)
Fay Shanahan	Corporate Director of Operations (Appointed 23 October 2017)

Statutory Auditor	Internal Auditor	Principal Banker
RSM UK Audit LLP	BDO LLP	Lloyds Bank plc
St Phillips Point	Two Snowhill	The Bridge
Temple Row	Queensway	Walsall
Birmingham	Birmingham	WS1 1LU
B2 5AF	B4 6GA	

Group Chief Executive's Review

It has been another successful year for Walsall Housing Group (whg) and we have made great progress towards achieving the ambitious success measures outlined in our Corporate Plan.

The launch of our Rent First behavioural change campaign has heralded fantastic results. This campaign has been launched in the run up to the introduction of Universal Credit and looks at ensuring our customers prioritise their rent payments so they can enjoy a safe and secure home. We have run a series of initiatives, from bus adverts to educational pieces, and our Housing Team continues to work closely with customers who will be impacted by this reform. Through this campaign, I am proud to report that during the year the current tenant rent arrears fell to an all time low of 1.55%. As we move towards the full roll out of Universal Credit, we will ensure we continue to support our customers. One way we have done this is by employing three additional money advisors to our Money Advice Service, who will work with customers most affected by welfare reform to help them manage their money.

Our development programme continues to grow so that we can assist with tackling the housing crisis. In July 2017, our programme was accelerated after we raised a further £61m on the bond market to finance our growth aspirations.

In 2017/18, we completed 497 new homes in the Midlands, across a mix of tenures. We also started work on 267 new homes, both for sale and for Affordable Rent. This includes The Cinnamons in Teddesley Street, Walsall, and Silver Waters in Market Square, Brownhills, which will provide Shared Ownership and Rent to Buy housing. Both these tenure types will help people to get on the housing ladder, providing a simpler way for them to own their home.

We are constantly looking to increase the range of homes we offer in order to cater for different people's changing needs and circumstances. We have begun work on two Wellbeing Schemes, which are built for the over 55s. These schemes are designed to ensure that people are able to live their lives independently. Ellum Pointe will provide 62 high quality, affordable one and two bedroom apartments. Swallow Place in Penkridge will be whg's first Shared Ownership scheme for the over 55s and will provide 65 new homes.

At whg, our ambition is to be more than just a good landlord and we have continued to promote health and prosperity where we can make a difference. This year, 1,214 people improved their employment prospects through the support of our Employment and Training programmes. Our Black Country Click Start programme – which has received funding from the European Social Fund and the National Lottery, through the Big Lottery Fund – continues to give customers the basic skills and ability to manage and save money utilising digital tools and information. We also saw 1,273 people access our health and wellbeing services, which help customers live a healthy lifestyle.

We are also proud to have retained the highest possible rankings on the standards that cover Financial Viability and Governance. This was confirmed by our Regulator following an assessment of our business.

The upcoming year is an exciting one and customers will begin to see the benefits of our exciting Digital First project. To ensure we deliver a strong business, fit for today and prepared for tomorrow, we will implement self-service channels, giving customers the ability to pay their rent and book repairs online. This will further improve customer experience and by 2020, we expect that 50% of our routine customer contact will be delivered through these channels.

Eddie Hughes MP stepped down from his role as Chair of whg following his appointment as Parliamentary Private Secretary at the Ministry of Housing, Communities and Local Government. Eddie has made a substantial contribution to the strategic direction of whg, having been a Board Member since 2012 and more lately in his role as Chair. There is no doubt his passion and drive for our business and will be missed. We are delighted that Eddie has been given this opportunity to be right at the heart of housing policy development and delivery. We wish Eddie all the best in his new role and we look forward to continuing our relationship with him in the future as a local MP and a champion of social housing.

Arrangements have been agreed by the Board for the recruitment of a new Chair. In the meantime Mike Hew has been appointed as Chair. Mike, who was the Deputy Chair, has extensive knowledge of the sector and is an experienced Chair and we are pleased that he has agreed to take on this role.

Gary Fulford
Group Chief Executive

19 July 2018

Chairman's Statement

The last year has been an exciting one for whg, with our business continuing to go from strength to strength.

The financial performance for the year has been particularly pleasing, with our best ever surplus of £34.4m, which will be reinvested to build more homes, improve our existing homes, and to strengthen the services provided to our customers.

The Development Growth Strategy 2017-21 has been approved by the Board, setting the path for our development programme. By 2021, we expect to exceed our target of building or acquiring 1,365 new homes, at an expected cost of £180m. This links in with whg's growth aspiration to become a regional organisation with a broader offer that operates across the Midlands. A planned approach to geographical growth will also give whg access to a wider range of markets and products, establishing new partnerships and strengthening our business by broadening our base of activity. The Board has approved the development or acquisition of further new homes across the region, including in Droitwich, Telford, Warwick and Worcester, which will deliver both Affordable Rent and Shared Ownership tenures. During the year we have also commenced a land acquisition programme with the intention that a greater share of our future development programme will be sourced by our own land supply.

As our business continues to grow, last year saw the launch of Anthem Homes Limited. This is whg's new company, which will deliver homes for outright sale, and will enter in to joint ventures and partnerships with developers for this purpose. Anthem Homes will operate on a profit for purpose principle, as the sale of these properties will allow whg to invest in more affordable, new homes that meet local housing need. It will also allow whg to generate additional income to support our social purpose.

One of the strategic aims in whg's Corporate Plan is to be an exceptional place to work that attracts, develops and retains talent. This year, the Board approved whg's People Strategy, which translates our Corporate Plan commitments into tangible activities and actions that will help us achieve this aim. We are already seeing this strategy in action, with the launch of Dare to Lead. This is a programme that develops our colleagues who have the potential to progress into management positions, ensuring they fulfil their potential and meet their career aspirations.

In the past year the spotlight has been on the safety of high-rise buildings following the tragic Grenfell Tower incident. We have been frequently updated on the safety of our buildings and whg colleagues have worked closely with West Midlands Fire Service to reassure our customers that our high-rise buildings all conform to strict fire safety standards. Where external thermal wrap is used in our buildings, it is fire resistant and complies with building regulation requirements for fire protection.

whg took many steps to prepare for the introduction of the General Data Protection Regulation in May 2018. During 2017/18 a project team, with input from an independent data protection expert, worked on ensuring compliance. The work included updating whg's data protection policy, reviewing and issuing privacy notices, raising colleague awareness and creating and maintaining appropriate records of data processing activities.

Our triennial governance review is underway, which will help ensure that our governance arrangements reflect our changing business needs and commercial activity, and it will also identify actions to improve the diversity of our Board and Committee Members. This triennial review meets the National Housing Federation's Code of Governance requirement to undertake a formal review of governance at least every three years to ensure best practice and that relevant documentation is compliant with the latest legislation and regulations.

Michael Hew
Chair of the Board

19 July 2018

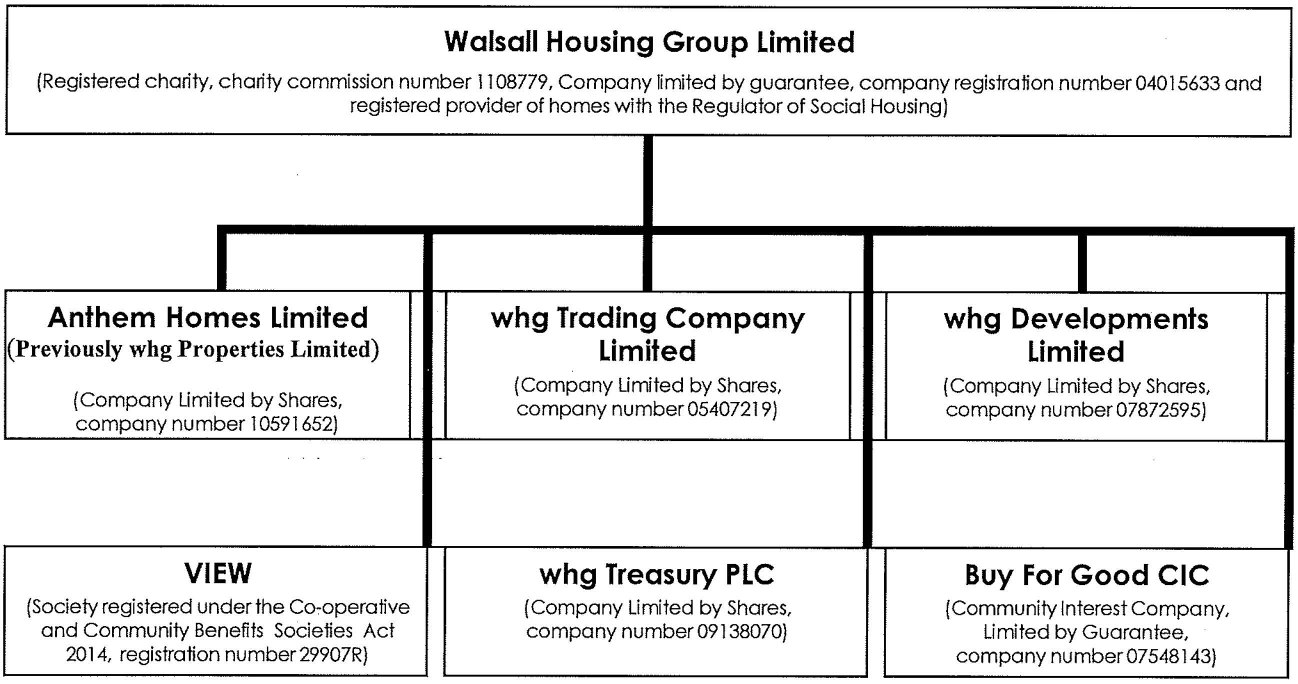
Group Profile

Principal Activities

Walsall Housing Group Limited (whg) has principal activities which include the development and management of affordable housing across the Midlands. During 2017/18 we continued to expand outside Walsall and whg now owns and manages homes in 18 local authorities in the Midlands. The Group, as of 31 March, owns and manages 20,644 homes.

whg is a Company Limited by Guarantee and a registered charity. Its core business activity is providing affordable homes for people. We are also a social business investing in people and communities. An increasing number of the people we house are in Shared Ownership properties.

The company and its subsidiaries are shown in the diagram below for the year ended 31 March 2018:



Objectives and Strategies

Our Corporate Plan was launched in April 2017 and sets new success measures for both 2020 and 2024.

Our mission is "Dedicated to the success of our people and places".

The achievement of this mission is underpinned by five strategic aims:

- *Deliver high quality homes and services for our customers*
  Delivering on our promises is at the heart of our service offer. We have a strong commitment to quality – we will always strive to deliver the best. As a regional business we recognise the need to offer products that are attractive to our new customer markets and address housing needs. We work with local people and partners to provide support to help customers in our rented homes flourish.

- *Be an exceptional place to work that attracts, develops and retains talent*
  To ensure people can truly shine and reach their full potential, we are committed to being a great employer which recognises and rewards excellence. All colleagues are given the opportunity to make a real difference and we encourage colleagues to perform to the best of their ability. We recognise the need for excellent leaders across the organisation and will praise and celebrate great work whilst expecting every colleague to be accountable for their individual performance.

- *Grow and expand our services, our reach and our range*
  We are already expanding the range of work we carry out. We will continue to research and develop new services and products which benefit our customers and reinforce our position as leaders in the field. We have ambitious plans for growth and central to this growth is a bold development and acquisition programme which will underline the regional nature of our business.

- *Promote health and prosperity where we can make a difference*
  We want our customers to live healthy, prosperous lives but understand some may require additional support to achieve this. We do what we can, together with our partners, to find the right solution for each individual. This will include programmes geared towards promoting independence, improving health, building confidence, enhancing capability, reducing the digital divide and gaining the skills to secure employment.

- *Deliver a strong business, fit for today and prepared for tomorrow*
  In recognition of our ever more challenging operating environment, we will safeguard our income by focusing appropriate priority and resource on core services. This approach is supported by the careful financial management and good governance needed to fulfil our future aspirations. We are efficient, driving down costs and constantly seeking value for money. Building on our performance management culture, pursuing excellence and striving for continuous improvement will help achieve this.

These aims are delivered through key strategic initiatives and projects which are monitored by the Board and the Executive Team.

Future Prospects

whg is a well governed and financially viable organisation rated G1 and V1 by the Regulator of Social Housing. Our Business Plan demonstrates strong financial performance in the years to come.

In 2018-19, £82.3m will be invested into new homes and land, and we will accept the handover of over 800 properties. We will also invest a further £37m on routine, major and planned repairs on our existing homes. This investment represents our continued desire to ensure that all of our homes are great places to live in.

One of the aims of the Corporate Plan is to grow and expand our services, our reach and our range. Central to this growth is a bold development and acquisition programme, which underline the regional nature of the business. Looking further forward whg aims to have 30,000 homes in ownership or management by 2024.

Financial Review

Income and Expenditure	2017/18	2016/17	2015/16	2014/15	2013/14
Turnover (£m)	105.6	99.1	97.3	92.6	86.5
Operating Surplus (£m)	37.4	34.2	30.6	21.1	17.4
Operating Margin (%)	35.4	34.5	31.5	22.8	20.1
Surplus/(Deficit) for the year before remeasurements (£m)	34.4	22.0	18.1	(1.6)	11.9
Total Margin (%)	32.5	22.2	18.6	(1.7)	13.8

*Results for 2013/14 are based on the old UK GAAP pre-FRS 102

The table above demonstrates the Group's strong financial position and growth over the last five years. A deficit of £1.6m for the year before remeasurements is shown in the 2014/15 year. This was primarily due to the refinancing costs (£8.6m) in relation to the reissuing of the Group's loans and bond.

Turnover

The Group's turnover continues to increase and now stands at £105.6m.

Operating Surplus / Operating Margin

The operating surplus is £37.4m with an operating margin of 35.4% which is the Group's best ever performance.

Surplus / (Deficit) for the year before remeasurements (£m) / Total Margin

The Board is pleased to report for the year a surplus before tax and pension remeasurements of £34.4m (2017: £22.0m) with a total margin of 32.5%. During the year, as referred to in note 37, the callable option of £20m of funding from Santander was cancelled. The loans were converted to fixed rate debt, and as a result the £4.4m mark to market liability associated with it was released to the Consolidated Statement of Total Comprehensive Income. Performance for the year also includes £8.8m surpluses from the disposal of properties by Right to Buy, Right to Acquire and the auction of a small number of empty homes.

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

Statement of Financial Position	2017/18	2016/17	2015/16	2014/15	2013/14
Fixed Assets (£m)	423.7	384.1	332.8	294.8	236.4
Net Current Assets (£m)	131.2	74.7	96.3	126.4	12.1
Loan Debt (£m)	404.7	350.5	368.9	368.6	220.6
Reserves (£m)	74.8	39.3	26.0	3.1	25.5

*Results for 2013/14 are based on the old UK GAAP pre-FRS 102

Fixed Assets

Capital expenditure is set out in notes 12 to 15 to the Financial Statements. During the year we have invested a gross £39.6m in developing and acquiring new homes. Additionally we have received approximately £4.6m from Homes England Affordable Homes Programme towards the cost of our new build programme.

We have continued to invest in our existing housing stock in order to maintain homes above the Decent Homes Standard. The capital cost of this investment during the year was approximately £9m.

Net Current Assets

Net current assets has increased by £56.5m mainly due to receipt of £61m from the sale of our £50m retained bond.

Loan Debt

Outstanding loans have increased this year to £404.7m following the sale of the £50m retained bond.

Reserves

Reserves have increased by £35.4m reflecting the strong financial performance during the year.

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

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.

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 £195m loan facility with Lloyds Banking Group and Santander, together with our bond issue of £225m.

Interest Rate Management

The Group manages its interest rates through 93% of fixed rate funding and 7% of variable rate revolving credit facilities which are undrawn as at 31 March 2018. The fixed rate funding is comprised of the bond and drawn fixed rate loans from banks (of which 12% relates to a £20m loan with cancellable options). This has allowed the Group to protect itself against the risks associated with increasing interest rates.

Group Liquidity

Cash balances are invested on competitive term rates 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. The rating of the approved organisations are checked on a daily basis to ensure investments are not at risk. Surplus cash is put in either fixed or floating deposit accounts. Fixed rates of interest attract rates of between 0.15% and 0.70% for a minimum of 95 days. Floating rates attract interest at rates that vary with bank rates.

Loan Covenants

The Group ensures that it operates with a prudent level of headroom and monitors covenants on a monthly basis. This is reported to the Board on a quarterly basis.

As at 31 March 2018 and throughout year, the Group met all of its covenant targets for the financial year. The headroom achieved for the year was £30m.

The Group needs to ensure that the ratio of Adjusted Operating Surplus to Net Interest Payable (Net Interest Cover) is greater than 1.1:1.0 for the financial year. The actual rate achieved was 2.68.

The Net Debt per Unit must not exceed £25k throughout the duration of our bank facilities. The Net Debt per Unit at 31 March 2018 was £13k.

Cash Flows

The consolidated Cash Flow Statement is shown on page 43 of the Financial Statements. During the year the Group's net cash increased by £98m, including £61m following the bond issue. During the year over £40m has been invested to fund the development of new homes.

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 in January 2018. The Group's rating is A3 with a stable outlook. The following assessment was provided; 'The credit profile of Walsall Housing Group Limited (A3 stable) reflects:

- its low-risk business model and strong operating performance;
- its high level of indebtedness; and
- a moderate increase in development ambition.'

Strategic Performance Indicators

Indicator	Target for the year	Performance for the year
Current rent arrears (%)	2.70	1.95
Void rent loss (%)	0.60	0.68
Customer satisfaction with repairs (%)	84.0	81.9
Customers that would recommend whg (%)	83.0	82.0
Compliance with gas regulations (%)	100.0	100.0
New homes started	550	267
Customers into training	842	691
Customers with improved employment prospects	996	1,214
First point of contact resolution (%)	80.0	89.4

Overall performance for the year has been mixed with a third of our targets being met. Although this is partially due to the challenging and ambitious targets being set. We will continue to work hard and strive to improve performance. Performance management 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 process.

Performance is summarised below:

- Current rent arrears are at 1.95% with the target outperformed by 0.75%.

- Void rent loss for the year is 0.68%, which is 0.08% above the target.

- A total of 81.9% of our customers are satisfied with the repairs carried out on their Homes which is below the target of 84%. This is partially due to the weather conditions and then a increased demand restricting the availability of timely repair appointments. The Group is working hard to identify areas of dissatisfaction and improve processes to increase the satisfaction levels further.

- A total of 82% of our customers would recommend whg, which is 1% below our internal target. This KPI has been impacted by customers' view on their last repair. Challenges with the weather conditions during February, resulted in a spike in repair demand and availability of timely repair appointments.

- Gas safety continues to be a key area of focus across the Group with the percentage of homes compliant with the gas regulations remaining at 100%.

- 267 new homes were started during the year.

- During the year we provided training to 691 customers enhancing their skills in a variety of areas such as employability and construction.

- The Group has helped 1,214 customers in to employment in to various sectors including warehousing, care, construction and retail.

- We resolved 89.4% of enquires at the first point of contact during the year. The process has been improved through out the year, resulting in us surpassing the internal target of 80%.

Principal Risks and Uncertainties

The environment in which we operate produces inherent risks that we face in our everyday operations including economic challenges, government policy and social change. The Board clearly sets out its appetite and tolerance to risk, providing the setting for business operations. 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 Group has adopted the risk management principles outlined by the National Housing Federation guidelines with the three lines of defence model being implemented, which is designed so that assurance is obtained through the strength and source of controls and the Group's reliance upon them.

The ongoing risk monitoring framework is overseen by the Risk Panel, Executive Team and Audit and Assurance Committee who remain focused on mitigating risks at all levels in the business. 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.

The Board, as part of its review of risk management, has identified its most significant corporate risks and uncertainties, together with the mitigating actions taken in order to ensure that the risks are appropriately monitored and controlled. The Corporate Risk Register is set out below.

Risk	Steps taken to manage or mitigate
Tenants do not / are not able to pay their rent	Arrangements are in place to identify and support customers affected by welfare reforms. Income collection is maximised through rigorous escalation procedures to prevent arrears increasing.
Business Plan income targets are not achieved	Income from all streams is monitored and the Business Plan stress tested against a range of scenarios, including increased voids, under-performance of the development programme and conversion of new homes intended for sale to rental homes.
Failure to deliver surpluses from Development Programme sales	Joint venture arrangements with developers reduce expose to any market downturn. Shared Ownership homes are marketed and sales proactively managed by experienced team to start to secure sales ahead of completion.
Appropriate levels of funding are not available	We have an effective Treasury Management Strategy in place that will ensure funding is in place for a minimum of three years and is linked to the Business Planning process.
Failure to meet deadlines and successfully deliver the planned 4 year development programme	Performance targets are monitored and robust scheme assessments and contractor due diligence carried out.

Insufficiently skilled resources to meet operational and strategic needs	The Group invests in training and developing colleagues. It has processes in place to identify ongoing needs at team and individual level. The Group also places a strong focus on employee engagement.
Gas safety failure	The Group has a robust Quality Assurance process in place with independent inspection. All gas servicing is completed in-house with a programme to ensure gas servicing visits are planned appropriately.
Information security breach	We have a resilient security network and strong technical controls and arrangements to ensure that data is held securely. User access to systems is controlled and monitored using system access request. A team of data champions work with the Data Protection Officer to ensure compliance with the General Data Protection Regulation that came into effect in May 2018.
Failure to meet regulatory and statutory requirements	The Group has resources in place to identify compliance requirements and assess compliance. Scrutiny arrangements and reviews of policies and procedures ensure any new requirements are complied with.
Failure to support customer training and employment targets	whg has a team responsible for helping customers into employment or training. Performance targets are set and monitored and work with delivery partners is managed through Service Level Agreements.
Failure to maintain assets in line with standards	The Group has a dedicated Asset Management Team to maintain assets in line with the Asset Management Strategy which is underpinned with asset condition surveys. The Group operates a project management and standards programme approach of asset management.
Failure of strategic change projects	There is a robust project management process in place with a governance oversight of strategic projects. Resource planning and impact assessments are included as key features of the process
The Business does not have the information technology resources to deliver the Corporate Plan	The Group maintains a high level of technical expertise and relevant skills. The IT infrastructure is managed so as to ensure appropriate systems are in place and are used effectively.

Value for Money: Our Approach

Strategic Approach

The approach to value for money has been developed from the Corporate Plan and is based on what is required to deliver our mission.

Strategic objectives

Our strategic objectives for achieving value for money are:

- improving our efficiency;
- reducing costs;
- continuing to meet health and safety obligations;
- complying with legal duties and regulatory standards; and
- satisfying our customers.

This is underpinned by careful financial management and good governance. It builds on a strong culture of performance management, pursuing excellence and striving for continuous improvement. It is supported by creative thinking which promotes innovation, including investment in technology that adds value and improves the customer experience.

This allows us to provide as many new homes as possible and sustain investment in our existing homes, backed by high quality services. We are committed to delivering efficiencies and making sure we get the most out of the money we spend.

We are proud to possess the Regulator's highest ratings possible on both standards that cover Financial Viability and Governance.

Effective governance

Our strategic approach to delivering value for money is embedded throughout our governance structures:

- The Board agrees our approach to value for money across the business and determines how resources are to be used to meet our strategic objectives on an annual basis through a rigorous budget approval process;

- We have in place robust structures and a skills-based Board with knowledgeable and experienced Board Members that ensure our appetite for growth and non-housing commercial activity is well managed;

- A Board Member takes on the role of Value for Money Champion, which is another way to ensure a golden thread between strategic and operational work;

- All Board and Committee reports include a value for money section to inform decision making. All significant investment decisions require a robust business case that considers value for money as part of a detailed cost benefit analysis of alternative commercial, organisational and delivery structures and a rigorous appraisal of potential options for improving performance;

- Our customers are involved with driving value for money at whg. The influential Customer Services Committee drives value while ensuring customers remain satisfied with our services. The Customer Scrutiny Panel scrutinises our delivery of high quality services to customers, including providing value for money for the rent and charges that customers pay. Our customers are also involved in the procurement of major contracts that directly impact the service they receive and the materials we use to maintain our homes; and

- Our internal auditors scrutinise business processes to ensure we have the necessary controls and management practices. They report to the Audit and Assurance Committee.

Building and acquiring more homes

We continue to accelerate our development programme in geographical clusters across the Midlands to secure operational efficiencies while bringing in more rental and sales income. In 2017/18 we completed 497 new homes. These included Section 106 acquisitions for Social/Affordable Rent and Shared Ownership, most of which have been acquired at open market discounts of between 20% to 30%. These new homes offer a mixture of tenures to cater for the housing needs of our customers, with our aim to be a 'landlord for life'.

Achieving an optimal benefit

We make the optimum use of our resources and assets and use the returns they generate to help us sustain investment in our existing homes and build new ones – ensuring we provide high quality homes for our customers.

We demonstrate our efficiency by generating a strong operating margin and having a keen appetite to invest in growing and expanding our services, our reach and our range. We deliver significant social value to the communities we operate within.

We demonstrate our effectiveness by building many more new homes that people need. Our aim is to own and manage 30,000 homes by 2024.

We demonstrate our economy by having low costs and driving down our outliers.

These are measured through our performance against the value for money metrics set by the Regulator of Social Housing and delivery against our own value for money targets.

Value for Money Performance

Value for money metrics

Performance against the value for money metrics set out by the Regulator of Social Housing, allows us to compare performance against others. The benchmark is based on financial results for the 2016/17 year, i.e. the latest results available from our peers. We have benchmarked against the average of eight of our peers' financial results, in order for us to make a comparison on performance. The peers were selected based on organisations of similar size and operate in a close geographical area to whg.

The calculation for the headline social housing cost per unit for 2017/18 has changed. The calculation now excludes the number of social leaseholder homes. The 2016/17 performance below is based on the old definition and includes leaseholder homes. Unfortunately it's not possible to adjust the 2016/17 cost to make the comparative performance for our peers the same, as the information is not detailed in the global accounts.

No inflation or indexed link increases has been applied to the peers benchmark for 2016/17 year. whg expenditure for 2017/18 includes increases for example on colleague costs with pay awards and increased pension costs. Our peers headline cost per unit appears more favourable than ours, although in reality our peers will be subject to similar increases.

In addition the peer group selected is a relatively small group of eight organisations. When compared to the 2016/17 year quartiles on the cost per unit we are still within the best quartile, as all registered providers performance is taken in to account.

VFM Metrics	2017/18	2016/17	Peers' Benchmark for 2016/17
EFFICIENCY			
Reinvestment %	12.5	16.3	8.3
Gearing %	67.4	88.9	43.2
Earnings before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest Cover %	194	187	180
Operating Margin %			
A. Operating Margin (social housing lettings only)	40.5	37.3	35.3
B. Operating Margin (overall)	35.4	34.5	28.5
Return on capital employed (ROCE)	8.3	8.7	4.3
EFFECTIVENESS			
New supply delivered %			
A. New supply delivered (Social housing units)	2.4	1.7	1.9
B. New supply delivered (Non-	0	0.2	0

social housing units)			
ECONOMY			
Headline social housing cost per unit £	3,025	2,948	2,911

'Reinvestment %' looks at the investment in all of our properties as a percentage of their value showing. Our reinvestment percentage has reduced by 3.8% during 2017/18. This is partially due to the timing of when homes are completed. We anticipate the reinvestment percentage will increase in the coming year, with a further 828 homes being developed. Looking at the results of our peer group we have outperformed the benchmark by 4.2%.

The **'Gearing %'** shows the proportion of borrowing in relation to our asset base and the degree of dependence on debt finance. It is a key indicator of our appetite for growth as this borrowing is used to build more homes. The LSVT history of the company obviously has a significant effect on this measurement, and Moody's considers whg's gearing level to be one of the highest among rated registered providers. The gearing ratio has decreased by 21.5% when compared to last year results, it remains 24.2% above our peers' average. The improvement is due to our cash balances increasing to £128.5m from £16.5m during the year.

'Earnings before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest Cover %' measures our level of surplus generated compared to the interest we pay. This approximation of cash generated as a percentage of interest shows our headroom for meeting interest payments on outstanding debt. A positive trend is shown with the EBITDA MRI percentage improving by 7% during the 2017/18 year. In addition we are 4% above the benchmark.

'Operating Margin %' shows our profitability and is an indicator of our operating efficiency. The social housing lettings operating margin is 40.5% and demonstrates strong performance from our core activities. An operating margin (overall) of 35.4% in 2017/18 is our best ever performance and we are rated A3 by Moody's. In addition we are 6.9% above the benchmark of 28.5%.

'Return on Capital Employed' shows how well we are using our capital and debt to generate a financial return. This indicator increasing only marginally shows that whilst our asset base is increasing, our returns on capital are not moving at the same pace due primarily to the rent reduction regime.

'New supply delivered %' sets out the number of new social and non-social housing units that we have acquired or developed in 2017/18 as a proportion of all units we owned at 31 March 2018. The picture for Social Housing units in 2017/18 is very positive, reflects our strong development ambitions and is above the benchmark of 1.9%.

'Headline social housing cost per unit' combines a number of cost elements to provide our overall social housing cost per unit. At £3,025 we are just above the benchmark. The cost per unit has increased by £77 in 2017/18 and this is due to a £2.1m increase in pension costs. Although if we compare our cost to the quartiles set in 2016/17, we are within the best quartile of all providers.

Value for money targets 2017/18

We set ambitious targets for value for money gains. Progress is reported to the Executive Team in monthly management accounts and to the Board quarterly.

In 2017/18 we achieved £3.3m of value for money savings. The table below provides a detailed summary.

Goal	Planned £m	Outturn £m
We planned to lever in £1.5m of ECO funding to support our programme of energy efficiency improvements to our homes. This aim was not achieved due to a change in the delivery partner, resulting in delayed works and slippage in the programme.	1.5	0.8
Costs of works saved on disposal by high cost voids.	n/a	0.4
The target was to recover £612k of VAT through our maintenance works and £50k partial exemption and £225k on our development.	0.9	0.8
A total of £200k procurement saving.	0.3	0.2
No additional National Lottery and Local Enterprise Partnership funding was levered, in respect of providing employment support and digital training to our customers.	0.2	-
We plan to further reduce void rent loss and meet our target of 0.6%, which will increase income by around £329k in 2017/18. Performance for the year was 0.68% which was just above the target set.	0.3	-
Bringing in-house the Section 11 repairs and reducing sub-contractor expenditure led to saving of £300k	n/a	0.3
Bringing in-house the Asbestos Team and reducing the use of sub-contractors and external suppliers, resulting in a saving of £200k.	n/a	0.2
We continue to benefit from £100k saving arising from the margin uplift arrangement with our banks.	n/a	0.1
Other savings relate to the Insurance Team where £484k worth of claims have been settled at a lower than reserve value. The Insurance Team has also added the Leaseholder Insurance to the main Zurich contract, making a saving of £21k against the former policy.	n/a	0.5
Total	**3.2**	**3.3**

Progress against value for money projects

Our progress against our projects to deliver value for money is set out below.

Projects Identified	Progress on Projects during 2017/18
Raise £50m through a bond drawdown at preferential rates of interest	✓ **Completed** – We exceeded expectations and raised £61m through the sale of our retained bond. The £50m retained bond issue was priced at Gilts+120bps, with a yield of 3.075%.
Renew our Asset Management Strategy	✓ **Completed** – We published our new Asset Management Strategy, which sets out how we will achieve relevant Corporate Plan aims, invest in our existing homes and meet a range of challenges we face.
Tackle the top 200 most expensive properties to maintain	✓ **Completed** – We have identified the top 200 most expensive properties to maintain, decided on the best course of action and are working with customers to tackling these.
Run a 'Rent First' campaign to ensure customers continue to prioritise rent payments and other charges during their transition to Universal Credit	✓ **Completed** – We have completed a very successful 'Rent First' campaign that has placed us in the best position to face the challenge of our customers migrating to Universal Credit and the impact of a range of welfare reforms.
Undertake four service reviews that deliver improvements in the efficiency and performance of key services	**In Progress** – We have devised our service review model. We have completed service reviews of Shared Ownership and Income Collection. Recommendations will be implemented during 2018/19.
Complete a review of Income Collection to create a more proactive, automated approach	✓ **Completed** – We have completed Project Wizard, which improves the operational efficiency of our automated income collection processes, including payment anticipation that triggers actions if insufficient payments are made. This has helped us maintain a strong arrears performance under significant reductions and changes to welfare benefits.

Building more homes

In 2017/18 we invested a gross £39.6m in developing and acquiring 497 new homes.

Our Development Growth Strategy sets out our plans to build or acquire 1,365 new homes across the Midlands region with an expected cost of £180m which is aligned to our Business Plan. This includes 751 homes funded through Homes England, Affordable Homes Programme.

These new homes are being delivered by procuring private developers to build schemes for us, acquiring homes through Section 106. In addition, during 2017/18 we introduced a land buying function into our Development Team, which enabled us to acquire land from the market at discount. A detailed and comprehensive assessment of each scheme is undertaken to ensure it is viable. All schemes are expected to achieve a benchmark return on assets and value engineering is used to reduce build costs. The comprehensive records of new properties then become a part of our asset register.

We have established Anthem Homes, a new company to build homes for outright sale. We will work with private development partners through joint venture partnerships to deliver what we call 'profit for purpose' – investing profits in providing Affordable Homes which meet local housing need. The programme balances investment in areas where rental or sales yields are high, generating additional income to support our social purpose. Our development programme is supported by the reinvestment of proceeds from the disposal of poorly performing assets.

In 2017/18 we disposed of 19 homes that were empty, which released £1.2m for investment in our development programme.

Maintaining and improving existing homes

Our Corporate Plan makes a firm commitment to deliver 'high quality homes and services to our customers'.

Our new Asset Management Strategy directs how we actively improve the value from our assets by:

- maintaining our existing homes through responsive, preventative and planned maintenance;
- improving homes with low thermal ratings through a retrofit programme;
- improving neighbourhoods with an implementation of priority projects identified with customers; and
- increasing the numbers of homes in ownership though a new build programme and acquisition.

Each year we carry out a revaluation for internal purposes on a proportion of our homes at 'existing use value' to ensure we have sufficient value for security against loans. Increased property values each year reflect the significant investment we have made in our homes and rising markets.

We survey 20% of our stock each year to ensure we know our investment requirements and these feed into our Business Plan capital investment plans. We will be investing over £1.2bn in repairing, maintaining and improving our homes over the next 30 years. We invest in our existing housing stock in order to maintain homes to our Great Homes and Neighbourhoods Standard and all of our properties meet the Decent Homes Standard.

Our five year investment plan represents a total investment of over £126m in maintaining our homes (excluding colleague costs). This prioritises work to properties with the greatest maintenance needs. The plan includes elemental replacements, health and safety works, neighbourhood improvements and energy efficiency works so all of our properties will have an energy rating of D or above by 2024.

We spent a combined total of £37m on our existing homes in 2017/18 on component replacements, routine repairs, major repairs and planned repairs. We use a 'notional account' approach to compare costs of delivering repairs through our in-house Home Maintenance Services against market costs. This allows us to continually challenge our costs.

We aim to achieve at least median performance on maintenance and major works costs per unit. We will achieve this by securing further efficiencies in the way we manage and deliver our maintenance programmes, retendering contracts and by using value engineering to reduce costs and waste – although not at the expense of safety.

In order to deliver high quality homes for our customers we will actively appraise the performance of our homes, not just those that become empty or difficult to let. The appraisal will inform our decision on the best course of action for the homes we own so we maximise their value to customers and their financial return for our business.

Plan for improvement

Since we were formed in 2003, and post stock transfer from the council we have invested heavily in our homes, to bring the homes to a reasonable standard. We work hard to make sure that they are well maintained so that our customers can enjoy them in safety and comfort.

A result of this investment is the maintenance cost per unit is an outlier. Over the next year a service review in this area will be carried out and in addition external consultants have been engaged to review our asset management strategy, plans and expenditure. This should help identify where we can make improvements and reduce our expenditure in future years.

Social impact

We are proud of the positive impact we make through our investment in improving the health and prosperity of our customers and regenerating the neighbourhoods in which they live. We showcase the substantial social impact we make through our homes and services, the amount of social value we generate and the public money we save on annual basis as described in our Social Impact Report.

Our social impact includes helping local residents to access employment, tackle poor health, and provide independence for customers who struggle with their mobility, deliver services to improve the wellbeing of our customers, improve our neighbourhoods, install measures to reduce fuel poverty and improve the energy efficiency of our homes and help sustain tenancies through money advice. We use the HACT Wellbeing Valuation Model as the principal methodology for measuring social value.

Value for Money Plans for 2018/19 and Beyond

Value for money targets

We plan to make further value for money gains of at least £2.1m in 2018/19. Our plans combine the three key strands of economy, efficiency and effectiveness. We are planning to cease spending in some areas and maximise value in others. These plans are detailed in the table on the next page.

Goal	Target 2018/19 £m
Lever in £0.6m of ECO funding to support our programme of energy efficiency improvements to our homes.	0.6
Further reduce void rent loss and meet our target of 0.6%, which will increase income by around £100k in 2018/19.	0.1
Recover VAT through our development and maintenance programmes.	1.3
Secure procurement savings through contracting out our IT service desk.	0.1
Total	**2.1**

In addition we will have a sale of void properties which are uneconomic, this will result in in disposal proceeds of £880k.

Value for money projects

2018/19 will be a transitional year as we align our approach to VFM with the new VFM Standard. We will deliver the following initiatives and projects to secure additional value for money in 2018/19 and beyond:

- The Board is to review our Value for Money Strategy so that it aligns to the Regulator Of Social Housing new Value for Money Standard;

- Re-launch our internal Value for Money Working Group to support the review of our Value for Money Strategy and drive its delivery;

- Align our performance monitoring and management to incorporate the Regulator of Social Housing's value for money metrics with the relevant success measures in our Corporate Plan;

- Strengthen the approach to recording cost and efficiency savings throughout the business, which will include commencing actions to address our cost per unit outliers in routine and planned maintenance and major repairs;

- Develop an Acquisition and Merger Strategy to set out how we will achieve our Corporate Plan success measure of '30,000 homes will be in ownership or management' by 2024 – including plans to investigate merger opportunities and build partnerships with others to deliver our growth aims and lever in funding to build and acquire more homes;

- Develop an new Digital First Strategy to set out how we will achieve our Corporate Plan success measure of '70% of routine customer contact will be delivered through self-service channels 'by 2024; and

- Run a 'Digital First' campaign to ensure customers use digital channels for the majority of their contact with us.

The Report of the Board

The Board presents its report and audited financial statements for the year ended 31 March 2018.

The Group

The Group is a not-for-profit organisation with properties through out the Midlands. The Group as of 31 March owns and manages 20,644 homes.

Governance

The Non-Executive Directors and the Executive Directors are listed on page 1.

Walsall Housing Group Limited is registered with the Regulator of Social Housing 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 six subsidiaries, none of which are registered providers.

The Executive and Non-Executive Board Members, are listed on page 1. The Board, made up of 9 Non-Executive Directors and one Executive Director, 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 of the Group's activities. The Board complies with the National Housing Federation Code of Governance and has a maximum of 12 Members.

The Board is supported by Committees which are 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, strengthening accountability to the Board.

Complying with the National Housing Federation Code of Governance

The Board has chosen to adopt the NHF Code of Governance. This Code is designed to ensure that housing providers such as whg maintain 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.

The subsidiaries have also adopted the sections of the NHF Code of Governance where it is relevant.

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.

The following should be noted as an addition to the Financial Statements.

Board Statement on compliance with the Homes and Communities Governance and Financial Viability Standard

whg has assessed compliance with the HCA'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.

Principal Activities

The Group's principal activities are the development and management of social housing.

Board Statement on Modern Slavery

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 2018.

This statement is approved by the Board and applies to all organisations within the Group. It is reviewed and updated annually.

whg is committed to acting ethically and with integrity in all its business relationships. We have taken 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.

To read the full statement, visit: **https://www.whg.uk.com/modern-slavery-act/**

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 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 regular review by the Audit and Assurance Committee.

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 approved by the Board, 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 Board, 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

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

Colleagues

We have a strategic aim of being an exceptional place to work that attracts, develops and retains talent. The majority of our 684 colleagues live in the local area and we offer an expansive range of personal development opportunities at every level. We ensure that our colleagues reflect the diversity of the thriving multi-racial communities they serve and our evolving flexible employment practices respond to work and family demands in today's climate. We operate through simple management structures, delegate responsibility and aim for a culture of fairness, integrity and trust, where people are allowed to learn from mistakes and to challenge conventional thinking. We listen to colleagues and communicate through a range of channels, including face-to-face meetings and events, printed material, digital platforms and an open door policy. We believe that all colleagues and customers have the right to be treated with dignity and respect and oppose unfair discrimination and harassment on the grounds of gender, race, colour, nationality or ethnic origin, HIV status, marital status, disability, sexual orientation, age, trade union activity or political views.

We offer additional support and assistance to colleagues through a number of sources including a defined benefit pension scheme, contribution to a private health scheme, free eye tests, child care vouchers, colleague assistance programme, counselling services, flexi-time, occupational health, public duties, travel loans and other benefits in excess of statutory minimums. We promote the continued safety and welfare of all our colleagues and work jointly with colleagues, trade unions and external health support teams to ensure our workplaces are safe and that a proactive approach is taken to the ongoing promotion of healthy living.

Disabled Employee Policy

We refer to and adhere to the Equality Act throughout all our policies and procedures where applicable. We are committed to inclusivity at whg, colleagues who have a disability are not treated less well or put at a disadvantage for a reason that relates to their disability. The key points of our approach to equality and disability is as follows:

whg's Single Equality Scheme 2016-19 (SES) - There is an action plan that supports the scheme translates the SES commitments into activities and actions that will help us achieve the aim to 'to be an exceptional place to work that attracts, develop and retains talent 'This Operational Plan focuses on the deliverable aspect of the People Strategy for the HR Team over the next 12 months by outlining a robust action plan for the team.

whg have signed up to Chartered Institute of Housing Presidential Commission on Leadership and Diversity 10 by 2020 challenge.

Whg encourages the recruitment of colleagues with disabilities. Applicants who declare a disability and meet the essential criteria are automatically shortlisted for interview. whg makes reasonable adjustments to the recruitment process as required.

Managers are supported and coached on a one-to-one basis throughout the recruitment and selection process by a member of the HR Team to ensure that our recruitment methods are not subject to discrimination or bias.

whg's sickness absence policy outlines our approach, including stress and mental health. The policy also covers Occupational Health and Support Services with a view to supporting colleagues to remain in work, or return to work and taking into account reasonable adjustments.

Stress scan – this tool was integrated into the managers' mental health awareness training to help them understand how the self assessment can be used to as a support resource to explore and identify the issues underpinning mental health issues and assist in developing appropriate responses and actions.

If colleagues become disabled persons while employed, we make reasonable adjustments and provide training where appropriate.

Our approach to Learning and Development for our colleagues is as follows:

Learning

Blended Diversity training remains a core compliance requirement for all colleagues at all levels. 'Equally Yours' (Equality and Diversity) workshops run throughout the year and are well attended, from April 2018, all new colleagues are automatically booked onto the workshop as part of their induction programme. A core training module for all colleagues is Equality in the Workplace. This module addresses Equality and Diversity to increase awareness in the workplace taking into account the 2010 Equality Act. We also have e-learning modules available that cover Learning Disability, Mental Health and Dementia Awareness.

Throughout 2017/18, new e-learning content has been made available to all colleagues to develop their understanding of personal health and wellbeing. Learning content has covered: Drug and Alcohol Awareness, Healthy Lifestyles, Introduction to Meditation, Mental Health Awareness, Nutrition Awareness, Personal Resilience, Stress Awareness and Smoking Awareness.

Mental health awareness training for managers – all managers have participated in training to increase their awareness and understanding of mental health issues, enable them to spot signs and symptoms and provide them with a toolkit and resources to effectively support colleagues and encourage the open conversations

Resilience training – this has been made available for all colleagues through the open programme and has been delivered to specific teams in Tenancy Services and Income and Residential Property Services

Employee Relations

To foster good workplace communications, a Joint Negotiating Committee (JNC) meets regularly. The purpose of the JNC is to enable trade union representatives to meet with Executive Directors and others to discuss and exchange views on matters of mutual concern and interest.

Qualifying Third Party Indemnity Provisions

The Directors have third party indemnity insurance through the Company.

Future Prospects

See page 8 of the Strategic Report for a review of whg future developments.

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.

Statement of Board Responsibilities

The Board is responsible for preparing the Report of the Board, the Strategic Report 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 income and expenditure 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, 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 2018 and signed on its behalf by:

Michael Hew
19 July 2018

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

Opinion

We have audited the financial statements of Walsall Housing Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 208 which comprise the Consolidated and Company Statements of Total Comprehensive Income, Consolidated and Company Statements of Changes in Reserves, Consolidated and Company Statements of Financial Position, Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 2018 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;
- 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given 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; and
- the Strategic Report and the Report of the Board have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Report of the Board.

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

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

Respective responsibilities of the Board
As explained more fully in the Statement of Board Responsibilities set out on pages 32 to 33, 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, and for such internal control as the Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board are responsible for assessing the group's and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report
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.

RSM UK Audit LLP

KEITH WARD (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
St Philips Point
Temple Row
Birmingham
B2 5AF
Date

19/7/18

Consolidated Statement of Total Comprehensive Income for the year ended 31 March 2018

	Note	2018 £000	2017 £000
Turnover	3	105,635	99,056
Operating expenditure		(68,215)	(64,833)
Operating surplus	5	37,420	34,223
Movement in fair value of investment properties	15	271	20
Surplus on disposal of property, plant and equipment	6	8,757	5,800
Interest receivable and other income	7	412	706
Interest and financing costs	8	(19,044)	(18,717)
Movement in fair value of financial instruments	26,36	2,099	(30)
Exceptional Item	37	4,436	-
Surplus for the year before tax		34,351	22,002
Taxation	11	(42)	(10)
Surplus for the year after tax		34,309	21,992
Other comprehensive income / (expenditure):			
Remeasurements – Actuarial gain / (loss) in respect of pension schemes	28	1,137	(8,682)
Total comprehensive income for the year		35,446	13,310

The consolidated Financial Statements were approved by the Board on 19 July 2018.

Michael Hew
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 2018

	Note	2018 £000	2017 £000
Turnover	3	105,419	99,578
Operating expenditure		(67,873)	(64,600)
Operating surplus	5	37,546	34,978
Movement in fair value of investment properties	15	271	20
Surplus on disposal of property, plant and equipment	6	8,757	5,801
Interest receivable and other income	7	412	706
Interest and financing costs	8	(10,293)	(11,211)
Interest and financing costs to Group undertakings	8	(8,751)	(7,506)
Movement in fair value of financial instruments	26,36	2,099	(30)
Exceptional Item	37	4,436	-
Gift Aid		287	362
Surplus for the year before tax		34,764	23,120
Taxation	11	(14)	-
Surplus for the year after tax		34,750	23,120
Other comprehensive income/(expenditure):			
Remeasurements – Actuarial gain/(loss) in respect of pension schemes	28	1,137	(8,682)
Total comprehensive income for the year		35,887	14,438

The Financial Statements were approved by the Board on 19 July 2018.

Michael Hew
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 2018

	Note	Income and expenditure reserve £000	Total £000
Balance as at 1 April 2016		26,029	26,029
Surplus for the year		21,992	21,992
Other comprehensive income for the year		(8,682)	(8,682)
Balance at 31 March 2017		39,339	39,339
Total comprehensive income for the year		34,309	34,309
Other comprehensive income for the year		1,137	1,137
Balance at 31 March 2018		74,785	74,785

Company Statement of Changes in Reserves for the year ended 31 March 2018

	Note	Income and expenditure reserve £000	Total £000
Balance as at 1 April 2016		38,904	38,904
Surplus for the year		23,120	23,120
Other comprehensive income for the year		(8,682)	(8,682)
Balance at 31 March 2017		53,342	53,342
Total comprehensive income for the year		34,750	34,750
Other comprehensive income for the year		1,137	1,137
Balance at 31 March 2018		89,229	89,229

Consolidated Statement of Financial Position

At 31 March 2018 **Company No. 4015633**

	Note	2018 £000	2017 £000
Fixed Assets			
Intangible assets	12	2,647	1,787
Tangible fixed assets - Housing Properties	13	397,317	359,108
Tangible fixed assets - Other Fixed Assets	14	15,000	14,896
Investment properties	15	8,629	8,154
Homebuy loans receivable	16	137	137
		423,730	384,082
Current Assets			
Properties held for sale	18	5,976	3,743
Stocks	19	127	125
Trade and other debtors	20	9,385	10,127
Debtors due in more than one year	21	835	-
Investments	36	10,084	67,132
Cash and cash equivalents	36	128,515	16,467
		154,922	97,594
Creditors: Amounts falling due within one year	22	(23,702)	(22,890)
Net current assets		131,220	74,704
Total assets less current liabilities		554,950	458,786
Creditors: Amounts falling due after more than one year	23	455,190	397,436
Provisions for liabilities			
Defined Benefit Pension provision	28	23,946	20,926
Other provision	29	1,029	1,085
Total net assets		74,785	39,339
Reserves			
Income and expenditure reserve		74,785	39,339
Total Reserves		74,785	39,339

The accompanying notes form part of these Financial Statements.
The Financial Statements on pages 37 to 91 were approved by the Board and authorised for issue on 19 July 2018 and are signed on its behalf by:

Michael Hew
Chair

Gary Fulford
Group Chief Executive

Company Statement of Financial Position

At 31 March 2018 **Company No. 04015633**

	Note	2018 £000	2017 £000
Fixed Assets			
Intangible assets	12	2,647	1,787
Tangible fixed assets – Housing properties	13	415,514	377,038
Tangible fixed assets – other fixed assets	14	15,000	14,896
Investment properties	15	8,629	8,154
Homebuy loans receivable	16	137	137
Investment in subsidiaries	17	100	100
		442,027	402,112
Current Assets			
Properties for sale	18	5,976	3,743
Stocks	19	127	125
Trade and other debtors	20	10,035	11,149
Debtors due in more than one year	21	1,335	-
Investments	36	10,084	63,581
Cash and cash equivalents	36	123,855	15,587
		151,412	94,185
Creditors: Amounts falling due within one year	22	(24,045)	(23,508)
Net current assets		127,367	70,677
Total assets less current liabilities		569,394	472,789
Creditors: Amounts falling due after more than one year	23	455,190	397,436
Provisions for liabilities			
Defined benefit Pension provision	28	23,946	20,926
Other provision	29	1,029	1,085
Total net assets		89,229	53,342
Reserves			
Income and expenditure reserve		89,229	53,342
Total Reserves		89,229	53,342

The accompanying notes form part of these Financial Statements.
The Financial Statements on pages 37 to 91 were approved by the Board and authorised for issue on 19 July 2018 and are signed on its behalf by:

Michael Hew
Chair

Gary Fulford
Group Chief Executive

Consolidated Statement of Cash Flows

	Note	2018 £000	2017 £000
Net cash generated from operating activities	31	45,817	46,787
Cash flow from investing activities			
Purchase of tangible fixed assets		(51,994)	(63,249)
Proceeds from sale of tangible fixed assets		10,488	7,345
Grants received		9,190	5,889
Interest received		413	702
		(31,903)	(49,313)
Cash flow from financing activities			
Interest paid		(19,935)	(18,962)
Refinancing costs paid		-	(18,489)
Withdrawal from deposits		57,048	47,021
Retained bond sale		61,021	-
		98,134	9,570
Net change in cash and cash equivalents		112,048	7,044
Cash and cash equivalents at beginning of the year		16,467	9,423
Cash and cash equivalents at end of the year		128,515	16,467

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 charity and 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 and the nature of the Company's operations can be found in the Group profile on page 6.

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 and investment properties 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 2018.
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
- Anthem Homes Limited

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.

Accounting Policies (Continued)

Joint Ventures
An entity is treated as a joint venture where a member of the Group holds an interest and shares control under a contractual agreement with one or more parties external to the Group. In the Group accounts, joint ventures are accounted for using the equity method. Under this method, where the venturer itself is not a parent, the fair value model is adopted and an equity investment is initially recognised at the transaction price (including transaction costs). Changes in fair value are recognised where it is practicable to do so. Where it is impracticable to measure fair value reliably or without undue cost or effort, the cost model will be used in accordance with the provisions of FRS102. Dividends and other distributions received from the investment are recognised as income without regard to whether the distributions are from accumulated profits of the jointly controlled entity arising before or after the date of acquisition.

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.

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) and the amortisation of Deferred Capital Grant.

Rental and service charge 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.

See page 46 and 47 for the polices on grant income.

Other Income
Interest income is accrued on a time-apportioned basis, by reference to the principal 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 amortisation.
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.

Accounting Policies (Continued)

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 any of the following:

- 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".

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 that took place prior to 6 April 2017 were 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 Statement of Comprehensive Income.

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 considers 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 surplus 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.

Accounting Policies (Continued)

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 the Statement of Comprehensive Income 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 or 125
Windows	27-30
Kitchen	18-20
Bathroom	27-30
Central Heating	27-30
Boilers	10
Wiring	22-25
External Wraps	35-40

For the year ended 31 March 2018 whg revised its accounting policy on depreciation and increased the useful economic life of our new build properties from 100 to 125 years. The change will accurately reflect the life of our new build properties. The new approach does not trigger any retrospective changes to the financial statements. All that has changed is depreciating the carrying value of the assets over 125 years rather than 100, resulting in a reduced depreciation charge of £145k in the current year, for those components.

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 Statement of Comprehensive Income.

Accounting Policies (Continued)

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 Statement of Comprehensive Income. 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. Expenditure under £500 is not capitalised and is treated as revenue expenditure. 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	4 – 15 years
Furniture & Office Equipment	10
Motor Vehicles	4
Office Improvements	4 – 8 years

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.

Cash and cash equivalents
Cash and cash equivalents include cash at bank and in hand and highly liquid interest-bearing securities with maturities of three months or less.

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 Charity Commission and is therefore exempt from paying corporation tax on charitable activities.

Visionary Investment Enhancing Walsall Limited is an entity registered under the Co-operative and Community Benefit Societies Act 2014 (No. 29907R), and has charitable status for tax purposes.

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

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

Accounting Policies (Continued)

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 income and expenditure, 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, Anthem Homes 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

Accounting Policies (Continued)

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 Group 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 the Statement of Comprehensive Income 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 a
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 Statement of Comprehensive Income 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

Accounting Policies (Continued)

- 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.

HomeBuy

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 Group 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 Group becomes a party to the contractual provisions of the instrument, and are offset only when the Group 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 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 the Statement of Comprehensive Income 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

Creditors

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 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.

Accounting Policies (Continued)

Investments policy
Cash balances are invested on competitive term rates 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. The rating of the approved organisations are checked on a daily basis to ensure or investments are not at risk.

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 28). The liability at 31 March 2018 was £23.9m.

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 £396k for the next 9 years has been discounted at a rate of 1.72% amounting to a net present value of £374k at 31 March 2018 (Note 28).

Accounting Policies (Continued)

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 one remaining cancellable fixed rate loan which had options in the year. The total value of these instruments was £8.2m at 31 March 2018 (Note 26).

Fair value measurements were applied to investment properties. The total value of these investments was £8.6m at 31 March 2018 (Note 15).

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 and amortisation at 31 March 2018 was £103.1m.

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 an ongoing 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 (i.e., 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 continues to be 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 Group as lessee, or the lessee, where the Group is a lessor.

3a. Particulars of turnover, cost of sales, operating costs and operating surplus

GROUP – continuing activities	Turnover	Cost of sales	2018 Operating expenditure	Operating Surplus
	£000	£000	£000	£000
Social housing lettings	94,554	-	56,251	38,303
Other social housing activities				
First tranche low cost home ownership sales	6,910	4,861	-	2,049
Charges for support services	-	-	577	(577)
Development costs	-	-	843	(843)
Other social housing grants	297	-	172	125
VAT recoverable	13	-	-	13
Other social housing	991	-	151	840
Defined benefit pension costs	-	-	3,594	(3,594)
	102,765	**4,861**	**61,588**	**36,316**
Activities other than Social Housing				
Non social housing lettings	1,085	-	195	890
Non social housing grants	502	-	1,005	(503)
Other non social housing	1,283	-	566	717
	105,635	**4,861**	**63,354**	**37,420**

	Turnover	Cost of sales	2017 Operating expenditure	Operating Surplus
	£000	£000	£000	£000
Social housing lettings	92,979	-	58,286	34,693
Other social housing activities				
First tranche low cost home ownership sales	2,496	1,696	-	800
Charges for support services	-	-	571	(571)
Development costs	-	-	646	(646)
Other social housing grants	171	-	154	17
VAT recoverable	195	-	-	195
Other social housing	798	-	125	673
Defined benefit pension costs	-	-	1,446	(1,446)
	96,639	**1,696**	**61,228**	**33,715**
Activities other than Social Housing				
Non social housing lettings	1,051	-	94	957
Non social housing grants	389	-	913	(524)
Other non social housing	977	-	902	75
	99,056	**1,696**	**63,137**	**34,223**

3b. Particulars of turnover, cost of sales, operating costs and operating surplus

COMPANY – continuing activities

	2018 Turnover	Cost of sales	Operating expenditure	Operating Surplus
	£000	£000	£000	£000
Social housing lettings	94,554	-	56,402	38,152
Other social housing activities				
First tranche low cost home ownership sales	6,910	4,861	-	2,049
Charges for support services	-	-	577	(577)
Development costs	-	-	843	(843)
Other social housing grants	567	-	172	395
VAT recoverable	13	-	-	13
Other social housing	1,195	-	147	1,048
Defined benefit pension costs		-	3,594	(3,594)
	103,239	**4,861**	**61,735**	**36,643**
Activities other than Social Housing				
Non social housing lettings	1,085	-	195	890
Non social housing grants	704	-	1,005	(301)
Other non social housing	391	-	77	314
	105,419	**4,861**	**63,012**	**37,546**

	2017 Turnover	Cost of sales	Operating expenditure	Operating Surplus
	£000	£000	£000	£000
Social housing lettings	93,545	-	58,433	35,112
Other social housing activities				
First tranche low cost home ownership sales	2,496	1,696	-	800
Charges for support services	-	-	571	(571)
Development costs	-	-	646	(646)
Other social housing grants	349	-	154	195
VAT recoverable	195	-	-	195
Other social housing	1,011	-	120	891
Defined benefit pension costs	-	-	1,446	(1,446)
	97,596	**1,696**	**61,370**	**34,530**
Activities other than Social Housing				
Non social housing lettings	1,051	-	94	957
Non social housing grants	704	-	913	(209)
Other non social housing	227	-	527	(300)
	99,578	**1,696**	**62,904**	**34,978**

3c. Particulars of income and expenditure from social housing lettings

GROUP	2018 General needs housing	2018 Supported housing and housing for older people	2018 Low cost home ownership	2018 Total	2017 Total
	£000	£000	£000	£000	£000
Rent receivable net of identifiable service charges	88,282	933	181	89,396	88,339
Service charge income	3,494	242	535	4,271	4,035
Amortised government grants	887	-	-	887	605
Turnover from social housing lettings	**92,663**	**1,175**	**716**	**94,554**	**92,979**
Management	12,873	142	100	13,115	12,415
Service charge costs	4,473	46	314	4,833	4,422
Routine maintenance	9,900	108	-	10,008	9,936
Planned maintenance	14,521	159	-	14,680	14,826
Major repairs expenditure	3,277	36	-	3,313	7,223
Bad debts	729	9	64	802	598
Depreciation of housing properties	9,386	103	11	9,500	8,866
Operating expenditure on social housing lettings	**55,159**	**603**	**489**	**56,251**	**58,286**
Operating surplus on social housing lettings	**37,504**	**572**	**227**	**38,303**	**34,693**
Void losses	**(606)**	**(29)**	**(4)**	**(639)**	**(565)**

3d. Particulars of Income and Expenditure from Social Housing Lettings

COMPANY	2018 General needs housing	2018 Supported housing and housing for older people	2018 Low cost home ownership	2018 Total	2017 Total
	£000	£000	£000	£000	£000
Rent receivable net of identifiable service charges	88,282	933	181	89,396	88,339
Service charge income	3,494	242	535	4,271	4,035
Amortised government grants	887	-	-	887	605
Non government grant	-	-	-	-	566
Turnover from social housing lettings	**92,663**	**1,175**	**716**	**94,554**	**93,545**
Management	12,873	142	100	13,115	12,415
Service charge costs	4,473	46	314	4,833	4,422
Routine maintenance	9,900	108	-	10,008	9,936
Planned maintenance	14,521	159	-	14,680	14,826
Major repairs expenditure	3,277	36	-	3,313	7,223
Bad debts	729	9	64	802	598
Depreciation of housing properties	9,536	104	11	9,651	9,013
Operating expenditure on social housing lettings	**55,309**	**604**	**489**	**56,402**	**58,433**
Operating surplus on social housing lettings	**37,354**	**571**	**227**	**38,152**	**35,112**
Void losses	**(606)**	**(29)**	**(4)**	**(639)**	**(565)**

3e. Particulars of turnover from non-social housing lettings

	Group and Company 2018	Group and Company 2017
	£000	£000
Market rented housing properties	570	472
Garage rents	515	579
	1,085	1,051

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	2018 Number	2017 Number
Social housing		
General housing:		
- social rent	18,106	18,184
- affordable rent	1,472	1,230
Supported housing	214	117
Low cost home ownership	146	60
Total owned	**19,938**	**19,591**
Leasehold properties	605	598
Total managed	**20,543**	**20,189**
Non-social housing		
Market rented housing properties	101	100
Total owned and managed	**101**	**100**
Accommodation in development at the year end	**1,038**	**923**

The Group owns 34 commercial properties (2017:36) 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	
	2018 £000	**2017 £000**	**2018 £000**	**2017 £000**
Amortisation of deferred capital grant	(883)	(615)	(883)	(615)
Non government grant	-	-	-	(566)
Amortisation of intangible fixed assets	316	240	316	240
Depreciation of housing properties	9,500	8,871	9,651	9,020
Inventories recognised as an expense	396	400	396	400
Depreciation of other tangible fixed assets	1,002	1,005	1,002	1,005
Operating lease rentals:				
- land and buildings	69	84	69	69
- vehicles and equipment	1,494	1,467	1,494	1,467
Auditor's remuneration (excluding VAT)				
- Fees payable to the Company's auditor for the audit of the Financial Statements	70	101	58	101
- Fees payable to the Company's auditor for other services:	6	11	6	-
Total audit services	76	112	64	101
- Tax compliance services	-	9	-	9
Total non-audit services	-	9	-	9

6. Surplus on disposal of property, plant and equipment

	Group		Company	
	2018 £000	**2017** £000	**2018** £000	**2017** £000
Disposal proceeds	10,390	7,269	10,390	7,269
Carrying value of fixed assets	(1,451)	(1,308)	(1,451)	(1,308)
Other costs of sale	(182)	(161)	(182)	(160)
Surplus on disposal	**8,757**	**5,800**	**8,757**	**5,801**

7. Interest receivable and similar income

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Interest receivable and similar income	**412**	**706**	**412**	**706**

8. Interest and financing costs

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Net interest payable West Midlands Pension Fund	563	360	563	360
Net interest payable SHPS	6	9	6	9
Bank interest	10,638	11,755	10,638	11,755
Bond Interest and finance costs	8,690	7,438	8,719	7,454
Amortisation of issue costs	32	52	32	52
Bond coupon discount	29	16	-	-
	19,958	**19,630**	**19,958**	**19,630**
Interest payable capitalised on housing properties under construction	(914)	(913)	(914)	(913)
	19,044	**18,717**	**19,044**	**18,717**
Capitalisation rate used to determine the finance costs capitalised during the period	5.06%	5.35%	5.06%	5.35%

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. On 3 August 2017 Walsall Housing Group Limited sold £50m of retained bonds at a coupon of 4.25% through the subsidiary whg Treasury PLC. The sale attracted an £11m premium resulting in a net interest rate to the Group of 3.075% for the bond.

The Company bond interest and finance costs and amortisation of issue costs relate to amounts owing to whg Treasury PLC. The split between payments due to Group companies and payments due to external funders is as follows.

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Payable to external funders	19,044	18,717	10,293	11,211
Payable to Group undertakings	-	-	8,751	7,506
	19,044	**18,717**	**19,044**	**18,717**

9. Employees

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

	2018	2017
GROUP AND COMPANY	No.	No.
Administration	137	129
Development	18	13
Housing, support and care	498	488
	653	630

Average monthly headcount

	2018	2017
GROUP AND COMPANY	No.	No.
Administration	145	137
Development	19	13
Housing, support and care	520	508
	684	658

The full time equivalent number of staff who received remuneration (including Directors) in excess of £59,999:

	2018	2017
	No	No
£60,000 - £70,000	1	4
£70,001 - £80,000	5	6
£80,001 - £90,000	2	3
£90,001 - £ 100,000	2	-
£100,001 - £110,000	3	1
£110,001 - £120,000	-	2
£120,001 - £130,000	1	-
£130,001 - £140,000	1	1
£180,001 - £190,000	1	1

	2018	2017
Employee Costs:	£000	£000
Wages and salaries	20,915	19,994
Social security costs	2,095	2,019
Other pension costs	5,491	3,598
	28,501	25,611
Restructuring costs	215	164
	28,716	25,775

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 28.

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 Group management structure was revised during the year and two additional Executive Directors were appointed to the Executive Board in August 2017.

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

GROUP AND COMPANY	2018 £000	2017 £000
Basic salary	652	489
Benefits in kind	70	56
National Insurance	92	69
Pension contributions	81	67
	895	681

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 6 (2017: 4).

During the year, the aggregate compensation for loss of office of key management personnel was £nil (2017: £nil).

The emoluments of the highest paid Director, the Group Chief Executive are shown below:

Highest Paid Director	2018 £000	2017 £000
Remuneration	185	182
National Insurance	24	24
Accrued pension at year end	19	22
	228	228

Board members Attendance and Emoluments

From 1 October 2016 a remuneration scheme was introduced for Board members. Therefore the results for the 31 March 2017 only include six months costs. Board members are paid as follows:

10. Key management personnel (continued)

Current members	Attendance				Emoluments	
	Board	Audit and Assurance	Customer Services Committee	Governance and Remuneration	2018	2017
Non Executive Board Members						
					£	£
Linda Cole *	8/9	-	4/4	6/6	6,550	3,275
Edmund Hughes (Chair)	9/9	-	-	5/6	13,600	6,800
Jatinder Sharma	7/9	-	-	-	4,600	2,300
Ian Gardner	8/9	4/4	-	-	4,600	2,300
Lee Glover **	8/9	4/4	-	-	6,550	3,275
Michael Hew***	9/9	3/4	-	6/6	6,063	2,300
Noel Maxwell	9/9	-	4/4	-	4,600	2,300
Teresa Mingay	7/9	-	-	6/6	5,087	3,275
Amaze Ejiogu	7/9	-	-	-	4,600	2,300
Gregory Warner-Harris	9/9	-	-	-	4,535	-
					60,785	**28,125**
Executive Board Member Gary Fulford****	9/9	2/4	-	5/6	-	-

* Chair of the Customer Services Committee
** Chair of the Audit and Assurance Committee
*** Chair of the Governance and Remuneration Committee
**** Chief Executive

No members of the Board other than the Chief Executive participate in the Social Housing Pension Scheme or the Local Government Pension Scheme.

11. Taxation

Walsll Housing Group Limited and VIEW are registered as charitable with HMRC and as such benefit from charitable tax exemptions. All other active Group companies including whg Trading Company Limited, whg Developments Limited, whg Treasury PLC, Anthem Homes Limited and Buy for Good CIC are liable to Corporation Tax.

Group

	2018	2017
Current tax	£000	£000
UK corporation tax	14	-
Total current tax	14	-
Deferred tax		
Origination and reversal of timing differences	28	10
Total deferred tax	28	10
Total tax on surplus on ordinary activities	42	10

	2018	2017
	£000	£000
Surplus on ordinary activities before tax	34,351	22,002
Surplus on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 19% (2017: 20%)	6,527	4,400
Exempt charitable activities	(6,485)	(4,390)
Capital allowances in excess of depreciation	(10)	(10)
Adjustment to opening deferred tax rate	(18)	-
Current tax charge for the year	**14**	**-**

11. Taxation (continued)

Company

	2018 £000	2017 £000
Current tax		
UK corporation tax	14	-
Total current tax	14	-
Deferred tax		
Origination and reversal of timing differences	-	-
Total deferred tax	-	-
Total tax on surplus on ordinary activities	14	-

	2018 £000	2017 £000
Surplus on ordinary activities before tax	34,764	23,120
Surplus on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 19% (2017: 20%)	6,605	4,624
Exempt charitable activities	(6,591)	(4,624)
Capital allowances in excess of depreciation	-	-
Adjustment to opening deferred tax rate	-	-
Current tax charge for the year	**14**	**-**

12. Intangible Fixed Assets

Group and Company	IT Software	IT Software work in progress	**Total Intangible assets**
	£000	**£000**	**£000**
Cost			
At 1 April 2017	2,359	1,067	**3,426**
Additions	-	1,242	**1,242**
Projects completed	1,094	(1,094)	**-**
Disposals	(78)		**(78)**
At 31 March 2018	**3,375**	**1,215**	**4,590**
Depreciation			
At 1 April 2017	1,639	-	**1,639**
Charged in the year	316	-	**316**
Released on disposal	(12)	-	**(12)**
At 31 March 2018	**1,943**	**-**	**1,943**
Net book value			
At 31 March 2018	**1,432**	**1,215**	**2,647**
At 31 March 2017	**720**	**1,067**	**1,787**

Depreciation on these assets is apportioned by FTE across all expenditure elements within the Statement of Comprehensive Income

13. Fixed Assets – housing properties

Group – housing properties	Social housing properties held for letting	Housing properties for letting under construction	Completed shared ownership housing properties	Shared ownership housing properties under construction	**Total housing properties**
	£000	£000	£000	£000	**£000**
Cost					
At 1 April 2017	405,052	33,478	2,177	3,606	**444,313**
Additions	-	31,661	-	7,964	**39,625**
Component additions	3,893	5,142	-	-	**9,035**
Components completed	1,668	(1,668)	-	-	**-**
Interest capitalised	-	697	-	217	**914**
Schemes completed	39,399	(39,399)	4,889	(4,889)	**-**
Conversion to Market Rent	(211)	-	-	-	**(211)**
Property disposals	(2,085)	-	-	-	**(2,085)**
Costs written off	(114)	(119)	-	(39)	**(272)**
Component disposals	(988)	-	-	-	**(988)**
At 31 March 2018	**446,614**	**29,792**	**7,066**	**6,859**	**490,331**
Depreciation					
At 1 April 2017	85,099	-	106	-	**85,205**
Depreciation charged in year	9,487	-	13	-	**9,500**
Released on conversion	(8)	-	-	-	**(8)**
Released on disposal – components	(988)	-	-	-	**(988)**
Released on disposal – properties	(695)	-	-	-	**(695)**
At 31 March 2018	**92,895**	**-**	**119**	**-**	**93,014**
Net book value					
At 31 March 2018	**353,719**	**29,792**	**6,947**	**6,859**	**397,317**
At 31 March 2017	**319,953**	**33,478**	**2,071**	**3,606**	**359,108**

Included in the depreciation charge for the year is £499k of accelerated depreciation on components disposed before the end of their useful economic lives (2017: £293k).

13. Fixed Assets – housing properties (continued)

Company – housing properties	Social housing properties held for letting	Housing properties for letting under construction	Completed shared ownership housing properties	Shared ownership housing properties under construction	**Total housing properties**
	£000	£000	£000	£000	**£000**
Cost					
At 1 April 2017	423,879	33,881	2,177	3,606	**463,543**
Additions	-	32,080	-	7,964	**40,044**
Component additions	3,893	5,142	-	-	**9,035**
Components completed	1,668	(1,668)	-	-	**-**
Interest capitalised	-	697	-	217	**914**
Schemes completed	39,816	(39,816)	4,889	(4,889)	**-**
Conversion to Market Rent	(211)	-	-	-	**(211)**
Property disposals	(2,085)	-	-	-	**(2,085)**
Costs written off	(114)	(120)	-	(39)	**(273)**
Component disposals	(988)	-	-	-	**(988)**
At 31 March 2018	**465,858**	**30,196**	**7,066**	**6,859**	**509,979**
Depreciation					
At 1 April 2017	86,399	-	106	-	**86,505**
Depreciation charged in year	9,638	-	13	-	**9,651**
Released on conversion	(8)	-	-	-	**(8)**
Released on disposal – components	(988)	-	-	-	**(988)**
Released on disposal - properties	(695)	-	-	-	**(695)**
At 31 March 2018	**94,346**	**-**	**119**	**-**	**94,465**
Net book value At 31 March 2018	**371,512**	**30,196**	**6,947**	**6,859**	**415,514**
At 31 March 2017	**337,480**	**33,881**	**2,071**	**3,606**	**377,038**

Housing properties book value net of depreciation comprises

	Group		**Company**	
	2018	**2017**	**2018**	**2017**
	£000	£000	**£000**	£000
Freehold land and buildings	382,180	352,082	400,377	370,011
Leasehold buildings	1,332	1,350	1,332	1,350
Shared ownership	13,805	5,676	13,805	5,677
	397,317	**359,108**	**415,514**	**377,038**

13. Fixed Assets – housing properties (continued)

Expenditure on works to existing properties

	Group		Company	
	2018 £000	**2017** £000	**2018** **£000**	**2017** £000
Components capitalised	9,035	7,757	9,035	7,757
Amounts charged to Statement of Comprehensive Income	3,313	7,223	3,313	7,223
	12,348	**14,980**	**12,348**	**14,980**

Assets held in the Company include 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

	Group		Company	
	2018 £000	**2017** £000	**2018** **£000**	**2017** £000
Total accumulated social housing grant received or receivable at 31 March:	53,622	48,652	55,567	50,596
Recognised in the Statement of Comprehensive Income	(4,525)	(3,710)	(6,469)	(5,654)
Held as deferred Income	49,097	44,942	49,098	44,942

Finance costs

	Group		Company	
	2018 £000	**2017** £000	**2018** **£000**	**2017** £000
Aggregate amount of finance costs included in the cost of housing properties	4,014	3,100	4,015	3,100

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 Standard 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 2017 to be an impairment trigger and accordingly undertook an impairment assessment to compare the carrying value of the CGUs to their estimated recoverable amounts. The Group determined that no impairment has occurred.

14. Tangible Fixed Assets – Other

Group	Offices	Furniture Fixtures and Fittings	Computers & Office Equipment	Computers & Office Equipment WIP	Motor Vehicles	**Total**
	£000	£000	£000	£000	£000	**£000**
Cost						
At 1 April 2017	14,686	2,303	4,691	298	62	**22,040**
Additions	150	56	-	900	-	**1,106**
Projects completed	-	-	498	(498)	-	**-**
Costs written off	-	-	-	-	-	**-**
Disposals	-	-	-	-	-	**-**
At 31 March 2018	**14,836**	**2,359**	**5,189**	**700**	**62**	**23,146**
Depreciation						
At 1 April 2017	2,996	944	3,144	-	60	**7,144**
Charged in the year	347	209	444	-	2	**1,002**
Released on disposal	-	-	-	-	-	**-**
At 31 March 2018	**3,343**	**1,153**	**3,588**	**-**	**62**	**8,146**
Net book value						
At 31 March 2018	**11,493**	**1,206**	**1,601**	**700**	**-**	**15,000**
At 31 March 2017	**11,690**	**1,359**	**1,547**	**298**	**2**	**14,896**

14. Tangible Fixed Assets – Other (continued)

Company	Offices	Furniture Fixtures and Fittings	Computers & Office Equipment	Computers & Office Equipment WIP	Motor Vehicles	**Total**
	£000	£000	£000	£000	£000	**£000**
Cost						
At 1 April 2017	14,687	2,301	4,692	298	62	**22,040**
Additions	150	56	-	900	-	**1,106**
Projects completed	-	-	498	(498)	-	-
Costs written off	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
At 31 March 2018	**14,837**	**2,357**	**5,190**	**700**	**62**	**23,146**
Depreciation						
At 1 April 2017	2,997	944	3,143	-	60	**7,144**
Charged in the year	347	209	444	-	2	**1,002**
Released on disposal	-	-	-	-	-	-
At 31 March 2018	**3,344**	**1,153**	**3,587**	**-**	**62**	**8,146**
Net book value						
At 31 March 2018	**11,493**	**1,204**	**1,603**	**700**	**-**	**15,000**
At 31 March 2017	**11,690**	**1,357**	**1,549**	**298**	**2**	**14,896**

15. Investment properties

	Group and Company	
	Non social housing properties held for letting	Non social housing properties held for letting
	2018	2017
	£000	£000
At 1 April	8,154	4,834
Additions	204	3,300
Revaluation	271	20
At 31 March	**8,629**	**8,154**

The Company owns a portfolio of market rented properties. 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 £8.2m at March 2017 and £8.6m at March 2018. The movements in fair value £271k (2017: £20k) have been recognised in the Statement of Total Comprehensive Income. The historic cost of the properties is £8m (2017: £8.2m)

16. Homebuy loans receivable

	Group and Company	
	2018	2017
	£000	£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, Buy For Good CIC and Anthem Homes Limited (previously whg properties), which were 100% subsidiaries of the Company throughout the year. The Company has the right to appoint members to the Boards of the six 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. All inter company balances recognised through the normal course of business are settled in cash and attract no interest.

Walsall Housing Group Limited (whg) is the immediate and ultimate parent undertaking of all the subsidiaries. All subsidiaries registered addresses are the same as whg registered address disclosed on the front cover.

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.

Anthem Homes Limited (previously whg Properties) was created on 30 January 2017. The principal activity is the development of homes for sale. The parent company Walsall Housing Group Limited owns all of the 50,000 £1 shares, which were issued at par on incorporation. The Company has the right to appoint members to the Boards of the subsidiary and thereby exercises control over it.

17. Investments in subsidiaries (continued)

Investments

	2018 £000	2017 £000
At the 1 April	100	50
Additions	-	50
At 31 March	100	100

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

whg to VIEW

Intra-Group transactions	Allocation basis	2018 £000	2017 £000
Contribution in respect of VAT recovered under the parent VAT shelter scheme	25% of VAT recovered on whg partnering works	(277)	(472)
Management services	Percentage of payroll costs	107	107
		(170)	(365)

VIEW to whg

Intra-Group transactions	Allocation basis	2018 £000	2017 £000
Regeneration grants	Grant funding project expenditure	(368)	(362)

There is a £85k net intra-group creditor owed to VIEW at the year end made up of £201k owed to VIEW and £116k owed by VIEW. (2017: debtor £119k).

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	2018 £000	2017 £000
Management services	Percentage of payroll costs	163	56

whg Trading Company Limited to whg

Intra-Group transactions	Allocation basis	2018 £000	2017 £000
Gift aid	Not applicable	(56)	(117)

There is a £76k intra-group debtor owed by whg Trading Company Limited at the year end (2017: debtor £100k). This includes gift aid payable of £56k (2017: £117k).

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

17. Investments in subsidiaries (continued)

whg to whg Developments Limited

Intra-Group transactions	**Allocation basis**	**2018** £000	**2017** £000
Interest payable	Interest charge on loan	13	13
Management services	Percentage of development costs	203	238
		216	251

whg Developments Limited to whg

Intra-Group transactions	**Allocation basis**	**2018** £000	**2017** £000
Recharge of cost of sales	Design & Build	21,258	24,846
Gift aid	Not applicable	(199)	(232)
		21,059	24,614

There is a £0.7m net intra-group creditor payable to whg Developments Ltd at the year end made up of £1.7m owed to whg Developments Ltd and £1m owed by whg Developments Ltd. (2017: net creditor £2.1m). This includes gift aid payable of £199k (2017 : £232k). Included in the £1m debt owed by whg Developments is a £500k loan made by Walsall Housing Group in the 2012/13 year. Interest is charged at a market rate at the time of issue, which was LIBOR assumed at 1% plus a margin of 1.5% (2017: LIBOR at 1% plus a margin of 1.5%). Interest amounted to £13k for the year (2017: £13k).

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**	**2018** £000	**2017** £000
Interest payable	Bond interest charge payable	8,664	7,479
Custodian fees	Custodian fees payable	15	13
		8,679	7,492

There is a £233.7m long term intra-group creditor payable to whg Treasury PLC at the year end (2017: £172.7m).

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**	**2018** £000	**2017** £000
Management services	Percentage of payroll / admin costs	5	8

17. Investments in subsidiaries (continued)

Buy for Good CIC to whg

Intra-Group transactions	**Allocation basis**	**2018** £000	**2017** £000
Gift aid	Not applicable	(32)	(12)

There is a £32k intra-group debtor owed by Buy for Good CIC at the year end (2017: £13k). This includes gift aid payable of £32k (2017: £12k).

During the year the Company had the following intra-Group transactions and year end balances with Anthem Homes Limited.

Anthem Homes Limited to whg

Intra-Group transactions	**Allocation basis**	**2018** £000	**2017** £000
Interest payable	Interest charge payable	39	-

There is a £923k intra-group debtor owed by Anthem Homes Limited at the year end. (2017: nil). Included in the £923k debt owed by Anthem Homes Limited is a £835k loan made by Walsall Housing Group.

18. Properties held for sale

	Group		Company	
	2018 £000	**2017** £000	**2018** **£000**	**2017** £000
Shared ownership properties:				
Completed properties	1,307	1,098	1,307	1,098
Work in progress	4,669	2,645	4,669	2,645
	5,976	3,743	5,976	3,743

19. Stocks

	Group		Company	
	2018 £000	**2017** £000	**2018** £000	**2017** £000
Van stocks	127	125	127	125

20. Debtors

	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Due within one year				
Rent and service charges receivable	3,995	4,045	3,995	4,045
Less: provision for bad and doubtful debts	(1,773)	(1,724)	(1,773)	(1,724)
	2,222	2,321	2,222	2,321
Deferred tax asset	99	127	-	-
Other debtors	726	561	673	535
Prepayments and accrued income	6,338	7,118	6,267	7,060
Amounts owed by Group undertakings	-	-	873	1,233
	9,385	**10,127**	**10,035**	**11,149**

21. Debtors due in more than one year

	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Due after one year				
Loan to Cricket Close LLP	835	-	-	-
Loan to Anthem Homes Limited	-	-	835	-
Loan to whg Developments Limited	-	-	500	
	835	**-**	**1,335**	**-**

During the year the Parent lent £835k to its wholly owned subsidiary Anthem Homes Limited, who subsequently on lent this to Cricket Close LLP for the purposes of a joint venture in building homes for outright sale.
This year we have classified the intercompany loan to whg Developments Limited as a long term debtor as we feel that it is more appropriate, with it being paid back over a term greater than a 12 month accounting period.

22. Creditors: amounts falling due within one year

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Bank loans (note 26)	-	-	-	-
Trade creditors	5,468	5,617	3,939	3,103
Rent and service charges received in advance	3,031	2,575	3,031	2,575
Social housing grant received in advance*	-	437	-	437
Other grants received in advance	7,765	3,965	7,765	3,965
Amounts owed to Group undertakings	-	-	2,071	3,119
Deferred grant income (note 24)	713	597	713	597
Corporation Tax	14	-	14	-
Other taxation and social security	539	489	552	519
Unpaid contributions for retirement benefits	265	253	265	253
Disposal Proceeds (note 25)	498	-	498	-
Other creditors*	1,269	1,372	1,094	1,294
Accruals and deferred income	4,140	7,585	4,103	7,646
	23,702	**22,890**	**24,045**	**23,508**

*Other creditors includes the Big Lottery funding for the Click Start Programme. A creditor of £nil is still outstanding at 31 March 2018 (2017: £14k). The total funding received for the year was £1,037k, with £763k being paid to our partners and whg recognising £275k through the Statement Of Comprehensive Income.

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

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Recycled Capital Funds Grant (note 27)	48	48	48	48
Debt (note 26)	404,676	350,499	404,676	350,499
Disposal proceeds fund (note 25)	1,483	1,913	1,483	1,913
Deferred grant income (note 24)	48,983	44,976	48,983	44,976
	455,190	**397,436**	**455,190**	**397,436**

24. Deferred grant income

	Group		Company	
	2018 £000	**2017** £000	**2018** £000	**2017** £000
At 1 April 2017	45,573	38,995	45,573	39,560
Grant received in the year	5,547	7,727	5,547	7,727
Transfer to RCGF	-	(48)	-	(48)
Grants paid to partners	(490)	(410)	(490)	(410)
Grants recognised as income	(51)	(76)	(51)	(76)
Released to income in the year	(883)	(615)	(883)	(1,180)
At 31 March 2018	**49,696**	**45,573**	**49,696**	**45,573**
Amounts to be released within one year (note 22)	713	597	713	597
Amounts to be released in more than one year (note 23)	48,983	44,976	48,983	44,976
	49,696	**45,573**	**49,696**	**45,573**

Deferred Grant includes £441k (2017: £451k) relating to office buildings and £158k (2017: £180k) component accounting grant.

25. Disposal proceeds fund

	Group		Company	
	2018 £000	**2017** £000	**2018** £000	**2017** £000
At 1 April 2017	1,913	1,714	1,913	1,714
Net sale proceeds recycled	61	1,414	61	1,414
Interest accrued	7	6	7	6
Withdrawals	-	(1,221)	-	(1,221)
At 31 March 2018	**1,981**	**1,913**	**1,981**	**1,913**
Repayment Due				
Amounts due within one year (note 23)	498	-	498	-
Between one and two years (note 24)	1,422	496	1,422	496
Between two and three years (note 24)	61	1,417	61	1,417
	1,981	**1,913**	**1,981**	**1,913**

Withdrawals from the disposal proceeds fund in the prior year were used for approved works to existing housing properties. As at 31 March 2018, there are no amounts due for repayment.

26. Debt analysis

Borrowings

	Group		Company	
Due within one year	**2018** £000	**2017** £000	**2018** £000	**2017** £000
Bank loans	-	-	-	-
	-	-	-	-
Due after more than one year				
Bank loans	171,592	178,125	171,592	178,125
Bond	234,985	174,113	234,985	174,113
	406,577	352,238	406,577	352,238
Less: issue costs	(1,901)	(1,739)	(1,901)	(1,739)
	404,676	**350,499**	**404,676**	**350,499**
Total loans	**404,676**	**350,499**	**404,676**	**350,499**

	Group		Company	
	2018 £000	**2017** £000	**2018** £000	**2017** £000
Payable to external funders	404,676	350,499	171,203	177,829
Payable to Group undertakings	-	-	233,473	172,670
	404,676	**350,499**	**404,676**	**350,499**

Bank loans and derivatives

At 31 March 2018 the Group had one fixed rate loan with a callable option to the value of £20m (2017: £40m), the derivative element of which had a mark to market valuation at that date of £8.2m (2017: £14.72m).

The mark to market liability is included within Bank loans. The gain of £2.1m (2017: £30k reduction) in the fair value of the callable fixed rate loan derivatives has been taken through the Statements of Total Comprehensive Income.

On 22 December 2017 £20m of the Group's loans had the callable option cancelled, and the loans were converted to vanilla fixed rate loans with the same maturity date. This resulted in a release of £4.4m of the related outstanding mark to market liability as the loan became a basic financial instrument, and this has been recognized as an exceptional item in the Statements of Total Comprehensive Income (see note 37).

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%.

On 3rd August 2017 the Group sold £50m of the retained bond at a coupon of 4.25% through whg Treasury PLC. The retained bond was sold at a premium of £11m with a spread of 1.2% above the yield of 1.875%, resulting in an overall rate of 3.075%.

The bond monies are lent from whg Treasury PLC 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 2018 was £270.4m (2017: £218.6m).

Facilities and security

At 31 March 2018 the Group had £31m of agreed but undrawn borrowing facilities available (in the form of revolving credit facilities), and the ability to issue a retained bond of up to £25m.

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 £163m of bank loans accrue interest at an average rate of approximately 6.38%. As above, the £225m bond has been issued at a coupon rate of 4.25%.

Gross issue costs for both the bank loans and the bond were £2.1m and were capitalised in the years in which they were incurred. Amortisation charged in the year was £60k (2017: £52k) leaving issue costs of £1,902k (2017: £1,739k) to be carried forward.

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

	Group		Company	
	2018 £000	**2017** £000	**2018** £000	**2017** £000
Within one year or on demand	-	-	-	-
Two years or more but less than five years	50,000	25,000	50,000	25,000
Five years or more	356,577	327,238	356,577	327,238
	406,577	**352,238**	**406,577**	**352,238**
Less: unamortised issue costs	(1,901)	(1,739)	(1,901)	(1,739)
	404,676	**350,499**	**404,676**	**350,499**

27. Recycled Regulator Capital Grant Fund

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Opening Balance as at 1 April 2017	48	-	48	-
Inputs to RCGF:				
Grant recycled from property disposals	-	48	-	48
Interest accrued	-	-	-	-
Transfers from other PRP's	-	-	-	-
Recycling of grant				
New Build	-	-	-	-
Major repairs and works to existing stock	-	-	-	-
Transfers to other PRP's	-	-	-	-
Other	-	-	-	-
Repayment of grant to the Regulator Of Social Housing	-	-	-	-
Closing Balance	**48**	**48**	**48**	**48**

28. 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 2016.

The fair value of the scheme assets at that date was £161.4m.

Key Results

The estimated position at 31 March 2018 shows a deficit of £23.9m compared with a £20.9m deficit last year. The key reasons for this change are:

- Discount rate has decreased
- Future expected inflation has increased.

The employer's contributions to the WMPF by the Company and Group for the year ended 31 March 2018 were £1.7m (2017: £2.1m) and the employer's contribution rate has been fixed as 18.6% of pensionable salaries until 31 March 2019.
Early retirements over the year, have resulted in a past service cost of £nil in the year to 31 March 2018 (2017: £nil). There were £nil (2017: £0.2m) of other settlements, curtailments, discretionary practices, constructive obligations or other material events during the year.

28. Pension obligations (continued)

Calculation Method

The figures at 31 March 2018 are based on projecting forward the results of the last formal actuarial valuation of the Fund as at 31 March 2016.

Key Assumptions

The key financial assumptions have been based on market assumptions as at 31 March 2018 and have been derived in a consistent manner to last year. This has resulted in the following assumptions:

	Group and Company	
Principal actuarial assumptions **Financial assumptions**	**31 March 2018 % per annum**	**31 March 2017 % per annum**
Discount rate	2.55	2.80
Future salary increases	3.80	4.20
Future pension increases	2.30	2.70
Inflation assumption	2.30	2.70

Mortality assumptions

The post-retirement mortality assumptions adopted to value the benefit obligation at March 2018 and March 2017 are based on the PA92 series.
The assumed life expectations on retirement at age 65 are:

	Group and Company	
	2018 No. of years	**2017 No. of years**
Retiring today:		
Males	21.9	21.8
Females	24.3	24.2
Retiring in 20 years:		
Males	24.0	23.9
Females	26.6	26.5

28. Pension obligations (continued)

Amounts recognised in surplus or deficit

	Group and Company	
	2018	**2017**
	£000	£000
Current service cost	5,188	3,311
Loss on settlements	-	-
Admin charges	86	83
Curtailments	-	165
Amounts charged to operating costs	5,274	3,559

	2018	**2017**
	£000	£000
Net interest payable	563	360
Amounts within interest and financing costs	563	360

Amounts Recognised in the Statement of Total Comprehensive Income

	2018	**2017**
	£000	£000
Re measurements	1,137	(8,682)
Actuarial gain/(loss) in respect of pension scheme	**1,137**	**(8,682)**

Amounts recognised in Statement of Financial Position

	Group and Company		
	2018	**2017**	**2016**
	£000	£000	£000
Present value of funded obligations	218,745	216,732	171,842
Fair value of plan assets	194,799	195,806	161,404
Net pension liability	(23,946)	(20,926)	(10,438)

Reconciliation of opening and closing balances of the present value of scheme liabilities

	Group and Company
	2018
	£000
Opening scheme liabilities	216,732
Current service cost	5,188
Interest cost	6,031
Change in financial assumptions	(6,479)
Benefits paid	(3,728)
Member Contributions	1,001
Closing scheme liabilities	**218,745**

28. Pension obligations (continued)

Reconciliation of opening and closing balances of the fair value of plan assets

	Group and Company
	2018
	£000
Opening fair value of plan assets	195,806
Interest income	5,468
Return on plan assets (in excess of interest income)	(5,342)
Other actuarial gains/ (losses)	-
Contributions by employer	1,680
Benefits paid	(3,728)
Administration expenses	(86)
Member contributions	1,001
Closing fair value of plan assets	**194,799**

	2018	2017
	£000	£000
Actual return on scheme assets	126	34,597

Major categories of plan assets as a percentage of total plan assets:

	2018	2017
	%	%
Equities	64.0	64.0
Government Bonds	7.0	8.0
Other Bonds	4.0	4.0
Properties	8.0	8.0
Cash	2.0	3.0
Other	15.0	13.0

Sensitivity analysis

Adjustment to mortality age rating assumption	**+ 1 year**	**None**	**- 1 year**
	£000	**£000**	**£000**
Present value of total obligation	226,604	218,745	211,167
Projected service cost	5,133	4,974	4,820

Adjustment to discount rate	**+0.1%**	**0.0%**	**-0.1%**
	£000	**£000**	**£000**
Present value of total obligation	214,490	218,745	223,089
Projected service cost	4,863	4,974	5,088

Social Housing Pension Scheme

Walsall Housing Group Limited participates in the Social Housing Pension Scheme (SHPS) and 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.

28. Pension obligations (continued)

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 2017 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 2017 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 2017 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 2017 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 2018 % per annum	31 March 2017 % per annum	31 March 2016 % per annum
Rate of discount	1.72	1.33	2.06

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.

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

28. Pension obligations (continued)

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 12.5% 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 2018 was 3 (2017: 3). The charge to the Group for the year was £91k (2017: £85k).

Social Housing Pension Scheme Contributions

The employer expects to contribute £98k in the year to 31 March 2019.

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 2016. As of this date the estimated employer debt for Walsall Housing Group Limited was £2,793,022. At present the September 2016 estimation is the latest valuation provided by the Pension Trust. The Trust is expected to finalise its valuation, later this year. After discussions with the Pensions Trust, early indications suggest that the employer debt on withdrawal cost will not have increased materially, due to better performance of the gilts market in 2017/18.

The Group has agreed to make additional deficit payments to SHPS at an average rate of £44k per year for 9 years. Using the discount rate based on an AA corporate bond for the same period a liability with a net present value of £374k is recognised within provisions for this contractual obligation. (Note 29).

	£000
At 1 April 2017	438
Reduction in provision due to new deficit agreement	(5)
Released in the year	(65)
Unwinding of discount included in finance costs	6
At 31 March 2018	**374**

29. Provisions for liabilities and charges

Group and Company	SHPS Obligation £000	Insurance claims £000	Restructuring costs £000	Leave pay £000	Total £000
At 1 April 2017	438	408	78	161	1,085
Additions	1	271	44	6	322
Utilised	(65)	(235)	(78)	-	(378)
Reversals	-	-	-	-	-
At 31 March 2018	**374**	**444**	**44**	**167**	**1,029**

The SHPS obligation is referred to in note 28. 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 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.

30. Share Capital

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

31. Cash flow from operating activities

	2018 £000	2017 £000
Surplus for the year	34,351	22,002
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	10,502	9,876
Amortisation of intangible assets	316	240
Pension costs less contributions payable	3,589	1,458
Surplus on disposal of property, plant & equipment	(8,757)	(5,800)
Movement in fair value of investment properties	(271)	(20)
Government grants amortised in the year	(934)	(605)
Interest payable	19,044	18,717
Interest received	(412)	(706)
Movement in fair value of financial instruments	(6,535)	30
Operating cash flows before movements in working capital	**50,893**	**45,192**
(Increase)/decrease in stock	(2)	(1)
(Increase)in properties held for sale	(2,233)	(2,521)
Decrease/(Increase) in trade and other debtors	(1,169)	2,330
Increase/(decrease) in trade and other creditors	(1,664)	2,734
Increase/(decrease) in provisions (excluding SHPS obligation)	(8)	(947)
Cash generated from operating activities	**45,817**	**46,787**

32. Capital Commitments

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Expenditure contracted for but not provided for	50,119	59,005	50,119	59,005
Expenditure authorised by the board, but not contracted	40,317	17,794	40,317	17,794
	90,436	**76,799**	**90,436**	**76,799**

The above commitments will be financed primarily through borrowings (£82.9m), which are already drawn or are available for draw-down under existing loan arrangements, with the balance (£7.5m) funded through social housing grant (£2.4m) and Black Country LEP Funding (£5.1m).

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Loan financing	82,942	66,195	82,942	66,195
Affordable housing grant	2,443	5,553	2,443	5,553
Other government grant	5,051	5,051	5,051	5,051
	90,436	**76,799**	**90,436**	**76,799**

Visionary Investment Enhancing Walsall Limited (VIEW) has commitments of £935k (2017 ; £1,088k) in respect of grant payables to external agencies.

33. Contingent assets/liabilities

The Group and Company had no contingent assets at 31 March 2018 (2017: £nil).

The Group receives capital grant from the Regulator of Social Housing, 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 2018, the Group has disposed of components, which had received £48k (2017: £48k) 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 asset was £13.1k (2017: VAT asset £25.2k).

As stated within Note 28, the latest estimated payment required by Walsall Housing Group Limited if it were to withdraw from the Social Housing Pension Scheme would be £2.79m (2017: £2.79m).

34. Leasing commitments

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

	2018	**2017**
	£000	£000
Within one year	1,583	1,588
Between two and five years	494	1,959
Over five years	152	218
	2,229	**3,765**

35. 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. VIEW's rules were amended during the prior year at the AGM in September 2016. Its objects shall be to carry out for the benefit of the community:

  - The improvement of the health and wellbeing of poor people of aged, disabled (whether physically or mentally) or chronically sick people through the provision and management of facilities and services.

  - The relief of unemployment for the benefit of the public in such ways as may be thought fit, including assistance to find employment; and

  - Any other charitable object that can be carried out from time to time by a registered charity.

- 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.

35. Related parties (continued)

- 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 CIC is a Community Interest Company registered with Companies House whose principal activity is to deliver social value through innovative and collaborate procurement initiatives.
- Anthem Homes Limited is a non-charitable company registered with Companies House and was incorporated 30 January 2017. Its principal activity is to develop homes for outright sale. The Group owns all of the Company's 50,000 £1 shares which were issued at par on incorporation.

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 of whg, 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 2018 was £13k (2017: £13k). Total arrears were £nil (2017: £nil).

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

36. Financial assets and liabilities

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

Categories of financial assets and financial liabilities

FINANCIAL ASSETS

Financial assets measured at amortised cost

	Group		Company	
	2018 £000	**2017** £000	**2018** £000	**2017** £000
Net Rent Debtor	2,222	2,321	2,222	2,321
Other Debtors	726	561	673	535
Accrued Income	4,464	3,965	4,464	3,965
Amounts owing by Group undertakings	-	-	2,208	1,233
Loan to Cricket Close LLP	835	-	-	-
Cash and cash equivalents*	128,515	16,467	123,855	15,587
Current Investments	10,084	67,132	10,084	63,581
Total Financial Assets	**146,846**	**90,446**	**143,506**	**87,222**

*whg held cash and cash equivalents of £128.5m (2017: 16.5m) at March 2018 with a further £10.1m in current investments (2017: £67.1m). This reflected a shift in liquidity policy from the prior year to have cash immediately available for use and boost the liquidity position of the financial statements.

FINANCIAL LIABILITES

Financial liabilities measured at amortised cost

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Bank Loans and bond	396,491	335,779	396,491	335,779
Trade Creditors	5,468	5,617	3,939	3,103
Accruals	3,863	7,036	3,826	7,097
Amounts owing to Group undertakings	-	-	2,071	3,119
Other Creditors	1,269	1,372	1,094	1,294
Total	**407,091**	**349,804**	**407,421**	**350,392**

Financial liabilities measured at Fair Value through the Statement of Comprehensive income

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Derivatives (Note 26,37)	**8,185**	**14,720**	**8,185**	**14,720**
Total Financial Liabilities	415,276	364,524	415,606	365,112

Interest rate profile

The Group's debt has a weighted average interest rate of 5.06% (2017: 5.35%) and the weighted average for which it is fixed is the lifetime of the loan.
The debt maturity profile is shown in note 26.

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:

	2018 £000	2017 £000
Expiring between one and two years – revolving credit facility	12,268	-
Expiring in more than two years – revolving credit facility	19,133	18,104
	31,401	**18,104**

37. Exceptional Item

On 22 December 2017 the callable option on £20m of our funding from Santander UK Plc was cancelled, and the loans were converted to vanilla fixed rate loans with the same maturity dates. This was due to ring-fencing arrangements at the bank. As the callable option had been deemed a non-basic financial instrument in the accounts this tranche of funding had been valued at fair value. At the date of the cancellation of the options the fair value of the loan included a mark to market of £4,436k which was released to the income statement as an exceptional item. The £20m of vanilla fixed rate loans that replaced the callables is now deemed a basic financial instrument and therefore valued at cost.