

Viridian Housing

CO-OPERATIVE AND COMMUNITY BENEFIT SOCIETY: 12752R

**ANNUAL REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2017**

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BOARD, EXECUTIVE DIRECTORS AND ADVISORS at 31 March 2017

Board at 31 March 2017, dissolved on 22 May 2017:

H Llewelyn-Davies – Chair
R Morton
J Cox
F Barras
S Herelle
P Roscrow
H Cresswell (appointed 18 May 2016)
D Lingeman (appointed 18 May 2016)

Executive Directors:

N Apetroaie	Chief Executive
M Champion (resigned 26 May 2017)	Director Operations
I Bacon (resigned 30 April 2017)	Director Finance
K Tromanhauser	Director Transformation & Innovation
N Ackcral	Director Property & Asset Management
C Miller (resigned 31 January 2017)	Director Development & Sales

Company Secretary:

K Tromanhauser

Principal Solicitors:

Devonshires

Bankers:

Lloyds Bank PLC

Registered Office until 21 May 2017:

Colwell House, 376 Clapham Road London SW9 9AR

Registrations:

Co-operative and Community Benefit Society: 12752R
Homes and Communities Agency: LH0172

Auditors:

RSM UK Audit LLP
Marlborough House
Victoria Road South
Chelmsford CM1 1LN

Optivo Board, appointed on 22 May 2017:

Sir P Dixon – Chair
S Douglas – Vice-Chair
F Barras
D Clifford
J Cox
H Cresswell
P Crouch
V Dixit
S Herelle
P Roscrow
N Stephenson
A Wiseman

Optivo Executive Directors at 22 May 2017:

P Hackett	Group Chief Executive
N Apetroaie	Deputy Chief Executive
N Ackcral	Executive Director Property & Asset Management
K Dodsworth	Executive Director People and Strategy
M Miles Lea	Executive Director Development & Sales
J Porter	Executive Director Operations
J Robinson	Executive Director Governance & Compliance
S Smith	Executive Director Finance & Resources
K Tromanhauser	Executive Director Transformation & Innovation

Optivo Registered Office from 22 May 2017:

Grosvenor House, 125 High Street, Croydon CR0 9XP

Group structure

Viridian Housing was the parent undertaking of a number of subsidiary operating companies. More details of the Group members are disclosed in Note 1 to the Financial Statements.

The Group parent and subsidiary companies are as follows:

Company	Activity
Viridian Housing	The Group parent; the main operating and asset owning company providing strategic direction and ultimate control of its subsidiaries. Viridian Housing has charitable objectives and is registered with the Homes and Communities Agency as a registered provider of social housing.
Middlesex First Limited	The company administers and manages student accommodation for the University of Middlesex.
Viridian Development Services Limited	The company develops residential property and commercial property.
Horn Lane Development Limited	The company has a stock of freehold land for redevelopment.
Viridian Property Investments Limited	The company owned Viridian Housing's previous head office in Hammersmith. The building was sold late in 2012. The company is now dormant.
Viridian Facilities Management Limited	The company ceased trading on 30 June 2011. Activity was transferred to Viridian Housing from 1 July 2011. The company is now dormant.
Viridian Commercial Enterprises Limited	The company provided short-term accommodation on a commercial basis. The company is now dormant.
Viridian Homes For All Limited	The company has not traded since incorporation and is therefore dormant.
Optivo Homes Limited (formerly Viridian Development Homes Limited)	The company has not traded since incorporation and is therefore dormant.
Optivo Limited (formerly Viridian Homes Limited)	The company has not traded since incorporation and is therefore dormant.

REPORT OF THE BOARD OF MANAGEMENT

Management presents its report and audited consolidated financial statements for Viridian Housing ('Viridian') and its subsidiary undertakings for the year ended 31 March 2017.

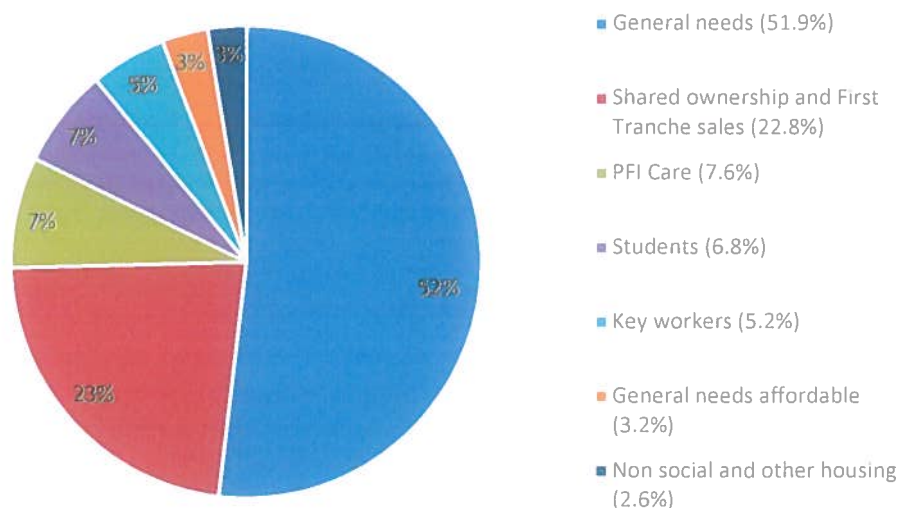
During the year, Viridian continued the discussions highlighted in last years' annual report with AmicusHorizon. The Board are pleased to report that on 22 May 2017, Viridian successfully amalgamated with AmicusHorizon to create a new organisation called Optivo. Both the execution and the planning for this merger has been the principal focus of the year and the Board are excited by the emerging plans for the new group that can achieve economies of scale, to increase the operating margin and to create the combined development capacity to build an additional 500 homes per annum. The consolidated accounts of Viridian are available on the new website www.optivo.org.uk.

Principal activities and review of the business

As at 31 March 2017 Viridian had 16,038 units and reports the results of its activities internally across the following categories:

Activity	Income £ million
General needs housing for families unable to rent or buy at open market rates (95% social rents and 5% affordable rents)	81.1
Development proceeds from first tranche sales	27.1
Student accommodation	14.0
PFI Care	10.6
Key worker accommodation	7.3
Shared ownership	4.6
Other	13.9
Total	158.6

Homes in management



Value for Money

The Viridian Board has ultimate ownership of Value for Money in the business. This year, Viridian's Value for Money Strategy 2016-2019 was published, which sets out for our Customers, our Colleagues, the Regulator and the Communities in which we work, how we will deliver Value for Money in everything we do.

This is achieved through the following mechanisms and structures. Each year the Board oversees and approves the budget setting process. Reporting to the Board are then four committees each giving different reassurance in terms of spend and Value for Money. These are the Governance & Remuneration, Growth & Investment, Risk & Audit and Treasury Committees.

This focus on achieving Value for Money was a key driver for the merger with AmicusHorizon to achieve our over-arching goal of reinvesting our surplus into new homes.

Our assessment of performance against our published Value for Money statement will be made by the due date of September 2017.

REPORT OF THE BOARD OF MANAGEMENT

Asset Management

To be able to understand the future investment requirements of our homes, we undertake stock condition surveys to all homes every 5 years. We currently have 81% of our homes with a stock condition survey which is less than five years old. This will be at 100% by the end of March 2019.

At Viridian we use a system we have developed called Progressive Asset Management to understand the financial performance of our homes and how each home contributes to our surplus. This underpins our commitment to provide value for money and supports our disposal targets. In 2016/17 we disposed of four poor performing schemes, generating a surplus of £4.6 million.

In November 2016 we attained Sustainable Homes Index for Tomorrow (SHIFT) Gold award two years ahead of our corporate target. We also won two other awards for our great work in managing our environmental impact and were commended in two other areas. We continue to invest in our poor energy performing homes via our retrofit budget concentrating on cavity, lofts and external wall insulation.

Maintenance

Viridian has an in-house property services and repairs team, with the vast majority of our responsive repairs delivered by our own staff. There was significant improvement in maintenance performance throughout the year, due to the Board's decision to invest in our delivery structure in return for improved performance.

During the year we carried out 42,621 responsive repair requests with 100% of emergency jobs and 97.64% of routine repairs delivered on time, at an average cost per property of £420.

Our average time to complete repairs was 9.6 days, with our customer satisfaction rate for repairs at 87.7%, ahead of our target of 87%.

We liaised closely with our resident group, The Loop, throughout the year. We consulted on issues including recharges, repairs standards and also ran a pilot scheme offering residents extended appointment hours.

Our audit compliance on major gas safety issues was 99.1%. One of the innovative projects that we delivered in this area was the installation of smart thermostats in one of our schemes, which identifies a household's weekly routine and then turns the heating off if no one is at home. It also allows us remote insight into the energy efficiency of the home.

We invested £10 million (2016: £10.6 million) in planned maintenance, of which £6.2 million (2016: £7.3 million) was capitalised, in accordance with our stock condition survey data.

We carried out works to 618 (2016: 666) void properties with the average works turnaround of 7.8 days (2016: 10.6 days). Operational changes to the lettings process have resulted in continuing improvements to turn around times since October 2015. The average spend of £1,856 (2016: £1,933) per unit was below our target of £2,100.

Procurement

During the year ended 31 March 2017, the Procurement team supported some 90+ projects with the following approximate values:

Category	Number of projects	Value £ million
Property Repair & Maintenance	33	16.5
Operations	28	5.5
People & Professional services	31	2.5
	92	24.5

During the period, the Procurement Panel reviewed and approved the major projects (i.e. between £50,000 and £500,000). The Panel, comprised of Viridian Leadership Team colleagues, provides an appropriate level of challenge for the process compliance and the expected commercial outcomes.

Alongside this work, there has been a focus on obtaining as much intelligence as possible regarding the status of Viridian's existing contracts. The Contracts Register has been updated with information on live and expired contracts.

REPORT OF THE BOARD OF MANAGEMENT

Procurement (continued)






To support this increased focus on procurement, a contract management training programme was initiated which has been successfully delivered to over 90 colleagues.

This combined approach enabled savings from the procurement team to be achieved of £1.1 million. This was however £0.2 million less than target due to projects being put 'on hold' pending the merger. This is detailed in the table below:

Description	Target £000	Achieved £000
Revenue - Utilities	369	95
Revenue - Other	533	324
Construction	327	302
Operational Services	90	356
People Professional	63	30
Total	1,382	1,107

Performance

Viridian uses a number of performance measures which are reported internally each month. The progress with the key performance measures identified by the Board are set out below:

	Actual 2016/17	Actual 2015/16	Actual 2014/15	Trend Prior Year
Resident Satisfaction	79.8%	80.0%	76.0%	
Re-let Times for all voids	22.5 days	30.0 days	32.9 days	
Current tenant arrears - general needs	3.2%	4.2%	4.2%	
Satisfaction with repairs	87.4%	91.0%	82.0%	
Satisfaction with complaints handling *	64.4%	98.5%	91.0%	

Upward arrow indicates improved performance and downward arrow indicates worsening performance

* During the year we changed how we measured satisfaction across all transactional areas, which led to a reduction in satisfaction levels. The actual result is top quartile performance, when compared with g15 members (15 of London's largest housing associations).

Social Impact

Alongside the core housing teams, Viridian has a team focused on Social Impact. Their work is split into three areas as set out below:

Resident Involvement

- 650 residents signed up to The Loop, an online engagement tool which is used for feedback within focus groups as well as views on new products.
- 3 Scrutiny Reviews undertaken with residents focused on Value for Money, Communications and Income management.
- Winner of TPAS Southern Award for Excellence in Scrutiny.

Financial Inclusion

As at 31 March 2017 the team have achieved the following:

- 2,732 customers contacted by the team compared to circa 2,000 last year
- Supported 496 new residents in their tenancies
- Assisted in accessing a cumulative £10.1 million funding for the above mentioned residents

Employment and Volunteering

- 99 customers moved into employment compared to 26 last year, against a target of 130 customers into employment during the current financial year
- 965 customers attended our M.O.R.E workshops focused around Money, Opportunities, Repairs and Employment
- 147 residents attended training courses
- 118 regular volunteers and 458 active volunteers

REPORT OF THE BOARD OF MANAGEMENT

Compliance with Governance and Financial Viability Standard

The Homes & Communities Agency in their capacity as the Social Housing Regulatory confirmed in December 2016 that Viridian Housing would retain its existing governance (G1) and financial viability (V1) ratings. These are the highest ratings possible.

Viridian has adopted the National Federation of Housing Code of Governance and is compliant, except for the decision to extend the Chair's tenure beyond the maximum nine-year period. The Board agreed to extend the Chair's tenure until the merger occurred in May after considering the length of time until merger, the benefits in terms of morale and stability and the time-bound nature of the breach. The HCA were informed of the breach.

The Association complies in full with the Governance and Financial Viability Standard and is satisfied it has complied with all laws and regulations that are relevant.

During the period of the merger, the Board adopted the National Federation of Housing Merger Code. Progress and all decisions in relation to the merger were compliant with the Code.

Going Concern

Following the merger event on 22 May 2017, the Board of Optivo have reviewed the approved Viridian budget for 2017/18 and thirty year financial plan with cash flow forecasts and combined this information with that of the merger partner to form a new budget and financial plan for the amalgamated entity.

Although, Viridian Housing, as an entity, will not continue in its current form, it nevertheless continues its existence through Optivo. As the Optivo Board has a reasonable expectation the merged group has adequate resources to continue in operation for the foreseeable future, these financial statements have therefore been prepared on a going concern basis reflecting the continued operation of the Viridian business as part of the amalgamated entity.

Assessment of the effectiveness of Internal Controls

The Board is the ultimate governing body and is responsible for the systems of internal control. The review of these controls is delegated to the Risk and Audit committee to provide the necessary scrutiny and oversight. To help to provide assurance in relation to monitoring the effectiveness of controls, the Committee has retained the services of Mazars LLP to provide an Internal Audit service. During the year, they completed twelve audits. Nine gave adequate assurance with the remaining three receiving substantial assurance. In addition, there were no material losses, contingencies or uncertainties arising in the period.

The Board believe the combination of the scrutiny from the Risk and Audit committee together with the internal audit means that the internal systems provide reasonable assurance that the key business objectives will be met. However, these internal controls are designed to manage rather than eliminate all risks. Our procedures can only provide the Board with reasonable rather than absolute assurance against material misstatements, errors, loss or fraud.

Auditors

Post amalgamation the auditor for Optivo will be BDO LLP.

STRATEGIC REPORT

Strategic Goals

We have a passion to provide quality, affordable homes where people feel respected and secure. To achieve this, the Board created a 2016-2019 three year strategic plan in January 2016 with the clear objective of being an excellent organisation based around the core values of Customer Focus, Professional and a Positive approach.

This broad objective within the Strategic plan has been modified by the decision of the Board to enter into the merger with AmicusHorizon in October 2015, a Registered Provider that owns and manages over 27,000 homes and provides associated services in London, Kent and Sussex. A key driver for the merger is to provide significant efficiency savings through economies of scale and transformation. This will also help build greater financial capacity that will allow the new organisation to provide more homes and a greater range of services while remaining committed to Viridian's core social purpose.

The priorities of the new organisation will be as follows:

- residents at the heart
- great customer services
- people focused
- maximising social impact
- increased development capacity to help address the housing crisis

A golden thread will link corporate targets to these high level goals.

The vision of the new organisation will be to progressively increase the supply of new homes delivered by the Group from 1,000 to up to 1,500 homes a year by 2020. This will include a range of housing products and tenures including homes that are truly affordable to those on the lowest incomes. It will also include the development of more Open Market Homes for Sale, which will provide funding to achieve our ambitions and be a significant part of our future development programme. This is necessary to fill the growing subsidy gap and will enable us to continue to build genuinely affordable homes, compete successfully for land, and meet the place making vision of the new organisation.

The merger with AmicusHorizon took place on 22 May 2017.

Treasury Management

There is a treasury group which meets quarterly to review the underlying treasury position. This meeting has responsibility for defining the group treasury policy which was last reviewed in February 2017. This policy includes key items such as the minimum liquidity requirements, the limits for counter party exposure, hedging policy and the limit on the value of loans that mature in any year. This group is also responsible for overseeing the treasury function. This includes ensuring that there is consistent focus on ensuring all properties owned by the group are available to be charged. They will agree the terms of any new ISDA or loan agreements. In addition they scrutinise the business plan and the sensitivity scenarios to ensure that looking forward we remain within our bank covenants.

At 31 March 2017 we had drawn £399.3 million loans, £133.5 million in undrawn committed loan facilities and held £41.0 million in cash and short term investments. The loans were provided by 12 different lenders.

Financial Instruments

Our financial assets comprise trade receivables, cash and cash equivalents measured at historic cost. Our financial liabilities comprise derivatives, borrowings, performance bonds, trade and other creditors arising directly from operations. The Treasury group monitors the mark to market margin calls and counterparty risk that arise from our financial instruments.

Interest rate management

At 31 March 2017 Viridian had fixed the interest rate on 80% of our loans through a mix of fixed rate bonds, loans with embedded swaps and stand-alone interest rate swaps. Our weighted average cost of funds at the end of the year was 3.4% (2016: 3.1%).

As at 31 March 2017 the Group held £108.2 million (2016: £108.3 million) nominal value of stand-alone interest rate swaps and £40 million (2016: £40 million) in interest rate caps with a combined fair value liability of £64.6 million (2016: £54.3 million). After deducting the unsecured threshold we have fully secured this, including an allowance for further adverse interest rate movements, using property as collateral.

All financial instruments are economic hedges of current and highly probable future interest rate exposures and most are treated as hedges from an accounting perspective.

The interest rate profile of the Group's financial liabilities as at 31 March 2017 was:

Floating rate liabilities	Fixed rate liabilities	Capped interest rate	Total
£81.5 million	£277.8 million	£40.0 million	£399.3 million

Compliance with loan covenants

The treasury team report compliance with loan covenants to the quarterly meetings of the Treasury Committee. The Group complied with all financial covenants for the year ended 31 March 2017 and expects to do so for the foreseeable future.

STRATEGIC REPORT

Asset valuations

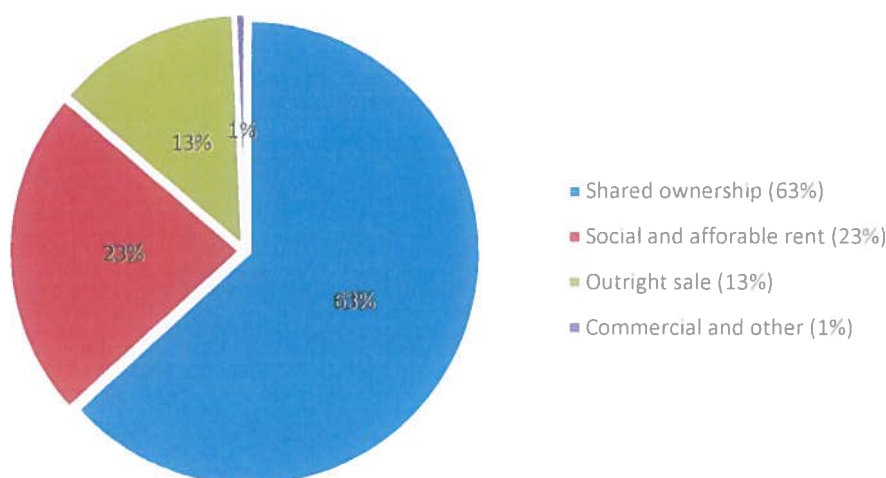
With the exception of a £2 million overdraft facility, all of the group borrowings are fully secured against property assets which will have been valued by a qualified valuer to meet the lenders' requirements. For this purpose we have 8,012 homes charged to our lenders at a value of £913.4 million and the remaining properties are unencumbered.

Development

In terms of development, Viridian invested £55.6 million (2016: £47.7 million) and completed 282 (2016: 307) new homes during the year. Our active development programme as at 31 March 2017 was 583 units, with total scheme costs of just under £142.5 million. We expect to start construction of over 500 new homes in 2017/18.

In 2016/17 we completed 282 units, across a range of tenures as displayed below:

New developments completed in 2016-17 by tenure type



We have exceeded our delivery target of 540 homes under the Mayor's Housing Covenant 2015-2018 programme with the Greater London Authority (GLA), with 616 homes in the programme.

We are also on track to deliver our target for the Care & Support programme and have completed all schemes in the Building the Pipeline programme with the GLA.

Viridian is committed to increasing our presence in the Midlands, with affordable rented schemes completed in Birmingham and about to start on site in Coventry. We submitted an indicative bid for £3.4 million of grant funding for shared ownership and rent to buy homes under the HCA's Shared Ownership Affordable Homes Programme (SOAHP) 2016-21, which was approved during 2016/17. We are also optimistic of securing funding for affordable rented schemes under continuous market engagement agreement for this programme.

A summary of our existing funded programmes is as follows:

Programme	Total Units	Completed	On Site	Approved
Mayors Housing Covenant 2015-2018	616	258	247	111
Care and Support	9	0	9	0
AHP 2015-2018	96	44	52	0
SOAHP 2016-2021	100	0	0	100
Private and Commercial	47	0	41	6

During the year we have achieved our highest ever development sales, with total generated sales receipts of £36.9 million (2016: £11.9 million) from the sale of 148 Shared Ownership homes (£27.1million) and 17 Outright Sale homes (£9.8 million).

We also achieved 53 staircasing completions and 67 resales generating a surplus of £2.1 million. In 2017/18 the Sales department will put more emphasis on increasing staircasing completions, encouraging shared ownership purchasers to obtain a higher percentage of their home ownership.

STRATEGIC REPORT

Development (continued)

We met all of our compliance requirements in the annual GLA audit of Development schemes carried out by Mazars LLP, receiving substantial assurance. This was an excellent result and maintains our partner status with the GLA.

Having rolled out the defects process established in 2015/16 we have continued to achieve a low rate of defects per property. This year we have averaged at 0.04 defects per property, which is a tremendous result and one of the best in the sector. 2016/17 trends show that this level will be maintained throughout 2017/18, which provides continued assurance that we are building quality homes.

The after sales pilot that that we ran in 2015/16 proved to be a success and resulted in the Sales Team appointing a full time customer care officer for aftersales. This has contributed to the Development Team continuing to provide an excellent holistic defects service.

Optivo has ambitious growth plans for its Development programme. The new organisation recognises how important it is to meet housing need, to create safe and sustainable communities for our residents and tackle the housing crisis head on. In order to achieve this, Optivo will invest £3.5 billion to build new homes over the next ten years in an ambitious growth plan to build over 1,500 new homes per year across London, the South East and the Midlands. We are committed to providing a range of housing products and tenures, including truly affordable homes for those on the lowest incomes. We will be building homes for private sale in order to provide internal cross subsidy for our affordable programme, which is in response to reductions in public subsidy. However, our financial parameters will ensure that increasing exposure to risk will be well managed. We are committed to continuing the strong histories of social purpose within both Viridian and AmicusHorizon under Optivo, with over 80% of our new build programme providing affordable rented or shared ownership homes.

In April 2017 Viridian submitted a bid for the GLA's Homes for Londoners 2016-2021 programme to include 1,328 mixed tenure homes covering Affordable Rent, Shared Ownership and the new London Living Rent, akin to a rent to buy product. This bid attracts almost £30 million in grant subsidy, with the option to bid for more homes and subsidy throughout the life of the programme. This bid will be combined with that of AmicusHorizon post-merger in 2017/18. Now we have become Optivo, our aspiration to become a Strategic Partner with the GLA will enable the new organisation to develop even more affordable homes so needed in London than the combined Viridian and AmicusHorizon programme will deliver.

Financial Review

We are pleased to report a record performance this year with an operating surplus of £51.6 million which is a 29% increase of £11.6 million on last year. This result principally reflects considerable success within the development team with a surplus on first tranche sales of £16.4 million and surplus on outright sales of £3.1 million.

	2016/17	2015/16	2014/15
	£ million	£ million	<i>£ million</i>
Turnover	158.6	138.0	125.9
Operating surplus (including surplus on sale of properties)	51.6	40.0	32.6
Operating surplus %age	32.5%	29.0%	25.9%
Interest & similar charges (net)	12.3	11.3	12.0
Interest as a %age of turnover	7.8%	8.2%	9.6%
Surplus for year	39.3	29.8	31.4
Surplus as a %age of turnover	24.8%	21.6%	24.9%

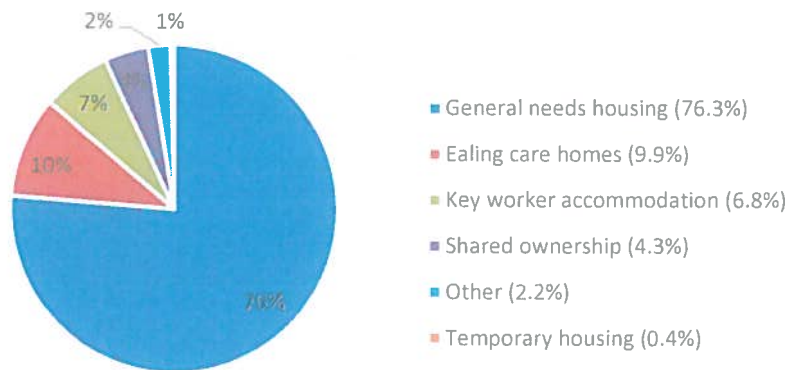
STRATEGIC REPORT

Analysis of Turnover

Turnover by activity (Social Housing only):

	2016/17		2015/16	
	£000	%	£000	%
General needs housing	81,068	76.3%	79,961	77.1%
Ealing care homes	10,571	9.9%	9,646	9.3%
Key worker accommodation	7,269	6.8%	7,167	6.9%
Shared ownership	4,621	4.4%	4,157	4.0%
Other	2,350	2.2%	2,517	2.4%
Temporary housing	426	0.4%	333	0.3%
	106,305	100.0%	103,781	100.0%

Analysis of Turnover

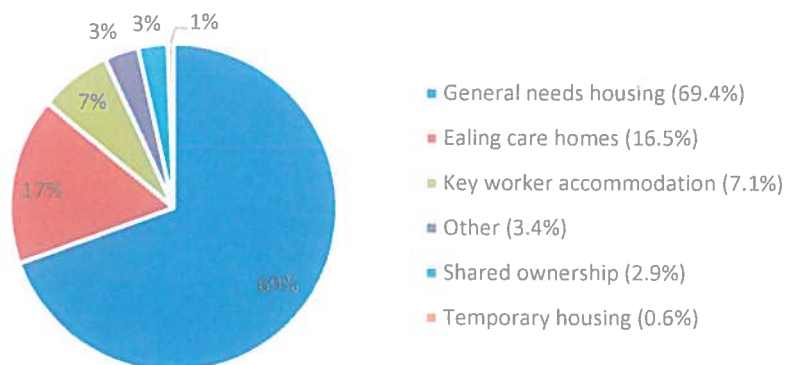


Analysis of Expenditure

Expenditure by activity (Social Housing only):

	2016/17		2015/16	
	£000	%	£000	%
General needs housing	55,707	69.4%	54,426	72.5%
Ealing care homes	13,252	16.5%	11,787	15.7%
Key worker accommodation	5,727	7.1%	3,543	4.7%
Other	2,695	3.4%	2,642	3.5%
Shared ownership	2,361	2.9%	2,201	2.9%
Temporary housing	473	0.6%	552	0.7%
	80,215	100.0%	75,151	100.0%

Analysis of Expenditure



STRATEGIC REPORT

Balance Sheet

An analysis of the broad categories of the Balance Sheet shows that the level of long term loans has remained at an almost identical level reflecting the fact that we have invested almost all of the surplus in our Housing Stock

As at 31 March	2016/17 £ million	2015/16 £ million	2014/15 £ million
Tangible fixed assets net of depreciation	1,081	1,039	1,009
Other fixed assets	11	12	13
Investment properties	79	79	78
Net current assets	<u>32</u>	<u>41</u>	<u>30</u>
Total assets less current liabilities	<u>1,203</u>	<u>1,171</u>	<u>1,130</u>
Creditors due in over one year	469	463	456
Capital grant	387	389	391
Pension deficit provision	10	11	8
Provisions	1	1	1
Reserves	<u>336</u>	<u>307</u>	<u>274</u>
	<u>1,203</u>	<u>1,171</u>	<u>1,130</u>

The principal assets within the Balance Sheet are our Housing Properties which are held at historic cost. During the year there was a net increase in the carrying value of £41.2 million (after depreciation and impairments) which reflects £46.7 million investment in new homes, £8.9 million spend on improvements and component replacements to existing homes offset by the net reduction of £14.4 million relating to disposals, reclassifications, depreciation and impairments.

Cash flow

The principal cash flow movements during the year were as follows:

	2016/17 £000	2015/16 £000
Net cash generated from operations	70,282	39,657
Net cash used in investing activities	(41,159)	(34,348)
Net cash used in financing activities	(29,694)	(6,060)
Decrease in cash and cash equivalents	(571)	(751)

Key Financial Indicators

	2016/17 Actual	2015/16 Actual
Number of homes in management excluding leaseholders	16,038	15,990
Interest cover	410.4%	304.2%
Operating surplus/unit	3,217	2,500
Net debt to Turnover	2.5	3.2
Operating margin	33%	32%
Change in turnover	14.9%	9.6%
Effective interest rate	3.4%	3.1%

Risk management:

The monitoring, control and minimisation of risk is of key importance to the Board. There is a risk management policy which includes a statement of risk appetite as well as the treasury policy which sets out the financial risk parameters.

The monitoring of operational risk is delegated to a specialist Risk and Audit committee who review all of the risks and proposed mitigating strategies which is then summarised and reported to the Board.

The Risk and Audit committee is supported by a Risk Panel which meets prior to each Risk and Audit Committee meeting to review in depth the risks and controls in place. This strengthens the link between strategic and operational risk management and challenges the actions being taken to mitigate the risks.

This structure provides the ability to provide documentary evidence of the risks that have been identified and a clear review over the proposed risk mitigation strategies.

STRATEGIC REPORT

Risk management (continued)

Summary of Risks and Impact

	Risk	Impact
Financial		
1	Impact of Welfare Benefit reform	Failure to respond to changes effectively weakens the financial plan and our capacity to grow
2	Inadequate processes and controls around financial transactions	A high volume of transactions alongside the strategy to maximise the development programme means that poor internal controls could either lead to a significant reduction in margin or insufficient liquidity.
3	Financial consequences of SHPS and some local authority defined benefit pension schemes	The ongoing increases in mortality alongside reduced investment returns and increased volatility within the markets could lead to significant additional long term liabilities.
4	Lack of effective procurement and contract management controls	A lack of contract management controls could lead to major fraud. It could also breach EU legislation and bypass contractual regulations leading to HCA intervention or governance or financial standard downgrade.
5	Insolvency of key partners / suppliers	Insolvency of key technology suppliers has the ability to impact those service areas they serve, leading to higher costs to deliver the service and the inability to meet objectives.
6	Contractual partnerships and Joint Ventures	There are significant long term PFI contracts and also long term relationships with developers and contractors where there is significant financial and operational risk if these are mishandled.
6	Forecast sales / surplus from sales programme not achieved	Not achieving the forecast surplus would increase the voids periods and associated costs and would mean that the Budget cannot be achieved and would impact group liquidity.
Legal and Regulatory		
1	Insufficient Business Continuity Planning (BCP) and testing	Inadequate BCP planning could lead to ineffective response and recovery during a crisis and increase the possibility of injury, property and /or reputational damage
2	Legal and Regulatory Compliance	Failure could lead to a material financial loss or significant reputational damage.
3	Loss of data and inability to use IT systems due to inadequate IT controls	Data is a critical asset, so unauthorised access, loss of data or breach of data protection laws could damage our reputation and impact our ability to deliver services.
Operational		
1	Failure to delivery effective Value for Money	If value for money is not delivered this could lead to a failure to meet the HCA's Home & VFM standard. Corporate objectives, financial plan and operating margins will not be met.
2	Inadequate project management of Development programme	Not properly managing scheme cost pressures or our increasing exposure to the housing market would put our strategic objective to grow and funding lines at risk
3	Quality of care is Inadequate including failures in safeguarding	Harm could come to a customer leading to reputational damage and HSE/CQC intervention.
4	Impact of merger causes poor morale	A combination of both uncertainty and change results in poor morale which results in high levels of sickness, staff turnover and low productivity.

STRATEGIC REPORT

	Risk	Impact
5	The Board is ineffective and/or is not presented with complete and accurate information.	Potential for poor decision making, insufficient succession planning and also potentially the HCA Regulatory Standards may not be met. This would impact on the strategic direction and could lead to a downgrade which would affect the ability to raise funds for development.

These risks are mitigated by the Board through the following strategies:

- Investment in a social inclusion team to provide pro-active support to manage their finances where there is a risk they could be falling behind.
- Financial Regulations are reviewed annually setting out clear policy to restrict the authorised signatories; alongside the role of a systems accountant within the Finance team it provides reassurance in relation to the proper authorisation of costs.
- The creation of a contracts register and also a procurement panel comprising of senior managers during the year have been implemented to improve the controls over procurement.
- The Growth and Investment Committee and Options Appraisals group meets regularly to review the progress on development schemes and assesses progress in relation to planned sales of open market and shared ownership homes.
- There is a programme management team that reports into the Governance team which monitors the progress on all key strategic projects.
- During the year we obtained accreditation to 'Cyber Essentials' which is a UK government scheme encouraging organisations to adopt good practice in information security.

People

The Board

Viridian's Board is responsible for the effective governance of Viridian and the wider Group, with day-to-day management being delegated to the Executive Team under the leadership of the Chief Executive.

The Board is keen to maintain the right mix of skills, knowledge and experience for the key aspects of running the business. The Board comprised, as at 31 March 2017, of eight Non-Executive Directors.

The key responsibilities of the Board are to provide strategic leadership, monitor performance, make key business decisions and manage risk. In addition, the Board formally reviews and approves all budgets and business plans for the Group.

To enable the Board to fulfil its obligations, it delegates specific responsibilities to a number of committees, being:

- Governance & Remuneration Committee
- Growth & Investment Committee
- Risk & Audit Committee
- Treasury Committee

Other Committees and Groups jointly established with AmicusHorizon over the year, due to the merger, to ensure effective Governance with merger related activities:

- Shadow Customer Experience Committee
- Designate Executive Team
- Shadow Finance and Treasury Committee
- Joint Steering Group
- Shadow Pensions Group
- Shadow Audit and Risk Committee
- Shadow Board
- Shadow Mergers, Integration and Transformation Group Committee
- Shadow People, Governance and Remuneration Committee

The Board Annual Appraisals did not take place this year due to the merger.

STRATEGIC REPORT

Governance and Remuneration Committee:

This Committee ensures that governance across Viridian is robust and complies with regulatory requirements and good practice. It oversees the remuneration of Executive Directors, Board and Committee members, and takes a strategic overview of people-related issues to enable Viridian to fulfil its responsibilities as an employer.

The Governance and Remuneration committee sets the pay of the Executive Directors at a level to attract and retain the talent required to lead the business. Our aim is not to pay the highest salaries but to offer a competitive package.

The remuneration of the Chief Executive, other Executive Directors and Board Members is disclosed in note 8 to the financial statements.

Growth and Investment Committee:

This Committee provides strategic overview for activities relating to the management of Viridian's assets and the return generated with those assets. This includes asset management, new business & development and health & safety activities relating to these areas. It oversees the financial performance of Commercial Operations activities, including, but not limited to, hostels, student accommodation and key workers. It assesses and recommends to the Board the commencement of any new, or the cessation of any existing commercial initiatives.

Risk and Audit Committee:

On behalf of the Board, this committee oversees processes relating to risk management, financial reporting, internal and external audit functions, internal control and the provision of insurance.

Treasury Committee:

As delegated by the Board, this committee reviews the treasury strategy and management policy. It monitors and authorises all transactions and related documentation which fall within the approved treasury strategy and management policy.

Diversity

There has been considerable focus during the year on ensuring that Viridian can achieve excellence in relation to Equality, Diversity and Inclusion (EDI) and the Equality Act 2010. An EDI Manager was appointed in August 2016 which has enabled a diversity calendar of events to be implemented with support groups and EDI Champions alongside training to carry out Equality Impact Assessments for policies. However there is more to be done. A recent review from Mazars LLP demonstrated adequate assurance but provided additional ideas for ongoing improvement.

Health and Safety of tenants and employees at Work

There has been considerable focus on completing Fire Risk Assessments during the year which has resulted in initiatives to improve the fire safety of our residents. These actions are prioritised and reported to the Executive Team on a monthly basis and to Risk and Audit Committee quarterly. Alongside this, a resurveying programme for asbestos was undertaken after some anomalies were found in some surveys carried out in 2010.

As a result of this work, both areas were given adequate assurance ratings by Mazars LLP.

The Health and Safety Department has also implemented a comprehensive internal training programme to both improve awareness and also identify issues in relation to the Health and Safety of staff.

The Report of the Board of Management and the Strategic Report were approved by the Board on 19 July 2017 and were signed on its behalf by:



K Tromanhauser
Secretary

STATEMENT OF THE BOARD'S RESPONSIBILITY IN RESPECT OF THE REPORT OF THE BOARD OF MANAGEMENT AND THE FINANCIAL STATEMENTS

The Board is responsible for preparing the Report of the Board of Management, the Strategic Report and the financial statements in accordance with applicable law and regulations.

The Co-operative and Community Benefit Societies Act and registered social housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and the Group and of the surplus or deficit for that period. In preparing these financial statements, the Board is required to:

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

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

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

The Board members who held office at the date of approval of this Board Report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditors are unaware; and that each Board member has taken all the steps that he or she ought to have taken as a Board member to make himself or herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIRIDIAN HOUSING

Opinion on financial statements

We have audited the group and parent association financial statements of Viridian Housing for the year ended 31 March 2017 on pages 18 to 62. 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 Association's and Group's affairs as at 31 March 2017 and of the income and expenditure of the Group and the income and expenditure of the Association for the year then ended; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Scope of the audit of the financial statements

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

Matters on which we are required to report by exception

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

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

Respective responsibilities of the Board and auditor

As explained more fully in the Board's Responsibilities Statement set out on page 16, the Board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

This report is made solely to the Association's members as a body, in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.



RSM UK AUDIT LLP
Statutory Auditor
Chartered Accountants
Marlborough House
Victoria Road South
Chelmsford
CM1 1LN

Date: 8 AUGUST 2017

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Notes	GROUP		ASSOCIATION	
		2017 £000	2016 £000	2017 £000	2016 £000
Turnover	3	158,628	138,012	145,881	130,695
Cost of sales	3	(16,957)	(10,589)	(11,014)	(6,900)
Operating expenditure	3	(96,736)	(89,806)	(94,343)	(87,136)
Surplus on sale of housing properties	3.a	6,667	2,358	6,667	2,358
Operating surplus	3.a/7	51,602	39,975	47,191	39,017
Interest receivable and similar income	5	261	189	1,502	1,174
Interest payable and similar charges	6	(12,589)	(11,449)	(12,194)	(11,034)
Change in fair value of financial instruments	21	320	1,261	320	1,261
Surplus before tax		39,594	29,976	36,819	30,418
Taxation	9	(245)	(215)	-	(460)
Surplus for the year		39,349	29,761	36,819	29,958
Actuarial (losses)/gains recognised in the pension schemes	28	(21)	87	(21)	87
Change in fair value of hedged financial instruments	21	(10,632)	2,871	(10,363)	2,604
Total comprehensive income for the year		28,696	32,719	26,435	32,649

The notes on pages 22 to 62 form part of these financial statements.

BALANCE SHEETS

As at 31 March 2017

	Notes	GROUP		ASSOCIATION	
		2017 £000	2016 £000	2017 £000	2016 £000
FIXED ASSETS					
Housing properties	10.a	1,080,529	1,039,280	1,078,763	1,046,358
Other fixed assets	10.b	10,625	11,755	10,625	11,755
Investment properties	10.c	79,491	78,793	55,011	54,972
Investments	12	<u>2</u>	<u>2</u>	<u>2,144</u>	<u>2</u>
		1,170,647	1,129,830	1,146,543	1,113,087
CURRENT ASSETS					
Properties held for sale	13	15,890	30,475	7,549	18,363
Debtors: amounts receivable within one year	14	11,399	9,595	14,059	9,761
Debtors: amounts receivable after one year	14	347	358	13,762	14,024
Investments	15	40,990	67,627	40,990	67,627
Hedge accounted financial instrument asset	21	44	50	44	50
Cash and cash equivalents	24	<u>11,102</u>	<u>12,724</u>	<u>5,968</u>	<u>8,506</u>
		79,772	120,829	82,372	118,331
CURRENT LIABILITIES					
Creditors: amounts falling due within one year	16	<u>(47,505)</u>	<u>(80,141)</u>	<u>(47,683)</u>	<u>(80,385)</u>
Net current assets		32,267	40,688	34,689	37,946
TOTAL ASSETS LESS CURRENT LIABILITIES		1,202,914	1,170,518	1,181,232	1,151,033
LONG TERM LIABILITIES					
Creditors: amounts falling due after more than one year		468,897	462,788	455,549	449,376
Deferred capital grant	20	<u>387,545</u>	<u>389,366</u>	<u>387,545</u>	<u>389,366</u>
	17	856,442	852,154	843,094	838,742
Provisions for liabilities					
Pension provision	23	10,144	10,778	10,144	10,778
Other provisions	23	<u>574</u>	<u>537</u>	<u>574</u>	<u>537</u>
		867,160	863,469	853,812	850,057
RESERVES					
Called up share capital	24	-	-	-	-
Income and expenditure reserve		390,673	351,278	379,084	342,219
Restricted reserves		612	670	612	670
Cash flow hedge reserve	21	<u>(55,531)</u>	<u>(44,899)</u>	<u>(52,276)</u>	<u>(41,913)</u>
TOTAL RESERVES		335,754	307,049	327,420	300,976
		1,202,914	1,170,518	1,181,232	1,151,033

The notes on pages 22 to 62 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 19 July 2017 and were signed on its behalf by:


F Barras
Board Member


P Roscrow
Board Member


K Tromanhauser
Secretary

STATEMENT OF CHANGES IN EQUITY

GROUP	Share capital	Income and expenditure reserve	Restricted reserves	Cash flow hedge reserve	Total
	£	£000	£000	£000	£000
At 1 April 2015	7	321,259	832	(47,770)	274,321
Surplus for the year	-	29,761	-	-	29,761
Charitable activities funded by restricted reserves	-	171	(171)	-	-
Donations received	-	9	-	-	9
Donations transferred to restricted reserves	-	(9)	9	-	-
Other comprehensive income:					
Actuarial gain in respect of pension schemes (note 28)	-	87	-	-	87
Change in fair value of hedged financial instruments (note 21)	-	-	-	2,871	2,871
At 31 March 2016	7	351,278	670	(44,899)	307,049
Surplus for the year	-	39,349	-	-	39,349
Charitable activities funded by restricted reserves	-	67	(67)	-	-
Donations received	-	9	-	-	9
Donations transferred to restricted reserves	-	(9)	9	-	-
Other comprehensive income:					
Actuarial loss in respect of pension schemes (note 28)	-	(21)	-	-	(21)
Change in fair value of hedged financial instruments (note 21)	-	-	-	(10,632)	(10,632)
At 31 March 2017	7	390,673	612	(55,531)	335,754
ASSOCIATION	Share capital	Income and expenditure reserve	Restricted reserves	Cash flow hedge reserve	Total
	£	£000	£000	£000	£000
At 1 April 2015	7	312,003	832	(44,517)	268,318
Surplus for the year	-	29,958	-	-	29,958
Charitable activities funded by restricted reserves	-	171	(171)	-	-
Donations received	-	9	-	-	9
Donations transferred to restricted reserves	-	(9)	9	-	-
Other comprehensive income:					
Actuarial gain in respect of pension schemes (note 28)	-	87	-	-	87
Change in fair value of hedged financial instruments (note 21)	-	-	-	2,604	2,604
At 31 March 2016	7	342,219	670	(41,913)	300,976
Surplus for the year	-	36,819	-	-	36,819
Charitable activities funded by restricted reserves	-	67	(67)	-	-
Donations received	-	9	-	-	9
Donations transferred to restricted reserves	-	(9)	9	-	-
Other comprehensive income:					
Actuarial loss in respect of pension schemes (note 28)	-	(21)	-	-	(21)
Change in fair value of hedged financial instruments (note 21)	-	-	-	(10,363)	(10,363)
At 31 March 2017	7	379,084	612	(52,276)	327,420

The shares provide members with the right to vote at general meetings, but do not entitle members to dividends or any distribution on cessation.

The restricted reserves are amenity and benevolent funds for the benefit of residents.

CONSOLIDATED CASHFLOW STATEMENT

For the year ended 31 March 2017

	Notes	GROUP	
		2017 £000	2016 £000
OPERATING ACTIVITIES			
Net cash generated from operations	25	70,282	39,657
CASH FLOW GENERATED FROM INVESTING ACTIVITIES			
Acquisition and construction of housing properties	10.a	(55,633)	(48,168)
Proceeds on sale of housing properties	3.a	12,775	9,128
Purchase of other tangible fixed assets	10.b	(358)	(536)
Construction of investment properties	10.c	(1,119)	(410)
Social housing grants received	20	3,176	5,638
Net cash used in investing activities		(41,159)	(34,348)
CASH FLOW GENERATED FROM FINANCING ACTIVITIES			
Interest paid (including swap cancellation costs 2016: £831,000)	6	(13,297)	(12,825)
Interest received	5	261	189
Net money market movement	15	26,637	(47,664)
New draw-downs		50,000	56,499
Loans repaid		(93,295)	(2,259)
Net cash used in financing activities		(29,694)	(6,060)
Decrease in cash and cash equivalents		(571)	(751)
Cash and cash equivalents at beginning of year		11,516	12,267
Cash and cash equivalents at end of year	25	10,945	11,516

In accordance with FRS 102, the Association has taken advantage of the exemption set out in paragraph 1.12 (b) of FRS 102 from the following disclosure requirement in the individual financial statements of Viridian:

- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flows and related notes and disclosures.

The Board confirms that it:

- does not object to the use of the disclosure exemption;
- otherwise applies the recognition, measurement and disclosure requirements of FRS 102.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

1. LEGAL STATUS

Viridian Housing is the parent undertaking of a number of subsidiary operating companies. The Group parent and subsidiary companies are as follows:

Company	Legal Status
Viridian Housing:	The Group parent; Viridian Housing is a public benefit entity, registered in England and Wales, under the Co-operative and Community Benefit Societies Act 2014 as a social landlord with the Homes and Communities Agency (Co-operative and Community Benefit Society registration number: 12752R). Refer to page 2 of the accounts for details on the registered address of office.
Middlesex First Limited:	The company administers and manages student accommodation for the University of Middlesex. The company is registered with Co-operative and Community Benefit Society (registration number: 29881R).
Viridian Development Services Limited	The company develops residential property and commercial property. (Company Number: 05248824)
Horn Lane Development Limited	The company has a stock of freehold land for redevelopment (Company Number: 08791649).
Viridian Property Investments Limited:	The company owned Viridian Housing's previous office in Hammersmith. The building was sold late in 2012. The company is now dormant (Company Number: 02585612).
Viridian Facilities Management Limited	The company ceased trading on 30 June 2011. Activity was transferred to Viridian Housing from 1 July 2011. The company is now dormant (Company Number: 05396539).
Viridian Commercial Enterprises Limited	The company provided short-term accommodation on a commercial basis. The company is now dormant (Company Number: 7562577).
Viridian Homes For All Limited	The company has not traded since incorporation and is therefore dormant (Company Number: 09100856).
Optivo Homes Limited (formerly Viridian Development Homes Limited)	The company has not traded since incorporation and is therefore dormant (Company Number: 09100883).
Optivo Limited (formerly Viridian Homes Limited)	The company has not traded since incorporation and is therefore dormant (Company Number: 09100835).

2. ACCOUNTING POLICIES

2.1. Basis of accounting

These financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Statement of Recommended Practice for Registered Housing Providers" (SORP 2014) and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015, and under the historical cost convention, modified to include certain financial instruments and investment properties at fair value.

Following the merger event on 22 May 2017, the Board of Optivo have reviewed the approved Viridian budget for 2017/18 and thirty year financial plan with cash flow forecasts and combined this information with that of the merger partner to form a new budget and financial plan for the amalgamated entity.

Although, Viridian Housing, as an entity, will not continue in its current form, it nevertheless continues its existence through Optivo. As the Optivo Board has a reasonable expectation the merged group has adequate resources to continue in operation for the foreseeable future, these financial statements have therefore been prepared on a going concern basis reflecting the continued operation of the Viridian business as part of the amalgamated entity.

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 and Association.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

2. ACCOUNTING POLICIES (continued)

2.2. Basis of consolidation

The consolidated financial statements incorporate those of Viridian and all of its subsidiaries (i.e. entities that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits). All financial statements are made up to 31 March 2017.

All intra-group transactions, balances and unrealised gains on transactions between group entities are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.3. Turnover and revenue recognition

Turnover comprises rental and service charge income receivable in the period, income from shared ownership first tranche sales, sale of properties built for sale, management and other fees for the services provided at the invoice value (excluding VAT) and revenue grants receivable in the period.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids.

Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the transaction.

Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met.

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

Turnover includes gift aid, where applicable, from subsidiary companies. Turnover is categorised as follows:

Social housing lettings:

(a) General needs housing

General needs housing is property let or available for letting on assured, assured short hold or secure tenancies. Affordable Rent is a form of social housing. Homes are available at a rent level of up to 80% of gross market rents. Gross market rents are generally expressed inclusive of any service charges.

(b) Supporting people contract income

Supported people contract income is the provision of support services.

(c) Key worker accommodation

Key worker accommodation is the provision of accommodation to the staff of medical establishments.

(d) Care homes

This category only represents our Ealing Care operation.

(e) Temporary housing

Temporary housing is the provision of other affordable short term accommodation.

(f) Shared ownership

Shared ownership is the provision of accommodation where the Association has sold part of the equity in the home to the occupier and charges rent on the remaining share retained by the Association.

(g) Other

Provision of temporary housing in hostel accommodations with shared communal facilities, let on mixture of tenures: mainly assured, secured and other short-term lets.

Investment properties commercial lettings:

(h) Student accommodation

Student accommodation is the provision of accommodation to students.

(i) Market rent lettings

Housing accommodations let or available for letting at market rent.

(j) Commercial units

Units let on commercial leases with an intention to generate commercial income.

2.4. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

2. ACCOUNTING POLICIES (continued)

2.5. Tangible fixed assets – housing properties

a.) Initial recognition and subsequent measurement

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

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

Cost includes the cost of acquiring land and buildings, and expenditure incurred during the development period including interest charges incurred during this period.

Housing properties in the course of construction are stated at cost and are not depreciated until completion, when they are transferred to completed housing properties. At the balance sheet date, properties under construction include a provision for all costs certified to date including the amount of the sum retained by the Group under the construction contract.

b.) Component accounting – housing properties

The costs of completed housing properties are split between structure, land (or leasehold interest premium) and major components, which require periodic replacement.

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 assets, are capitalised as improvements. Such enhancements can occur if improvements result in either:

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

Capital expenditure incurred on replacement or restoration of those components is capitalised and depreciated over their average estimated useful life, which has been set on the basis of professional advice, the Group's Asset Management Strategy and the requirements of the Decent Homes Standard.

Other expenditure incurred on major repairs which does not represent improvements capitalised as components, is charged to the Statement of Comprehensive Income.

c.) Shared ownership properties

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. The remaining element is classed as a fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment.

The split of the shared ownership properties costs between current and fixed assets is initially calculated based on the expected first tranche sales percentage (stated at the lower of cost and net realisable value), with the subsequent reapportionment once the agreed first tranche sales percentage has been agreed on completion.

The remaining proportion of the fixed assets is split between land (leasehold premium), freehold interest (head lease interest) and structure components only.

The surplus or deficit arising on disposal of second or subsequent tranches of shared ownership sales is the difference between the net sales proceeds and the attributable net book carrying value. This is recognised as a surplus or deficit on sale of fixed assets in the Statement of Comprehensive Income in the period in which the disposal occurs.

2.6. Depreciation of housing properties

Freehold land or leasehold interest premium and 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 the asset's useful economic lives.

Where a separately identified component of a property is replaced, the carrying value of the component is expensed and the cost of the replacement component capitalised.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

2. ACCOUNTING POLICIES (continued)

The Association's social housing properties are depreciated from the month after the date of completion. The useful economic lives and depreciation rates are as follows:

Social Housing Property Component	Useful life in years		Depreciation rate	
	From	To	From	To
Structure / Fabric	60	100	1.00%	1.67%
Roof	60	80	1.25%	1.67%
Windows	25	26	3.85%	4.00%
Lifts	25	30	3.33%	4.00%
Bathrooms	20	25	4.00%	5.00%
Kitchen	20	25	4.00%	5.00%
Electrical works	25		4.00%	
Door entry	20		5.00%	
Fire alarms	20		5.00%	
Heating	15		6.67%	

2.7. Donated land and other assets

Land or other assets which have been donated by a government source is added to cost of assets at the fair value of the land at the time of the donation. The difference between the fair value of the asset donated and the consideration paid is treated as a non-monetary government grant and included within the Statement of Financial Position as a liability. The terms of the donation are considered to be performance related conditions. Where the donation is not from a public source, the value of the donations less the consideration is included in income in the Statement of Comprehensive Income.

2.8. Investment properties

Investment properties (including properties held under an operating lease) are properties not held for social benefit and consist of commercial properties, student accommodation and market rent 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.

Fair value is based on valuation techniques which include using recent arm's length market transactions for an identical asset between knowledgeable, willing parties. Valuations are carried out by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and class of the investment property being valued.

The Board considers that external valuations performed every 3 years will be sufficiently regular, unless there are significant factors on the active market, which will warrant more frequent valuations.

An internal assessment is conducted of the fair value of investment property at each of the reporting dates for which the external valuations are not carried out to ensure that the carrying amount does not differ materially from that, which would be determined using fair value at the end of the reporting period.

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.

2.9. Impairment 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 Group estimates the recoverable amount of the asset.

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 the Statement of Comprehensive Income.

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.

The Group considers individual schemes to be separate cash generating units when assessing for impairment, in accordance with SORP 2014.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

2. ACCOUNTING POLICIES (continued)

2.10. Social housing grant (SHG)

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, (usually when the construction of the housing properties within a specific scheme is certain to complete).

Government grants received for housing properties are recognised in income over the useful economic life of the structure of the asset and, where applicable, the individual components of the structure (excluding land) under the accruals model.

Government grants relating to revenue are recognised as income over the periods when the related costs are incurred once reasonable assurance has been gained that the Group will comply with the conditions and the funds will be received.

2.11. Other grants

Grants received from non-government sources are recognised using the performance model. Grants are recognised as income when the associated performance conditions are met.

2.12. Recycled capital grant fund and Disposal proceeds fund

The Association has the option to recycle capital grant (Social Housing Grant (SHG) or Housing Association Grant (HAG)) which would otherwise be repayable, for re-use on new developments within the Group.

If unused within a three-year period, it will be repayable to the Homes and Communities Agency with interest. The development programme of the Group is such that the recycled grant will be re-used by the Group before it becomes repayable. Any unused recycled capital grant held within the capital grant recycling fund is disclosed in the balance sheet under "creditors due within 12 months" or "creditors due after 12 months" depending on the age of the funds concerned.

Receipts from Right-to-acquire sales are required to be retained in a designated fund that can only be used for providing replacement housing. These sales receipts less eligible expenses are credited to the Disposal Proceeds Fund.

2.13. 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.

The interest capitalised is either on borrowings specifically financing a scheme or on net borrowings to the extent that they are deemed to be financing a scheme, irrespective of the original purpose for which the loan was raised.

Interest is calculated as a fair proportion of total borrowings on development costs, less Social Housing Grant (SHG) in advance, is capitalised during the period of development at the capitalisation rate, calculated as the weighted average of the borrowing costs applicable to the general pool, or at the effective interest rate applicable to the borrowing in respect of the specific development.

All other borrowing costs are expensed as incurred.

2.14. Capitalisation of administration costs

Development overhead costs are capitalised to the extent they are directly attributable to bringing schemes into working condition for their intended use. Such expenditure consists of in-house development, architect and surveyor costs (including the cost of own employees), and a proportion of the costs of staff in other departments who work on development activities.

Development allowances are allocated once a year at the earlier of:

- (a) practical completion, or
- (b) the end of the financial year.

The basis for allocating development allowances between development schemes is based on the scheme value of in-year acquisition and works costs as a proportion of total programme acquisition and works costs.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

2. ACCOUNTING POLICIES (continued)

2.15. Stock (properties for sale)

Stocks are assets:

- (a) held for sale in the ordinary course of business (completed properties to include properties developed for outright sale, commercial units developed with the intention to sale and first tranches of shared ownership sales);
- (b) in the process of production for such sale (properties in the course of construction); or
- (c) held in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell.

2.16. Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation. Freehold land is not depreciated. Depreciation is charged on a straight-line basis. The useful economic lives and depreciation rates are as follows:

Other Fixed Assets	Useful life in years	Depreciation rate
Office buildings	50	2.00%
Fixtures and fittings	10	10.00%
Computer Equipment and Software	4	25.00%

2.17. Investments

Fixed asset investments in subsidiary undertakings are carried at cost less any provision for impairment. Other long term investments are stated at cost.

2.18. Taxation

Viridian and its subsidiary undertaking, Middlesex First Limited are considered to pass the tests set out in Paragraph 1, Schedule 6, Finance Act 2010 and therefore meets the definition of a charitable entity for UK corporation tax purposes. Accordingly, they are potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3, Part 11, Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. The other subsidiary undertakings are subject to corporation tax in the same way as any commercial organisation.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable surplus and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable surpluses.

Deferred tax is recognised on income or expenses from subsidiaries that will be assessed to or allow for tax in a future period except where the organisation 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.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination and the amounts that can be deducted or assessed for tax. The deferred tax recognised is adjusted against goodwill.

Current and deferred tax is charged or credited in income or expenditure, except when it relates to items charged or credited to Other Comprehensive Income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to Other Comprehensive Income, or equity.

2.19. Value Added Tax (VAT)

The Group is required to charge VAT on some income, but not all. It is therefore subject to a partial exemption method and can only recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is treated as being irrecoverable. The VAT payable or recoverable at the balance sheet date is included in current liabilities or current assets as appropriate.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

2. ACCOUNTING POLICIES (continued)

2.20. Leases

Viridian as Lessee – operating leases

All leases are operating leases and the annual rentals are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

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

2.21. Employee benefits

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

The holiday year for Viridian ends at the reporting date and employees are entitled to carry forward up to 5 days of any unused holiday entitlement at the reporting date. The cost of any unused entitlement 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 Viridian is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

2.22. Retirement benefits

The Group participates in the Social Housing Pension Scheme (SHPS) and two Local Government multi-employer defined benefit pension schemes.

Defined benefit plans

For SHPS, 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 Viridian will fund a deficit. Contributions are discounted when they are not expected to be settled wholly within 12 months of the period end.

For the Local Government Pension Scheme (LGPS), the cost of providing benefits is determined using the projected unit credit method.

Asset/Liability

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.

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.

Gains/Losses

Gains or losses recognised in the Statement of Comprehensive Income:

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

Gains or losses recognised in Other Comprehensive Income:

- Actuarial gains and losses.
- The difference between the interest income on the plan assets and the actual return on the plan assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

2. ACCOUNTING POLICIES (continued)

Defined contribution plans

For defined contribution schemes the amount charged to the Statement of Comprehensive Income is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

2.23. Financial Instruments

Viridian 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 assets and financial liabilities are recognised when the organisation becomes a party to the contractual provisions of the instrument, and are offset only when the organisation 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.

2.23.1 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 and other relevant 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 (agreements to pay for settlement of rent arrears), 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 and other relevant 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 the Statement of Comprehensive Income.

Cash and cash equivalents

Cash and cash equivalents include some money market deposits held for more than 24 hours which can be withdrawn without penalty only on maturity or by giving notice of more than one working day.

2.23.2 Financial liabilities

Trade and other relevant creditors

Trade and other relevant 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.

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 similar charges.

Debt instruments that do not meet the conditions in FRS 102, paragraph 11.9, are subsequently measured at fair value through the Statement of Comprehensive Income.

Debt instruments may be designated as fair value through the Statement of Comprehensive Income to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

2. ACCOUNTING POLICIES (continued)

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.

2.23.3 Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value, at each reporting date. Fair value gains and losses are recognised in income or expense unless hedge accounting is applied and the hedge is a cash flow hedge.

To qualify for hedge accounting, the organisation documents the hedged item, the hedging instrument and the hedging relationship between them, and the causes of hedge ineffectiveness (such as different maturities, nominal amounts or variable rates, and counterparty credit risk).

The organisation elects to adopt hedge accounting for interest rate swaps where:

- the interest rate swap is a qualifying hedging instrument with an external party that hedges interest rate risk on a loan, part of the nominal amount of a loan, or a group of loans managed together that share the same risk and that qualify as a hedged item;
- the hedging relationship between the interest rate swap and the interest rate risk on the loan is consistent with the risk management objectives for undertaking hedges (i.e. to manage the risk that fixed interest rates become unfavourable in comparison to current market rates or the variability in cash flows arising from variable interest rates); and
- the change in the fair value of the interest rate swap is expected to move inversely to the change in the fair value of the interest rate risk on the loan.

Cash flow hedge – hedge of variable interest rate risk

Where an interest rate swap that converts variable rate debt into fixed rate debt qualifies for hedge accounting, it is accounted for as a cash flow hedge. The cumulative change in the fair value of the interest rate swap is recognised in Other Comprehensive Income up to the amount of the cumulative fair value movement on the variable rate debt that is attributable to the variable interest rate risk. Any excess fair value gains or losses on the interest rate swap not recognised in Other Comprehensive Income are recognised in income or expense. The gains and losses recognised in Other Comprehensive Income are recorded as a separate component of equity (the cash flow hedge reserve).

Net cash settlements on the interest rate swap are recognised in the Statement of Comprehensive Income in the period(s) when the net cash settlements accrue. The cash flow hedge reserve is reclassified to the Statement of Comprehensive Income when the variable rate interest is recognised in the Statement of Comprehensive Income.

Hedge accounting is discontinued when a floating to fixed interest rate swap expires, is sold, terminated or exercised, or when the conditions for hedge accounting are no longer met or the organisation documents its election to discontinue hedge accounting. Any fair value gains or losses accumulated in the cash flow hedge reserve are reclassified to income or expense, either when the variable interest rate expense is recognised in the Statement of Comprehensive Income, or immediately on discontinuation of hedge accounting if future variable interest rate cash flows are no longer expected to occur.

2.23.4 Loan issue costs

Loan issue costs are deducted from the proceeds of the loan and charged to the Statement of Comprehensive Income in proportion to the outstanding capital over the life of the loan.

2.24. Restricted reserves

The restricted reserves are subject to specific conditions imposed by donors.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

2. ACCOUNTING POLICIES (continued)

2.25. Provisions for liabilities

Provisions are recognised when the Group 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.

Reimbursements up to the amounts required to settle the obligation are recognised as separate assets only when receipt on settlement of the obligation is virtually certain.

2.26. Supported housing schemes managed by agencies

The treatment of surpluses or deficits in respect of supported housing schemes depends on the nature of the relationship between Viridian and its managing agents and is dependent on whether Viridian carries the financial risk. Where Viridian carries the financial risk, the associated income and expenditure are included in the financial statements.

2.27. Allocation of costs

The cost of providing management services by the regulated entity to non-regulated parts of the business is based on direct attribution of costs, on a fair and reasonable basis, taking into account actual usage and relevant activity levels.

2.28. 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.

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.

Actuarial assumptions used in calculating of pension benefits obligations:

The rate used to discount the benefit obligations 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 Social Housing Pension Scheme (SHPS) of £10.2 million for the next 10 years has been discounted at a rate of 1.33% amounting to a net present value of £9.6 million at 31 March 2017.

Assumptions in fair value of derivatives:

Our derivative instruments will generically fall into one of the following categories:

- Floating to fixed interest rate swaps: These are priced using the forward swap curve, which is the biggest determinant of value of the swap: A downward movement in the swap curve will reduce the expected floating rate payments that fall due to the Group and also reduce the discount factor that applies to those payments.
- Interest rate caps: The probability of a payment falling due to the Group as well as the quantum of the payment is determined. Hence, the value is driven by the forward swap curve and its volatility.
- Floating to inflation linked interest rate swaps: These are priced from the forward swap curve and also the equivalent inflation curve.

Assessment of hedging criteria

Many of our derivatives have the same dates on which the floating interest rates are set as the underlying loan giving the perfect hedge. Where the critical terms match between the swap and the loan, the prospective effectiveness test assesses the impact of a 1% shift in zero coupon interest rates.

Assessments used in impairment review

Impairment reviews are carried out when an impairment trigger has been identified. Net present values were calculated over 30 years using rental income inflation of 2% after the initial rent reduction, terminal sales values inflation of 3.5% and a discount rate of 4.25%. All schemes produced a positive net present value and so no impairment was required.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

2. ACCOUNTING POLICIES (continued)

Assumptions in valuing investment properties

External valuation advice has been prepared in accordance with the basis of valuation and assumptions in accordance with the Valuation Standards published by the Royal Institution of Chartered Surveyors. The recent valuation has been undertaken on a desktop basis only on an individual basis rather than as a portfolio. Valuations were based on the assumptions in respect of occupancy levels, as well as actual and expected rents receivable and operating costs. It is also assumed that each property is in a satisfactory condition and free from any environmental or other hazardous risks.

Estimated useful economic lives of social housing property assets

The Group regularly reviews life cycles of components, most recently in March 2016. The review was completed by external consultants who benchmarked life cycles against peer organisations and the Decent Homes Standard. The report found that the lifecycles do not vary greatly from what would reasonably be expected from like organisations.

Cost allocation in mixed tenure development scheme

Land acquisition costs are allocated between tenure types based on Existing Use Value (EUV) which reflects the different tenure types and takes into account present value of the expected cash inflow for each tenure type.

Other build costs and directly attributable costs are apportioned on area basis unless building specifications differ between tenures.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

3. TURNOVER, COST OF SALES, OPERATING COSTS & OPERATING SURPLUS

GROUP: Year to 31 March 2017	Turnover £000	Cost of sales £000	Operating costs £000	Surplus on sale of housing properties £000	Operating surplus/ (deficit) £000
Social housing lettings	106,305	-	(80,214)	-	26,091
Other social activities					
Supported Housing	47	-	(607)	-	(560)
Development services	140	-	(2,573)	-	(2,433)
Deferred capital grant amortisation (note 7)	37	-	-	-	37
First tranche shared ownership sales	27,121	(10,348)	(423)	-	16,350
Horn Lane land value	931	-	-	-	931
Surplus on asset disposal (note 3.a)	-	-	-	6,667	6,667
Total other social housing activities	28,276	(10,348)	(3,603)	6,667	20,992
Non-social housing activities					
Student accommodation	14,008	-	(12,827)	-	1,181
Commercial lettings	270	-	(79)	-	191
Commercial outright sales	9,769	(6,609)	(13)	-	3,147
Total non-social housing activities	24,047	(6,609)	(12,919)	-	4,519
	158,628	(16,957)	(96,736)	6,667	51,602
GROUP: Year to 31 March 2016	Turnover £000	Cost of sales £000	Operating costs £000	Surplus on sale of housing properties £000	Operating surplus/ (deficit) £000
Social housing lettings	103,781	-	(75,151)	-	28,630
Other social activities					
Supported Housing	1,069	-	(1,351)	-	(282)
Development services	4,485	(3,689)	(807)	-	(11)
Grant abatement	660	-	-	-	660
Deferred capital grant amortisation (note 7)	75	-	-	-	75
First tranche shared ownership sales	8,543	(4,649)	(301)	-	3,593
Retirement housing outright sales	2,040	(1,152)	-	-	888
Surplus on asset disposal (note 3.a)	-	-	-	2,358	2,358
Total other social housing activities	16,872	(9,490)	(2,459)	2,358	7,281
Non-social housing activities					
Student accommodation	13,704	-	(12,054)	-	1,650
Registered nursing homes	-	-	(66)	-	(66)
Commercial lettings	256	-	(76)	-	180
Commercial outright sales	3,399	(1,099)	-	-	2,300
Total non-social housing activities	17,359	(1,099)	(12,196)	-	4,064
	138,012	(10,589)	(89,806)	2,358	39,975

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

3. TURNOVER, COST OF SALES, OPERATING COSTS & OPERATING SURPLUS (continued)

ASSOCIATION: Year to 31 March 2017	Turnover £000	Cost of sales £000	Operating costs £000	Surplus on sale of housing properties £000	Operating surplus/ (deficit) £000
Social housing lettings	106,305	-	(80,214)	-	26,091
Other social activities					
Supported Housing	49	-	(607)	-	(558)
Development services	481	-	(2,844)	-	(2,363)
Gift aid received from subsidiaries	1,802	-	-	-	1,802
Deferred capital grant amortisation (note 7)	37	-	-	-	37
First tranche shared ownership sales	27,121	(10,615)	(423)	-	16,083
Retirement housing outright sales	-	-	-	-	-
Surplus on asset disposal (note 3.a)	-	-	-	6,667	6,667
Total other social housing activities	29,490	(10,615)	(3,874)	6,667	21,668
Non-social housing activities					
Student accommodation	9,436	-	(10,176)	-	(740)
Commercial lettings	270	-	(79)	-	191
Commercial outright sales	380	(399)	-	-	(19)
Total non-social housing activities	10,086	(399)	(10,255)	-	(568)
	145,881	(11,014)	(94,343)	6,667	47,191

ASSOCIATION: Year to 31 March 2016	Turnover £000	Cost of sales £000	Operating costs £000	Surplus on sale of housing properties £000	Operating surplus/ (deficit) £000
Social housing lettings	103,781	-	(75,151)	-	28,630
Other social activities					
Supported Housing	1,070	-	(1,351)	-	(281)
Development services	801	-	(810)	-	(9)
Gift aid received from subsidiaries	938	-	-	-	938
Grant abatement	660	-	-	-	660
Deferred capital grant amortisation (note 7)	75	-	-	-	75
First tranche shared ownership sales	8,543	(4,649)	(301)	-	3,593
Retirement housing outright sales	2,040	(1,152)	-	-	888
Surplus on asset disposal (note 3.a)	-	-	-	2,358	2,358
Total other social housing activities	14,127	(5,801)	(2,462)	2,358	8,222
Non-social housing activities					
Student accommodation	9,132	-	(9,381)	-	(249)
Registered nursing homes	-	-	(66)	-	(66)
Commercial lettings	256	-	(76)	-	180
Commercial outright sales	3,399	(1,099)	-	-	2,300
Total non-social housing activities	12,787	(1,099)	(9,523)	-	2,165
	130,695	(6,900)	(87,136)	2,358	39,017

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

3. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

GROUP AND ASSOCIATION: Year to 31 March 2017	General needs housing £000	Key workers housing £000	Ealing care homes £000	Temporary housing £000	Shared ownership £000	Other £000	2017		2016	
							Totals £000	Totals £000	Totals £000	Totals £000
Turnover from social housing lettings										
Rent receivable net of service charges	67,839	6,624	-	366	3,125	2,212	80,166	78,933		
Care management fee	-	-	9,499	-	-	-	9,499	9,427		
Charge for support services	23	-	-	-	-	-	23	54		
Service charge income receivable	8,174	-	-	2	967	104	9,247	9,235		
Net rent receivable	76,036	6,624	9,499	368	4,092	2,316	98,935	97,649		
Revenue grants	2	-	-	-	-	-	2	-		
Deferred capital grant amortisation (note 7)	4,312	-	-	33	197	90	4,632	4,351		
Sundry income	718	645	1,072	25	332	(56)	2,736	1,781		
	5,032	645	1,072	58	529	34	7,370	6,132		
Total turnover from social housing lettings	81,068	7,269	10,571	426	4,621	2,350	106,305	103,781		
Expenditure on social housing lettings										
Management	19,539	3,573	11,203	73	802	1,949	37,139	37,922		
Services	8,528	-	-	-	1,076	87	9,691	9,101		
Support	20	-	-	-	-	-	20	17		
Routine maintenance	10,062	755	1,606	105	136	170	12,834	12,723		
Major repairs expenditure	4,535	314	443	17	34	46	5,389	4,797		
Rent (recovery)/loss from bad debts	269	63	-	6	2	(5)	335	353		
Property lease charges	56	35	-	184	3	-	278	329		
Depreciation	12,962	987	-	88	447	447	14,931	12,457		
Reversal of impairment	(264)	-	-	-	(139)	-	(403)	(2,548)		
Operating costs on social housing	55,707	5,727	13,252	473	2,361	2,694	80,214	75,151		
Operating surplus/(deficit)	25,361	1,542	(2,681)	(47)	2,260	(344)	26,091	28,630		
Rent losses on voids	1,051	259	-	11	-	23	1,344	1,272		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

3. (a) SURPLUS/(DEFICIT) ON SALE OF FIXED ASSETS

GROUP AND ASSOCIATION					
	Sales proceeds £000	Cost of sales £000	2017 Total £000	Recycled Capital Grant Fund £000	Disposals Proceeds Fund £000
Surplus on Sale of Housing Properties:					
Staircasing sales *	4,965	(2,895)	2,070	(488)	-
Right to Acquire Sales	545	(533)	12	-	(383)
Sales of other properties	7,265	(2,680)	4,585	(786)	-
Total 2017	12,775	(6,108)	6,667	(1,274)	(383)
Total 2016	9,128	(6,770)	2,358	(3,077)	-

* Sale of second and subsequent tranches of shared ownership properties

Housing and related asset disposals have previously been presented below operating surplus. Having reviewed our core business objectives, we've moved surplus on such disposals into operating surplus. We are aware of proposed amendments to FRS 102 which clarify the requirements concerning the presentation of operating profit and the board will keep developments under consideration. Operating surplus for 2016 before the change in presentation was £37.6 million for the Group and £36.7 million for the Association.

4. ACCOMMODATION IN MANAGEMENT

	GROUP		ASSOCIATION	
	2017 Number	2016 Number	2017 Number	2016 Number
Social housing properties				
General needs housing	10,949	10,830	10,949	10,830
Key workers	1,250	1,250	1,250	1,250
Intermediate rent	180	180	180	180
Shared ownership	941	874	941	874
Rent to homebuy	12	13	12	13
Total owned	13,332	13,147	13,332	13,147
Managed on behalf of others	189	189	189	189
Total managed	13,521	13,336	13,521	13,336
Owned but managed by others	50	187	50	187
Non-social housing				
Student accommodation	2,093	2,093	1,334	1,334
Market rent	54	54	53	54
Total owned	2,147	2,147	1,387	1,388
Managed on behalf of group entities	-	-	759	759
Managed on behalf of others	320	320	320	320
Total managed	2,467	2,467	2,466	2,467
All accommodation				
Owned	15,529	15,481	15,529	15,481
Managed	509	509	509	509
	16,038	15,990	16,038	15,990

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	GROUP		ASSOCIATION	
	2017 £000	2016 £000	2017 £000	2016 £000
From subsidiary undertakings	-	-	1,245	994
Other	261	189	257	180
	<u>261</u>	<u>189</u>	<u>1,502</u>	<u>1,174</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	GROUP		ASSOCIATION	
	2017 £000	2016 £000	2017 £000	2016 £000
On bonds, loans and overdrafts	13,297	12,825	12,674	12,191
Net pension interest charge	213	155	213	155
Amortisation of issue costs of bank loan	158	141	150	132
Recycled capital grant fund interest (note 18)	52	72	52	72
	<u>13,720</u>	<u>13,193</u>	<u>13,089</u>	<u>12,550</u>
Less: interest capitalised on properties under construction	(1,131)	(1,744)	(895)	(1,516)
	<u>12,589</u>	<u>11,449</u>	<u>12,194</u>	<u>11,034</u>

7. OPERATING SURPLUS

	GROUP		ASSOCIATION	
	2017 £000	2016 £000	2017 £000	2016 £000
Operating surplus is stated after charging:				
Depreciation:				
- housing properties (note 10.a)	14,978	12,561	14,978	12,561
- tangible fixed assets (note 10.b)	1,387	1,427	1,387	1,427
- impairment of social housing property under construction (note 10.a)	883	-	883	-
- reversal of impairment charge (note 10.a)	(403)	(2,548)	(403)	(2,548)
- impairment of investment property under construction (note 10.c)	(460)	-	-	-
	<u>16,385</u>	<u>11,440</u>	<u>16,845</u>	<u>11,440</u>
Capital grant amortisation (note 20)	(4,667)	(4,426)	(4,667)	(4,426)
Auditors' remuneration:				
- In their capacity as auditors	152	127	141	122
- In respect of other services	32	26	32	26
- In respect of tax compliance services	9	3	3	3
	<u>193</u>	<u>156</u>	<u>176</u>	<u>151</u>
Operating lease payments:				
- Land and buildings	278	329	278	329
- Motor vehicles	350	286	350	154
- Offices	59	55	59	55
	<u>687</u>	<u>670</u>	<u>687</u>	<u>538</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

7. OPERATING SURPLUS (continued)

IMPAIRMENT

The Group considers individual schemes to be separate cash generating units when assessing for impairment, in accordance with SORP 2014.

During the year, the Group considered the performance of the schemes which were previously impaired. We identified two historical impairments for two schemes in Northampton which now reports high occupancy levels that are in line with the expected performance of the scheme and this is expected to continue. Subsequently the full impairment of £0.4 million has been reversed (2016: 2.5 million reversal).

In addition a review of the carrying value of land held for development (previously used as student accommodation), has resulted in an impairment in line with an external valuation, which reflects the new development tenure mix, following the successful grant of planning permission (note 10.a).

8. EMPLOYEES

GROUP AND ASSOCIATION

The average monthly number of persons (including directors) employed by the Company during the year was:

	2017 Number	2016 Number
Central Services	98	88
Operations	234	225
Property Services	194	189
Care & Social Impact	369	371
	<u>895</u>	<u>873</u>

GROUP AND ASSOCIATION

Staff costs for the above persons:

	2017 £'000	2016 £'000
Wages and salaries	29,080	27,240
Social security costs	2,673	2,472
Employer pension and auto enrolment pension	1,233	1,076
SHPS / The Growth plan pension cost (note 28)	287	3,247
	<u>33,273</u>	<u>34,035</u>

GROUP AND ASSOCIATION

Number of staff by salary band:

	2017 Number	2016 Number
£190,000 - £200,000	1	-
£180,000 - 190,000	1	1
£130,000 - 140,000	1	1
£120,000 - 130,000	3	2
£110,000 - 120,000	-	2
£100,000 - 110,000	2	2
£90,000 - 100,000	3	2
£80,000 - 90,000	8	6
£70,000 - 80,000	10	8
£60,000 - 70,000	18	16
	<u>47</u>	<u>40</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

8. EMPLOYEES (continued)

The emoluments of the Chief Executive and other executive directors, including pension contributions amounted to £975,011 (2016: £801,887).

The Chief Executive is an ordinary member of the Growth Plan Money Purchase scheme administered by The Pensions Trust. It's a defined contribution scheme whereby he contributes 5% and Viridian contributes 10%. The money is paid on a monthly basis and The Pensions Trust invests the funds.

The executive directors and Board members are considered to be key management personnel and their remuneration amounted to £1,157,368 (2016: £977,318).

Reimbursement of expenses incurred for senior staff and Board Members amounted to £9,288 (2016: £7,739). Payments were as follows:

GROUP AND ASSOCIATION

EXECUTIVE DIRECTORS	2017				
	Remuneration /fees £	Pension Contribution £	Expense allowance £	Compensation for loss of Office £	Total emoluments £
N Apetroaie	176,858	17,675	3,605	-	198,138
M Campion (Resigned 26 May 2017)	119,652	11,918	732	-	132,302
I Bacon (Resigned 30 April 2017)	126,458	2,525	-	93,644	222,627
C Miller (Resigned 31 January 2017)	98,402	10,100	293	74,265	183,060
N Ackcral	112,208	11,110	2,167	-	125,485
K Tromanhauser	109,288	10,908	383	-	120,579
	742,866	64,236	7,180	167,909	982,191
BOARD MEMBERS	2017				
	Remuneration /fees £	Pension Contribution £	Expense allowance £	Compensation for loss of Office £	Total emoluments £
H Llewelyn-Davies	17,936	-	1,436	-	19,372
F Barras	10,500	-	317	-	10,817
R R Morton	10,500	-	195	-	10,695
P Roscrow	10,500	-	-	-	10,500
J Cox	7,875	-	160	-	8,035
S Herelle	7,000	-	-	-	7,000
H Cresswell	7,000	-	-	-	7,000
D Lingeman	7,000	-	-	-	7,000
M J Lavers	2,500	-	-	-	2,500
	80,811	-	2,108	-	82,919

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

8. EMPLOYEES (continued)

GROUP AND ASSOCIATION

2016					
EXECUTIVE DIRECTORS	Remuneration /fees £	Pension Contribution £	Expense allowance £	Compensation for loss of Office £	Total emoluments £
N Apetroaie	162,952	16,284	3,512	-	182,748
M Campion	121,802	12,143	950	-	134,895
I Bacon	126,251	2,523	-	-	128,774
C Miller	116,965	11,686	-	-	128,651
N Ackcral	106,407	10,630	2,740	-	119,777
K Tromanhauser	103,868	10,376	187	-	114,431
	738,245	63,642	7,389	-	809,276
2016					
BOARD MEMBERS	Remuneration /fees £	Pension Contribution £	Expense allowance £	Compensation for loss of Office £	Total emoluments £
H Llewelyn-Davies	16,657	-	157	-	16,814
F Barras	10,500	-	74	-	10,574
R R Morton	10,500	-	71	-	10,571
P Roscrow	10,500	-	-	-	10,500
C Cheshire	7,875	-	-	-	7,875
J Cox	7,000	-	48	-	7,048
S Herelle	7,000	-	-	-	7,000
M J Lavers	4,663	-	-	-	4,663
H Cresswell	1,535	-	-	-	1,535
D Lingeman	1,535	-	-	-	1,535
	77,765	-	350	-	78,115

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

9. TAX ON SURPLUS ON ORDINARY ACTIVITIES

	GROUP		ASSOCIATION	
	2017 £000	2016 £000	2017 £000	2016 £000
Reconciliation of tax charge				
Surplus on ordinary activities before tax	39,594	29,976	36,819	30,418
Effect of exempt charitable activities	(39,594)	(27,038)	(36,819)	(28,117)
	-	2,938	-	2,301
<i>Current Tax</i>				
UK corporation tax at 20.00% (2016: 20.00%)	-	588	-	460
Unrelieved tax losses and other deductions arising in the period	-	(128)	-	-
Deferred Tax	245	(245)	-	-
Current tax charge/(credit) for period	245	215	-	460
<i>Deferred Tax</i>				
Origination and reversal of timing differences	231	(245)	-	-
Effect of tax rate change on opening balance	14	-	-	-
Total deferred tax charge/(credit)	245	(245)	-	-

All of the charitable activities in the Group are exempt from corporation tax.

The corporation tax liability for the trading subsidiary Viridian Development Services Ltd is £Nil (2016: £Nil) due to the combined effect of qualifying charitable donations, Gift Aid to the parent undertaking and brought forward trading tax losses of £1,361,000 (2016: £2,757,000), offsetting profits in the period. All of the trading losses were offset against current year profits of the same trade.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

10. (a) TANGIBLE FIXED ASSETS - HOUSING PROPERTIES

GROUP	UNDER CONSTRUCTION		IN MANAGEMENT		2017 Total £000
	Social housing £000	Shared ownership £000	Social housing £000	Shared ownership £000	
Cost					
At 1 April 2016	14,859	26,276	1,027,911	79,175	1,148,221
Transfer to current assets	-	-	-	(99)	(99)
Tenure change	-	-	6,665	(6,665)	-
Reclassifications from/(to) properties held for sale (note 13)	(216)	-	7,853	-	7,637
Additions	23,964	22,711	8,958	-	55,633
Schemes completed	(8,924)	(33,508)	8,924	33,508	-
Transfer to current assets (note 13)	-	-	-	(901)	(901)
Disposals	-	-	(3,319)	(2,674)	(5,993)
Disposals - component write off	-	-	(2,068)	-	(2,068)
At 31 March 2017	29,683	15,479	1,054,924	102,344	1,202,430
Depreciation and impairments					
At 1 April 2016	-	-	106,012	2,929	108,941
Charge for the year	-	-	13,346	511	13,857
Impairment charge/(reversal of impairment)	883	-	(403)	-	480
Disposals	-	-	(332)	(99)	(431)
Disposals - component write off	-	-	(946)	-	(946)
At 31 March 2017	883	-	117,677	3,341	121,901
Net book value at 31 March 2017	28,800	15,479	937,247	99,003	1,080,529
Net book value at 31 March 2016	14,859	26,276	921,899	76,246	1,039,280

GROUP	2017 £000	2016 £000
Housing properties book value net of depreciation		
Freehold land and buildings	868,518	862,817
Long (more than 50 years) leasehold land and buildings	166,287	145,723
Short (less than 50 years) leasehold land and buildings	45,724	30,740
	1,080,529	1,039,280

GROUP AND ASSOCIATION	2017 £000	2016 £000
Cumulative impairment charge		
At 1 April	403	2,951
Released in the year (note 7)	(403)	(2,548)
Charged in the year (note 7)	883	-
At 31 March	883	403

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

10. (a) TANGIBLE FIXED ASSETS - HOUSING PROPERTIES (continued)

GROUP AND ASSOCIATION	2017	2016
	£000	£000
Depreciation charge for the year		
Annual depreciation charge	13,857	11,789
Accelerated depreciation on components written off	<u>1,122</u>	<u>772</u>
Total charge to statement of comprehensive income (note 7)	<u>14,979</u>	<u>12,561</u>

GROUP AND ASSOCIATION	2017	2016
	£000	£000
Works to existing properties		
Amounts capitalised under component accounting	8,958	9,968
Amounts charged to income and expenditure account (note 3)	<u>5,389</u>	<u>4,797</u>
	<u>14,347</u>	<u>14,765</u>

Additions to housing properties under construction during the year included capitalised interest at 3.4%, (2016: 3.1%) of £897,497 (2016: £1,229,279) for the Group (note 6).

The aggregate amount of capitalised interest included in tangible fixed assets at 31 March 2017 was £20,122,545 (2016: £19,225,048) for the Group.

ASSOCIATION	UNDER CONSTRUCTION		IN MANAGEMENT		2017 Total £000
	Social housing £000	Shared ownership £000	Social housing £000	Shared ownership £000	
Cost					
At 1 April 2016	14,859	26,910	1,031,688	81,842	1,155,299
Transfer to current assets	-	-	-	(99)	(99)
Tenure change			6,665	(6,665)	-
Reclassifications from / (to) properties held for sale (note 13)	(216)	-	7,853	-	7,637
Additions	18,009	19,874	8,958	-	46,841
Schemes completed	(8,924)	(34,151)	8,924	34,151	-
Transfer to current assets (note 13)	-	-	-	(954)	(954)
Disposals	-	-	(3,319)	(2,674)	(5,993)
Disposals - component write off	-	-	(2,068)	-	(2,068)
At 31 March 2017	<u>23,728</u>	<u>12,633</u>	<u>1,058,701</u>	<u>105,601</u>	<u>1,200,663</u>
Depreciation and impairments					
At 1 April 2016	-	-	106,012	2,929	108,941
Charge for the year	-	-	13,345	511	13,856
Impairment charge (reversal of impairment)	883	-	(403)	-	480
Disposals	-	-	(332)	(99)	(431)
Disposals - component write off	-	-	(946)	-	(946)
At 31 March 2017	<u>883</u>	<u>-</u>	<u>117,676</u>	<u>3,341</u>	<u>121,900</u>
Net book value at 31 March 2017	<u>22,845</u>	<u>12,633</u>	<u>941,025</u>	<u>102,260</u>	<u>1,078,763</u>
Net book value at 31 March 2016	<u>14,859</u>	<u>26,910</u>	<u>925,676</u>	<u>78,913</u>	<u>1,046,358</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

10. (a) TANGIBLE FIXED ASSETS - HOUSING PROPERTIES (continued)

ASSOCIATION

	2017	2016
	£000	£000
Housing properties book value net of depreciation		
Freehold land and buildings	866,752	869,895
Long (more than 50 years) leasehold land and buildings	166,287	145,723
Short (less than 50 years) leasehold land and buildings	45,724	30,740
	<u>1,078,763</u>	<u>1,046,358</u>

Additions to housing properties under construction during the year included capitalised interest at 3.4%, (2016: 3.1%) of £754,000 (2016: £1,219,000) for the Association (note 6).

The aggregate amount of capitalised interest included in tangible fixed assets at 31 March 2017 was £19,619,904 (2016: £18,866,026) for the Association.

10. (b) TANGIBLE FIXED ASSETS – OTHER

GROUP AND ASSOCIATION

	Freehold offices £000	Computer & office equipment £000	Fixtures & fittings £000	2017 Total £000
Cost				
At 1 April 2016	9,976	5,097	3,402	18,475
Additions	7	242	109	358
Assets written off	-	-	(145)	(145)
At 31 March 2017	<u>9,983</u>	<u>5,339</u>	<u>3,366</u>	<u>18,688</u>
Depreciation				
At 1 April 2016	1,691	3,305	1,724	6,720
Charge for the year	391	755	241	1,387
Assets written off	-	-	(44)	(44)
At 31 March 2017	<u>2,082</u>	<u>4,060</u>	<u>1,921</u>	<u>8,063</u>
Net book value at 31 March 2017	<u>7,901</u>	<u>1,279</u>	<u>1,445</u>	<u>10,625</u>
Net book value at 31 March 2016	<u>8,285</u>	<u>1,792</u>	<u>1,678</u>	<u>11,755</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

10. (c) INVESTMENT PROPERTIES

GROUP	In management £000	Under construction £000	Total £000
At 1 April 2016	77,872	921	78,793
Additions – under construction	-	1,119	1,119
Impairment charge	-	(460)	(460)
Reclassification from Properties for Sale (note 13)	39	-	39
Transfer to completed	170	(170)	-
At 31 March 2017	78,081	1,410	79,491

Viridian Development Services Limited obtained an independent valuation report in respect of the estimated selling price of its commercial units, triggered by a material increase in development costs attributable to these units. As a result an impairment loss of £589,000 has been recognised in the Statement of Comprehensive Income. A completed commercial unit with a carrying value of £313,000 has been written down to £170,000 and commercial unit under construction with the carrying value of £1,856,000 has been written down to £1,410,000.

ASSOCIATION	In management £000	Under construction £000	Total £000
At 1 April 2016	54,972	-	54,972
Reclassification from Properties for Sale (note 13)	39	-	39
At 31 March 2017	55,011	-	55,011

Additions to investment properties under construction during the year included capitalised interest at 3.4% (2016: 3.1%) of £37,124 (2016: £12,938) for the Group (note 6).

The reclassification from Properties for Sales relates to residual freehold interest following the outright sales.

11. SUBSIDIARY UNDERTAKINGS

The Company's subsidiary undertakings are:

Name of Undertaking	Class of shareholding	Company status	Proportion of nominal value held directly
Middlesex First Limited	Ordinary	Active	100%
Viridian Development Services Limited	Ordinary	Active	100%
Horn Lane Development Limited	Ordinary	Active	100%
Viridian Property Investments Limited	Ordinary	Dormant	100%
Viridian Facilities Management Limited	Ordinary	Dormant	100%
Viridian Commercial Enterprises Limited	Ordinary	Dormant	100%
Viridian Homes For All Limited	Ordinary	Dormant	100%
Optivo Homes Limited (formerly Viridian Development Homes Limited)	Ordinary	Dormant	100%
Optivo Limited (formerly Viridian Homes Limited)	Ordinary	Dormant	100%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

12. INVESTMENTS

The Company holds the following investments:

GROUP

Name of undertaking	Class of shareholding	Proportion of nominal value Directly held	Proportion of nominal value Indirectly held	Nature of Business
Ealing Care Alliance (Holdings) Limited	Ordinary	16%	-	Social Care
				£000
Cost				
At 1 April 2016				2
At 31 March 2017				2

ASSOCIATION

Name of undertaking	Class of shareholding	Proportion of nominal value Directly held	Proportion of nominal value Indirectly held	Nature of Business
Ealing Care Alliance (Holdings) Limited	Ordinary	16%	-	Social Care
				£000
Cost				
At 1 April 2016				2
Disposals				-
At 31 March 2017				2

The Association holds a 16% beneficial interest in Ealing Care Alliance (Holdings) Limited, a holding company with its wholly owned subsidiary, Ealing Care Alliance Limited operating in social care.

Name of subsidiary undertaking	Class of shareholding	Proportion of nominal value Directly held	Proportion of nominal value Indirectly held	Nature of Business
Horn Lane Development Limited	Ordinary	100%	-	Property redevelopment
				£000
Cost				
At 1 April 2016				-
Addition				2,142
At 31 March 2017				2,142

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

13. PROPERTIES HELD FOR SALE

GROUP	UNDER CONSTRUCTION		COMPLETED		Total £000
	Shared	Outright	Shared	Outright	
	ownership £000	sale £000	ownership £000	sale £000	
Cost					
At 1 April 2016	8,794	12,423	4,492	4,766	30,475
Reclassification to investment properties (note 10.c)	(35)	-	-	(4)	(39)
Reclassification to fixed assets	-	-	(3,482)	(4,371)	(7,853)
Reclassification from fixed assets	-	-	-	216	216
Additions	7,568	655	-	-	8,223
Schemes completed	(11,169)	(13,078)	11,169	13,078	-
Transfer from fixed assets	-	-	901	-	901
Disposals	-	-	(10,014)	(6,019)	(16,033)
At 31 March 2017	5,158	-	3,066	7,666	15,890

ASSOCIATION	UNDER CONSTRUCTION		COMPLETED		Total £000
	Shared	Outright	Shared	Outright	
	ownership £000	sale £000	ownership £000	sale £000	
Cost					
At 1 April 2016	9,005	100	4,492	4,766	18,363
Reclassification to investment properties (note 10.c)	(35)	-	-	(4)	(39)
Reclassification to fixed assets	-	-	(3,482)	(4,371)	(7,853)
Reclassification from fixed assets	-	-	-	216	216
Additions	6,625	(44)	-	-	6,581
Schemes completed	(11,384)	(56)	11,384	56	-
Transfer from fixed assets	-	-	954	-	954
Disposals	-	-	(10,282)	(391)	(10,673)
At 31 March 2017	4,211	-	3,066	272	7,549

Additions to properties held for sale under construction during the year included capitalised interest at 3.1% (2016: 3.1%) of £196,064 (2016: £12,938) for the Group and £141,439 for the Association (note 6).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

14. DEBTORS

	GROUP		ASSOCIATION	
	2017 £000	2016 £000	2017 £000	2016 £000
Amounts falling due within one year				
Rent and services receivable	4,088	4,653	4,165	4,653
Less: provision for bad and doubtful debts	(1,121)	(1,211)	(1,121)	(1,211)
	<u>2,967</u>	<u>3,442</u>	<u>3,044</u>	<u>3,442</u>
Loans to employees	35	35	35	35
Prepayments and accrued income	2,396	1,786	2,392	1,786
Other debtors	5,396	3,482	3,243	2,866
Deferred tax asset (note 9)	-	245	-	-
Amounts due from subsidiary undertakings	-	-	4,740	1,027
Amounts due from related parties	605	605	605	605
Debtors: amounts falling due within one year	<u>11,399</u>	<u>9,595</u>	<u>14,059</u>	<u>9,761</u>
Amounts falling due after more than one year				
Other debtors	347	358	347	358
Amounts due from subsidiary undertaking	-	-	13,415	13,666
Debtors: amounts receivable after more than one year	<u>347</u>	<u>358</u>	<u>13,762</u>	<u>14,024</u>

For any rental arrears arrangements in place, no net present value adjustment has been done, as the impact is immaterial.

15. CURRENT ASSET INVESTMENTS

	GROUP		ASSOCIATION	
	2017 £000	2016 £000	2017 £000	2016 £000
Cash deposits and other short term investments	<u>40,990</u>	<u>67,627</u>	<u>40,990</u>	<u>67,627</u>
	<u>40,990</u>	<u>67,627</u>	<u>40,990</u>	<u>67,627</u>

At 31 March 2017, there was £9.0 million (2016: £57.6 million) 'ring-fenced' cash in interest bearing bank accounts relating to cash sums held by the company for specific purposes.

As at the end of the year there were £32 million freely available funds for the group placed on Money Market Funds.

All cash surpluses were invested in approved UK Institutions in accordance with Viridian's Treasury Management Policy.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP		ASSOCIATION	
	2017 £000	2016 £000	2017 £000	2016 £000
Bank overdrafts (note 22)	157	1,208	157	1,208
Housing loans (note 22)	8,727	46,102	8,395	45,818
Other financial instruments (note 21)	218	-	211	-
Trade creditors	1,192	499	1,192	499
Loan interest accruals	2,167	2,007	2,167	2,007
Recycled capital grant fund (note 18)	1,451	3,503	1,451	3,503
Deferred capital grant (note 20)	4,764	4,426	4,764	4,426
Rent and service charges received in advance	3,071	3,297	3,071	3,297
Other creditors	4,551	3,964	4,551	3,965
Other taxation and social security costs	892	1,274	892	1,274
Accruals and deferred income	6,776	9,993	6,871	9,279
Unpaid contribution for retirement benefits	241	227	241	227
Development creditors	13,298	3,641	13,351	4,131
Amounts owed to subsidiary undertaking	-	-	369	751
	47,505	80,141	47,683	80,385

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

	GROUP		ASSOCIATION	
	2017 £000	2016 £000	2017 £000	2016 £000
Housing loans (note 22)	390,542	396,462	380,442	386,035
Other financial instruments (note 21)	64,425	54,336	61,177	51,350
Deferred capital grant (note 20)	387,545	389,366	387,545	389,366
Recycled capital grant fund (note 18)	13,490	11,934	13,490	11,934
Disposal proceeds fund (note 19)	440	57	440	57
	856,442	852,155	843,094	838,742
Included within housing loans are amounts falling due after more than five years:				
Amount repayable other than by instalments	300,019	293,845	291,968	285,198
Amount repayable by instalments	51,319	51,319	51,319	51,319
	351,338	345,164	343,287	336,517

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

18. RECYCLED CAPITAL GRANT FUND

GROUP AND ASSOCIATION	HCA 2017 £000	GLA 2017 £000	Total 2017 £000	HCA 2016 £000	GLA 2016 £000	Total 2016 £000
Funds pertaining to activities within areas covered by:						
Opening Balance	4,261	11,176	15,437	4,040	9,106	13,146
Inputs to RCGF:						
Grants released on disposals (note 20)	493	781	1,274	199	3,538	3,737
Grant abatement (note 3.a)	-	-	-	-	(660)	(660)
Grant liability passed to buyer	-	(219)	(219)	-	-	-
Total grant released	493	562	1,055	199	2,878	3,077
Interest liability accrued (note 6)	14	38	52	28	44	72
Total inputs to RCGF	507	600	1,107	227	2,922	3,149
Recycling of grant:						
New build (note 20)	-	(1,596)	(1,596)	-	(827)	(827)
Allowable admin charge on disposal	(3)	(4)	(7)	(6)	(25)	(31)
Total RCGF used	(3)	(1,600)	(1,603)	(6)	(852)	(858)
Closing Balance as at 31 March	4,765	10,176	14,941	4,261	11,176	15,437
Amounts 3 years or older:	2,816	5,285	8,101	3,664	6,860	10,524
Amounts 3 years or older where repayment may be required:	1,451	-	1,451	15	3,488	3,503
Included in recycled capital grant fund are:						
Amounts falling due within one year (note 16)	1,451	-	1,451	15	3,488	3,503
Amounts falling due after more than one year (note 17)	3,314	10,176	13,490	4,246	7,688	11,934
	4,765	10,176	14,941	4,261	11,176	15,437

Following our successful submission of a bid to GLA funding authority, we expect all of the amounts previously classified as falling due within one year to be recycled so they are not at risk of repayment. We expect to receive the formal approval in July 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

19. DISPOSALS PROCEEDS FUND

GROUP AND ASSOCIATION		HCA	GLA	Total	HCA	GLA	Total
		2017	2017	2017	2016	2016	2016
		£000	£000	£000	£000	£000	£000
Funds pertaining its activities within areas covered by:							
Opening Balance		57	-	57	56	-	56
Inputs to RCGF:	Additions	202	180	382	-	-	-
	Funds recycled	-	-	-	-	-	-
	Interest accrued	1	-	1	1	-	1
Recycling of grant:	New build	-	-	-	-	-	-
Closing Balance		260	180	440	57	-	57
Amounts 3 years or older where repayment may be required:							
		-	-	-	-	-	-

2016/17 is the final year Disposals Proceeds Fund will be operated and in future, any remaining unspent funds will be amalgamated into Optivo's Recycled Capital Grant Fund. This is effective from 6 April 2017.

20. DEFERRED CAPITAL GRANT

GROUP AND ASSOCIATION	2017	2016
	£000	£000
Opening balance as at 1 April	393,792	395,490
GLA programme grant receipts	387	1,300
Local authorities grant receipts	2,789	4,338
RCGF grant allocated (note 18)	1,596	827
Total grant received in the year	4,772	6,465
Grants released on disposals to RCGF (note 18)	(1,274)	(3,737)
Grants released on disposals to DPF	(244)	-
Grants passed to the buyer	(386)	-
Annual grant amortisation released (note 7)	(4,667)	(4,426)
Grant amortisation written back upon disposal	316	-
Total grant withdrawals in the year	(6,255)	(8,163)
Closing Balance as at 31 March	392,309	393,792
Included in deferred capital grant fund are:		
Amounts falling due within one year (note 16)	4,764	4,426
Amounts falling due after more than one year (note 17)	387,545	389,366
	392,309	393,792
GROUP AND ASSOCIATION	2017	2016
	£000	£000
Total Social Housing Grant received or receivable to date is as follows:		
Capital Grant - housing properties	461,723	458,855
Revenue grant - statement of comprehensive income (note 7)	(4,351)	(4,426)
Revenue grant cumulative amortised	(65,063)	(60,637)
Deferred capital grant as at 31 March	392,309	393,792
Recycled capital grant fund (note 18)	14,941	15,437
Disposal proceed fund (note 19)	440	57
	407,690	344,223

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

21. FINANCIAL INSTRUMENTS

	GROUP		ASSOCIATION	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Financial assets:				
Debt instruments measured at historical cost	52,092	80,351	46,959	76,133
Debt instruments measured at amortised cost	10,156	8,046	26,363	22,491
Hedge accounted financial assets at fair value	44	50	44	50
	62,292	88,447	73,366	98,674
Financial liabilities:				
Debt instruments measured at amortised cost	429,909	478,622	419,723	466,401
Other financial liabilities measured at fair value:				
Other financial liabilities hedge accounted	58,713	46,130	55,458	43,144
Other financial liabilities not hedge accounted	5,930	8,206	5,930	8,206
	64,643	54,336	61,388	51,350
As at 31 March	494,552	532,958	481,111	517,751

As at the year end the Group had a number of hedging arrangements to mitigate the risk of exposure to fluctuations in variable interest rates. The derivatives shown below are designated as cash flow hedges in respect of variable rate of interest payments on borrowings.

£163.3 million (2016: £163.3 million) of the Group's debt was hedged by stand alone and embedded derivatives, of which £40.0 million were interest rate caps (2016: £40.0 million) and £10.0 million (2016: £15.0 million) were RPI linked swaps.

A description of the financial instruments designated as hedging instruments and their fair values at the reporting date:

	Average contract fixed interest rate	Nominal principal value	Fair value as at 31 March 2017	Fair value as at 31 March 2016
GROUP	%	£000	£000	£000
The periods when the cash flows are expected to occur:				
1 - 2 years	4.61	5,000	218	387
5 years or more	3.97 - 5.31	93,047	58,495	45,743
Total		98,047	58,713	46,130
ASSOCIATION	%	£000	£000	£000
The periods when the cash flows are expected to occur:				
1 - 2 years	4.61	5,000	211	387
5 years or more	3.97 - 5.31	82,500	55,247	42,757
Total		87,500	55,458	43,144

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

RECONCILIATION OF OTHER FINANCIAL LIABILITIES MEASURED AT FAIR VALUE:

GROUP	Other financial liabilities at fair value £000	Impact on cash flow hedge reserve £000	Impact on surplus for the year £000
Balance as at 1 April 2016:	54,336	(44,949)	
Change in fair value for the year ended 31 March 2017:			
Hedge accounted derivatives	12,583	(10,626)	(1,957)
Non-hedge accounted derivatives	(2,277)	-	2,277
Total movement for the year	10,306	(10,626)	320
Closing balance as at 31 March 2017	64,642	(55,575)	

ASSOCIATION	Other financial liabilities at fair value £000	Impact on cash flow hedge reserve £000	Impact on surplus for the year £000
Balance as at 1 April 2016:	51,350	(41,963)	
Change in fair value for the year ended 31 March 2017:			
Hedge accounted derivatives	12,314	(10,357)	(1,957)
Non-hedge accounted derivatives	(2,277)	-	2,277
Total movement for the year	10,037	(10,357)	320
Closing balance as at 31 March 2017	61,387	(52,320)	

RECONCILIATION OF OTHER FINANCIAL ASSETS MEASURED AT FAIR VALUE:

	GROUP		ASSOCIATION	
	Financial instrument assets at fair value £000	Impact on cash flow hedge reserve £000	Financial instrument assets at fair value £000	Impact on cash flow hedge reserve £000
Opening fair value as at 1 April 2016:	50	(50)	50	(50)
Change in fair value for the year ended 31 March 2017:				
Hedge accounted financial assets	(6)	6	(6)	6
Total movement for the year	(6)	6	(6)	6
Closing balance as at 31 March 2017	44	(44)	44	(44)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

21. FINANCIAL INSTRUMENTS (continued)

RECONCILIATION OF CASH FLOW HEDGE RESERVE MOVEMENT:

	GROUP £000	ASSOCIATION £000
Opening fair value as at 1 April 2016:	(44,899)	(41,913)
Change in fair value for the year ended 31 March 2017		
Hedge accounted financial assets	(6)	(6)
Hedge accounted liabilities	(10,626)	(10,357)
Total movement for the year charged to income and expenditure	(10,632)	(10,363)
Closing balance as at 31 March 2017	(55,531)	(52,276)

22. BORROWINGS

	GROUP		ASSOCIATION	
	2017 £000	2016 £000	2017 £000	2016 £000
Creditors: amounts falling due within one year:				
Bank overdrafts (note 16)	157	1,208	157	1,208
Bank loans	2,552	43,817	2,219	43,533
Other loans	6,176	2,285	6,176	2,285
Total housing loans (note 16)	8,728	46,102	8,395	45,818
	8,885	47,310	8,552	47,026
Creditors: amounts falling due after more than one year:				
Bank loans	297,690	297,320	287,589	286,893
Other loans	92,853	99,142	92,853	99,142
Total housing loans (note 17)	390,543	396,462	380,442	386,035
	399,428	443,772	388,994	433,061

Viridian Group is funded by a number of loans and bonds from different financial institutions.

With the exception of an unsecured £2 million overdraft facility all of the group borrowings are fully secured against property assets which have been valued by a qualified valuer to meet the lenders' requirements. For this purpose we have 8,012 homes charged to our lenders at a value of £913.4m and the remaining properties are unencumbered.

At 31 March 2017 we had drawn £399.3 million loans (2016: £442.2 million), £133.5 million in undrawn committed loan facilities and held £41.0 million in cash and short term investments. The loans were provided by 12 different lenders.

Included in the debt analysis above is a net figure of £0.1 million (2016: £0.3 million) which arises from the premium on a bond that was issued during the year ended 31 March 2016 (£1.7 million; 2016: £1.7 million), the historic revaluation of earlier bonds (£0.8 million; 2016: £1.1 million) and the unamortised element of the issue fees of the debt instruments (£2.4 million; 2016: £2.5 million).

The weighted average interest rate was 3.4% (2016: 3.1%).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

23. PROVISIONS FOR LIABILITIES

GROUP AND ASSOCIATION	SHPS/The Growth Plan pension provision £000	LGPS pension provision £000	Total pension provisions £000
PENSION PROVISION			
1 April 2016	10,326	452	10,778
Unwinding of discount factor (interest expense - note 6)	198	15	213
Deficit contributions paid	(1,164)	(28)	(1,192)
Actuarial loss	-	21	21
Re-measurements - amendments to the contribution schedule/change in assumptions	287	37	324
At 31 March 2017	9,647	497	10,144

GROUP AND ASSOCIATION	Holiday pay provision £000	Temporary housing dilapidation provision £000	Total other provisions £000
OTHER PROVISIONS			
1 April 2016	250	287	537
Increase in provision	37	-	37
At 31 March 2017	287	287	574

The SHPS/The Growth plan pension provision represents the net present value of the commitment to the multi-employer pension scheme in respect of past deficits.

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 is contracted out of the State Second Pension and currently provides benefits based on career average revalued salary and length of service on retirement.

Details in respect of pension provisions are provided in note 28.

A provision for holiday pay (i.e. holiday earned but not taken prior to the year-end) represents a cost of short-term compensated absences and is recognised when employees render the service that increases their entitlement.

Temporary housing dilapidation provision is made in advance for payments due at the end of the lease in respect of any damage done to the premises.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

24. NON EQUITY SHARE CAPITAL

Shares of £1 each issued and fully paid	£
At 1 April 2016	5
Shares issued during the year	2
Shares surrendered during the year	-
	<hr/>
At 31 March 2017	7

25. RECONCILIATION OF SURPLUS AFTER TAX TO NET CASH GENERATED FROM OPERATIONS

	Notes	2017 £000	2016 £000
Surplus for the year after tax		39,349	29,761
<u>Adjusted for:</u>			
Depreciation of housing properties	7	14,978	12,561
Depreciation of other tangible fixed assets	7	1,387	1,427
Net impairment charge/(reversal)	7	19	(2,548)
Deferred capital grant amortisation	7	(4,667)	(4,426)
Actuarial movements on pension schemes	28	287	2,395
Horn Lane land value	3	(931)	-
Fair value gains on financial instruments	21	(320)	(1,261)
Increase/(decrease) in other provisions	23	37	(39)
Surplus on sale of housing properties	3.a	(6,667)	(2,358)
Interest receivable	5	(261)	(189)
Interest payable	6	12,589	11,449
Taxation	9	(245)	(215)
Operating cash flow before movements in working capital		<hr/> 55,555	<hr/> 46,557
Decrease /(increase) in properties held for sale	13	14,584	(5,372)
Increase in trade and other debtors	14	(1,961)	(1,130)
(Decrease)/increase in trade and other creditors		<hr/> 2,104	<hr/> (398)
NET CASH GENERATED FROM OPERATIONS		<hr/> 70,282	<hr/> 39,657
Cash and cash equivalents:			
Cash and cash equivalents represent			
Cash at bank		11,102	12,724
Overdraft	16	<hr/> (157)	<hr/> (1,208)
Net cash inflow from operating activities		<hr/> 10,945	<hr/> 11,516

26. CAPITAL COMMITMENTS

	GROUP		ASSOCIATION	
	2017 £000	2016 £000	2017 £000	2016 £000
Capital expenditure contracted for but not provided for	69,499	50,914	62,464	48,782
	<hr/> 69,499	<hr/> 50,914	<hr/> 62,464	<hr/> 48,782

It is anticipated that the above expenditure will be funded by loans, social housing grant, proceeds from the sale of properties and the Association's general reserves.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

27. COMMITMENTS UNDER OPERATING LEASES

The total future minimum lease payments under non-cancellable operating leases are as follows:

	GROUP		ASSOCIATION	
	2017 £000	2016 £000	2017 £000	2016 £000
Temporary accommodation, amounts due:				
Within one year	179	156	179	156
Between one and five years	525	531	525	531
After five years	360	455	360	455
	1,064	1,142	1,064	1,142
Motor vehicles, amounts due:				
Within one year	334	350	334	350
Between one and five years	269	567	269	567
	603	917	603	917
Land and buildings, amounts due:				
Within one year	94	172	94	172
Between one and five years	375	688	375	688
After five years	1,405	2,752	1,405	2,752
	1,874	3,612	1,874	3,612
Offices, amounts due:				
Within one year	61	56	61	56
Between one and five years	168	17	168	17
After five years	416	-	416	-
	645	73	645	73
	4,186	5,744	4,186	5,744

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

28. RETIREMENT BENEFITS

28.1. Social Housing Pension Scheme (including The Growth Plan)

Viridian participates in the scheme, a multi-employer scheme which provides benefits to some 1,800 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for Viridian to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

The scheme is classified as a 'last-man standing arrangement'. Therefore Viridian 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.

28.1.1. Social Housing Pension 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 £3,123 million, liabilities of £4,446 million and a deficit of £1,323 million. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

Deficit contributions

Tier 1	£40.6 million per annum
From 1 April 2016 to 30 September 2020:	(payable monthly and increasing by 4.7% each year on 1 st April)
Tier 2	£28.6 million per annum
From 1 April 2016 to 30 September 2023:	(payable monthly and increasing by 4.7% each year on 1 st April)
Tier 3	£32.7 million per annum
From 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1 st April)
Tier 4	£31.7 million per annum
From 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1 st 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 £2,062 million, liabilities of £3,097 million and a deficit of £1,035 million. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions.

28.1.2. The Growth Plan

A full actuarial valuation for the scheme was carried out at 30 September 2011. This valuation showed assets of £780 million, liabilities of £928 million and a deficit of £148 million. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2013 to 31 March 2023:	£13.9 million per annum (payable monthly and increasing by 3% each on 1st April)
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A full actuarial valuation for the scheme was carried out at 30 September 2014. This valuation showed assets of £793 million, liabilities of £970 million and a deficit of £177 million. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

Series 1	£12.9 million per annum
From 1 April 2016 to 30 September 2025:	(payable monthly and increasing by 3% each on 1st April)
Series 2	£0.05 million per annum
From 1 April 2016 to 30 September 2028:	(payable monthly and increasing by 3% each on 1st April)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

28. RETIREMENT BENEFITS (continued)

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

PRESENT VALUES OF PROVISION

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	2017	2016
	£000	£000
Provision at 1 April	10,326	7,791
Unwinding of the discount factor (interest expense)	198	140
Deficit contributions paid	(1,164)	(852)
Re-measurements - amendments to the contribution schedule / change in assumptions (note 23)	287	3,247
Provision at 31 March	9,647	10,326

INCOME AND EXPENDITURE IMPACT

	2017	2016
	£000	£000
Interest expense	198	140
Re-measurement - impact of any change in assumptions through other comprehensive income (note 23)	287	3,247
	485	3,387

ASSUMPTIONS

	31 March 2017	31 March 2016	31 March 2015
	% per annum	% per annum	% per annum
Rate of discount	1.32 – 1.33	2.06 - 2.07	1.74 - 1.92

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 following schedule details the deficit contributions agreed between Viridian and the schemes at each year end:

Year ended	2017	2016
	£000	£000
Year 1	1,207	1,164
Year 2	1,252	1,207
Year 3	1,298	1,252
Year 4	1,180	1,298
Year 5	1,051	1,180
Year 6	1,088	1,051
Year 7	990	1,088
Year 8	885	990
Year 9	850	885
Year 10	406	850
Year 11	-	406
	10,207	11,371

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

28. RETIREMENT BENEFITS (continued)

Viridian recognises a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure account i.e. the unwinding of the discount rate as finance cost in the year in which it arises.

It is these contributions that have been used to derive the Viridian's balance sheet liability.

28.2. Local Government Pension Scheme (LGPS) - Pension Funds

The Association is a member of two LGPS pension funds. The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 is contracted out of the State Second Pension and currently provides benefits based on career average revalued salary and length of service on retirement. The administering authorities for the Fund are the London Borough of Barnet and London Borough of Ealing.

Contributions are set every three years as a result of the actuarial valuation of the Funds required by the Regulations. The contributions paid by the Employer are set by the Fund Actuary at each triennial actuarial valuation (the most recent being as at 31 March 2016) where contributions were set for the period to 31 March 2020. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions. Details of the actuarial assumptions for FRS 102 purposes have not been provided due to immateriality. The position for each fund has been aggregated above.

PRESENT VALUES OF PROVISION

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	2017	2016
	£000	£000
Provision at 1 April	452	512
Current service cost	37	44
Unwinding of the discount factor (interest expense)	15	15
Contribution paid	(28)	(32)
Actuarial loss/(gain)	21	(87)
Provision at 31 March	497	452

INCOME AND EXPENDITURE IMPACT

	2017	2016
	£000	£000
Interest expense	15	15
Re-measurement - impact of any change in assumptions through other comprehensive income	21	(87)
	36	(72)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

29. RELATED PARTY TRANSACTIONS

INVESTMENTS	2017	2016
	£000	£000
Amounts owed by related parties at year end	<u>1,269</u>	<u>1,430</u>

Amounts due from related parties disclosed in note 14 relates to a loan of £604,800 given to Ealing Care Alliance (Holdings) Limited. Interest accrues at 13.5% pa (£81,648 pa) and the loan is considered to be due on demand.

The Group provided care services to Ealing Care Alliance Limited, the wholly owned subsidiary of Ealing Care Alliance (Holdings) Limited, at a cost of £10,571,000 (2016: £9,646,000).

The Group has taken advantage of the exemption under FRS 102 not to disclose related party transactions for wholly-owned entities.

During the year Viridian had the following intra-group transactions with non-regulated entities which form part of the Group:

Subsidiary/Non-regulated entity	Recharges	Allocation basis	2017	2016
			£000	£000
Viridian Development Services Limited	Development staff costs	Staff full time equivalent, gross salaries	1,045	973
Middlesex First Limited	Service payments, management fees	Contractual amounts	<u>2,595</u>	<u>2,538</u>
			<u>3,640</u>	<u>3,511</u>

At 31 March 2017 Viridian had the following intra-group on lending balances with non-regulated entities which form part of the Group:

Subsidiary/Non-regulated entity	Purpose of the loan	2017	2016
		£000	£000
Viridian Development Services Limited	Cash flow in respect of development activities	11,500	11,750
Middlesex First Limited	Operational cash flow	<u>1,915</u>	<u>1,916</u>
Long term amounts due from subsidiary undertakings (note 14)		<u>13,415</u>	<u>13,666</u>
Subsidiary/Non-regulated entity	Purpose of the loan	£000	£000
Horn Lane Developments Limited	Settlement of third party debt	<u>2,029</u>	<u>-</u>
Included within short term amounts due from subsidiary undertakings (note 14)		<u>2,029</u>	<u>-</u>

During the year Viridian had the following interest payments in respect of intra-group loan balances with non-regulated entities which form part of the Group:

Subsidiary/Non-regulated entity	Purpose of the loan	2017	2016
		£000	£000
Viridian Development Services Limited		1,080	824
Middlesex First Limited		<u>165</u>	<u>170</u>
Interest receivable from subsidiary undertaking (note 5)		<u>1,245</u>	<u>994</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

30. POST BALANCE SHEET EVENTS

On 22 May 2017 Viridian Housing and AmicusHorizon Limited announced the formation of a new Housing Association, Optivo. This business combination was effected through an Amalgamation under s109 of the Co-operative and Community Benefits Societies Act 2014. Together the amalgamated business will increase our capacity to build, delivering more new homes and better services than we could apart. The estimated value of net assets created is £522 million. This amalgamation has no major impact on the financial statements of the Viridian Housing component as at 31 March 2017, as the event took place after that balance sheet date. These financial statements nevertheless present additional information about such matters as going concern and post balance sheet events where such information is necessary for users of financial statements to understand the arrangement.

To release investment capacity, at the point of amalgamation we concluded a refinancing of the existing Viridian Housing and AmicusHorizon loan portfolios through four lending banks. A new loan structure, with new a covenant package has been put in place, ensuring Optivo has the financial freedom to deliver its investment programme. Viridian Housing business will continue as part of the Optivo entity and therefore it is anticipated that the first set of accounts produced as Optivo will be prepared using merger accounting mechanisms, presenting the results of the new group as if it has always existed.