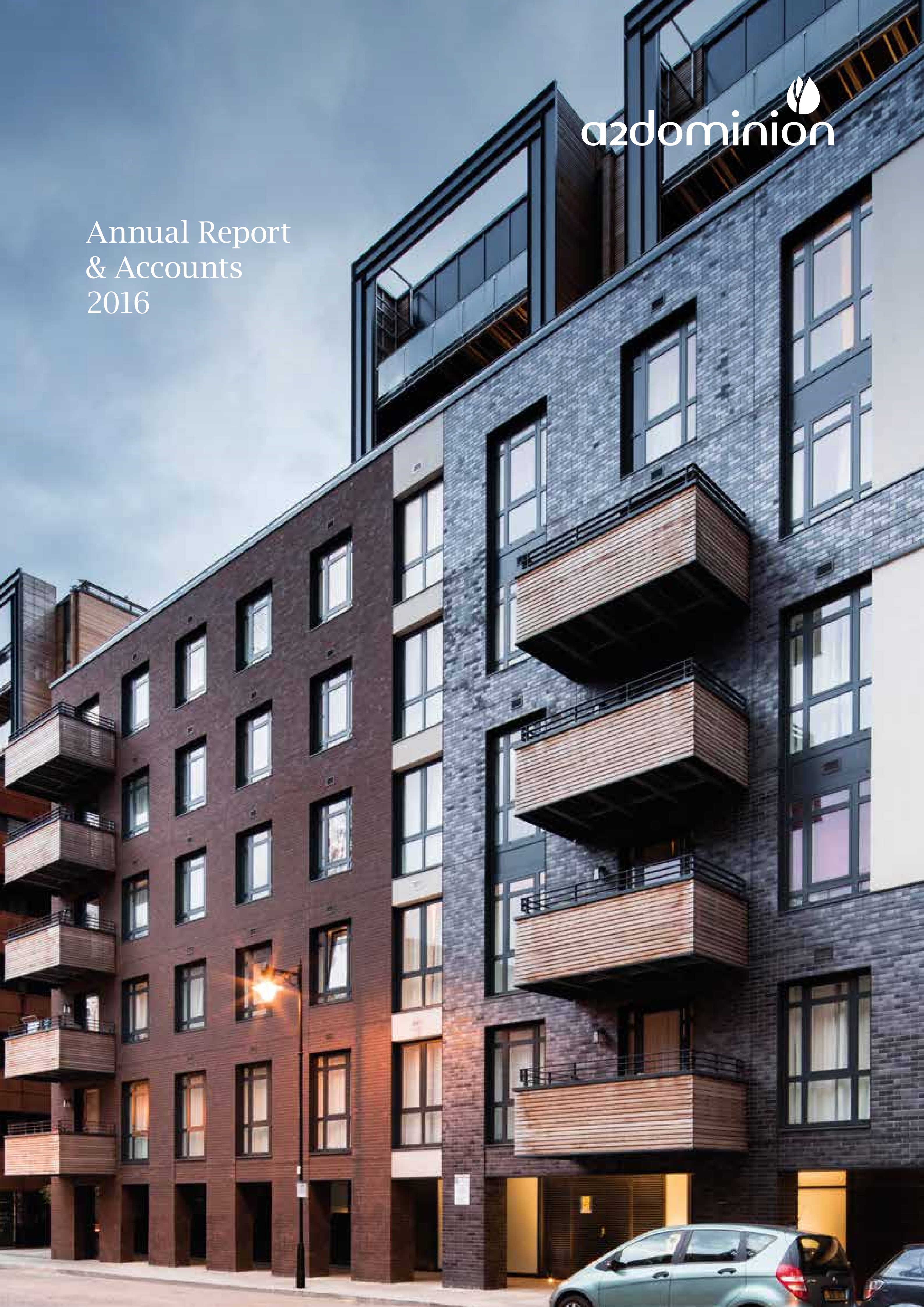
a2dominion

Annual Report & Accounts 2016



The Wharf, Waltham Forest

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About us

A2Dominion is a residential property group with over 36,000 homes across London and the South East, and thousands more in the development pipeline.

We provide affordable and social rented homes, student, key worker and temporary accommodation, as well as supported and sheltered housing.

We also offer high quality sustainable homes for sale, shared ownership and private rent, with many available through our FABRICA by A2Dominion brand.

With a unique approach to housebuilding, all of the profits we generate are reinvested into supporting our social purpose, helping us to deliver more affordable homes and services to our customers.

www.a2dominion.co.uk

Chair's report

Welcome to A2Dominion's Annual Report & Accounts for the 12 months ending 31 March 2016.

As a residential property group that uses its profits to provide affordable housing, we pride ourselves on our unique approach to housebuilding.

All the profit we generate is reinvested into supporting our social purpose. That is, to provide good quality homes and management services to meet a range of needs, reflecting both incomes and lifestyles.

The Group generated its highest ever surplus of £114.5m, a £41.3m increase on the previous year.

This has been made possible by diversifying our commercial activities, concentrating our geographical area of operation and becoming more efficient.

We retained our top G1 and V1 status, the highest possible rating from the Homes and Communities Agency, following an in-depth assessment (IDA).

This means that our risk profile, governance, financial strength and areas of development, are assessed as strong and that the Group manages its risks effectively.

All of this has been possible despite it being a challenging time for the sector with many new government initiatives, such as welfare benefit reforms, reductions in rental income and the voluntary extension of Right to Buy to housing associations.

As part of the IDA process, the board and the executive team explained the strength of our business model and how it adapts to changes such as these.

Traditional business planning has been about looking into the future and assessing how the residential property market might change, and ensuring that the Group has access to necessary funds and protection against changes in interest rates. The new rent setting regime and Right to Buy have made social and affordable renting part of this assessment.

Now when we regularly look to the future, it includes all our business streams, both affordable and private, as a residential developer and manager.

Over the next three to four years, we aim to balance our activities by focusing on promoting private rent as a stepping stone to home ownership and driving forward our private sales to provide more revenue for affordable homes.

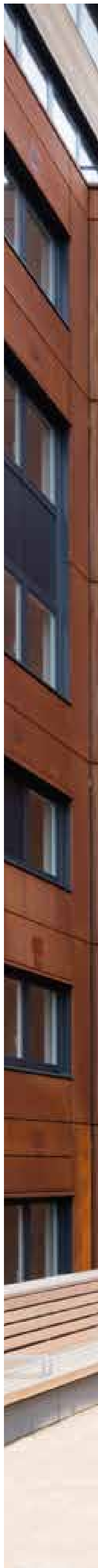
During the past year, we secured two new debt facilities totalling £100m to additionally support our development programme. This will help us to deliver a range of new homes over the next three years including homes for sale, shared ownership, affordable and private rent across London and the South of England.

It is important that the Group remains focused on its core business objectives, while remaining flexible in order to adapt to housing trends and political change.

Our board members, executive and staff look forward to working with all our partners and customers, who are integral to our work.

I am delighted to share our achievements and financial progress in this report.

Derek Joseph
Chair



City Wharf, Hackney

Our vision and objectives

Our vision is simple – to improve people's lives through high quality homes and services.

We are committed to working towards our four key business objectives, which are to:

- Provide new high-quality homes and places
- Deliver customer-led services
- Invest in our homes and local communities
- Strengthen our business.


City Wharf, Hackney

Our brands

FABRICA

by A2Dominion

pyramid plus

FABRICA by A2Dominion is our brand for marketing many of our new homes which are available for private sale and shared ownership. Launched in early 2015, FABRICA was developed in response to our growing emphasis on private development and aims to appeal to a broader customer base.

Taken from Latin, meaning 'skilfully produced', the name FABRICA was chosen to convey our commitment to providing thoughtfully designed homes in carefully considered locations.

www.fabrica.co.uk

Pyramid Plus is the name of our asset management companies that provide services to the private, public and not-for-profit sectors. Formed in 2013, Pyramid Plus London LLP is a joint venture company with Breyer and Pyramid Plus South LLP is a joint venture company with Mitie.

Services include general maintenance, responsive repairs, voids and facilities management and a 24-hour customer services centre.

www.pyramidplus.co.uk

Queen's Wharf, Hammersmith

Providing new high-quality homes and places

We deliver a wide range of high-quality, sustainable homes to meet a range of needs and aspirations.

£139.7m
Sales receipts

1,127
New homes built in the last year

4,500
Homes we aim to develop by 2020

Reinvesting profit for social purpose

Sales of our new homes generated surpluses of £39.7m, which we reinvest into providing more affordable homes and support for local communities.

We also recorded our best-ever sales performance, raising £139.7m in sales receipts and selling 381 homes, including 203 for private sale and 178 for shared ownership.

Growing commercial activities

We launched our 'FABRICA by A2Dominion' brand to market and sell our offer of high-quality sustainable homes for private sale and shared ownership.

This new brand has helped us to improve our sales margin by 6.6 percent to 28.4 percent this year.

Delivering new homes

We delivered 1,127 homes in the past year against a target of 900. This included 331 for affordable rent, 330 for private sale, 268 for private rent and 198 for shared ownership.

According to Inside Housing, this growth places us in sixth place amongst all UK housing associations for total completions and in the top three for market sale.

Future development plans

We will continue to increase the number of new homes we own and manage through our development programme, and we hope to build at least 1,000 homes each year.

Last year, we acquired new sites with the potential to deliver 983 new homes. We also obtained planning consent for 127 new homes at Bell Road, Hounslow, and 73 apartments and commercial units at Carlton House, Putney.

Gunmakers Wharf, Bow

Providing new high-quality homes and places

4
Development joint ventures

852
Private rent homes in management

268
New homes for private rent

Joint ventures

We entered into a new joint venture with Crest Nicholson, to provide around 300 new homes at Walton Court in Walton-on-Thames.

This is in addition to our three other joint ventures:

- 770 homes and a new primary school with Rydon at Jigsaw, West Ealing.
- Almost 500 homes and commercial/retail space at the UK's tallest brick-built residential tower with Mount Anvil at Keybridge, Vauxhall.
- 165 homes with Mount Anvil at Queens Wharf, Hammersmith.

Collaborations

We are working as part of a consortium of developers, including Crest Nicholson, Persimmon Homes and Taylor Wimpey, to deliver 1,500 homes at West Vale Park, Horley.

We also made an agreement to work with Bewley Homes to provide 297 houses and apartments at Rydens School, Walton-on-Thames, in 2017.

Private rent growth

We allocated 20 percent of our new developments to private rent and increased our private rent stock by 82 percent since 2014. We now have 852 private rent homes in management and aim to have 2,000 by 2020, which will make up to 5 percent of our total housing stock.

Our private rented schemes in the development pipeline include:

- 102 homes for private rent at Centenary Quay in Southampton, with Crest Nicholson.
- 147 private rented homes at Canons Gate, Bristol, also with Crest Nicholson.
- The acquisition of 95 private rented homes at The Panorama in Ashford, Kent.


Canons Gate, Bristol

Residents Ursula Montoya and Valentina Snell

Delivering customer-led services

We are committed to delivering services which cater for our customers' diverse needs and expectations.

82%

Satisfaction with our Customer Services Centre

36,130

Homes in management

£4.7m

Secured to support customers with housing benefits and other payments

Customer satisfaction

Satisfaction with our Customer Service Centre has increased by almost 10 percent. Of the customers surveyed, 82 percent were 'satisfied' or 'very satisfied'.

Better services

We improved our communications on rent and service charges. We now provide annual service charge estimates with clearer information about how service charge bills are calculated.

Supporting tenancy sustainment

Our Tenancy Sustainment Team dealt with 2,177 referrals for support from customers. The team helped secure £4.7m in housing benefit, discretionary housing payments and other sources of financial support on behalf of customers.

Helping our customers get online

We significantly increased our investment in digital services. We re-launched our customer portal, My Account, giving customers a better online self-service option for requesting and tracking repairs and viewing their rent statements.

We also helped 250 customers get online by providing them with training and support through our Digital DIY programme.

Investing in homes and local communities

We work with customers to develop safe, sustainable communities and continue to invest and upgrade the homes we own and manage.

£87,600
Corporate donations to charities and community groups

£37.8m
Invested in improving and upgrading existing homes

1,364
Young people participating in educational, health and wellbeing programmes

Giving something back

Through our corporate social responsibility programme and staff fundraising initiatives, we donated over £87,600 to communities and charity groups. This included £25,000 to our nominated charity the Trussell Trust, £5,000 to our staff nominated Charity of the Year, Cancer Research UK and £2,500 to an Oxfordshire-based youth arts charity, the OYAP Trust.

Added value

We raised £680,000 through external fundraising and grants to support our community initiatives. This included £200,000 from Love London Working, to significantly increase the availability of employment initiatives. We are also working with NHS England and 20 local organisations to make Elmsbrook in NW Bicester one of ten 'healthy new towns'.

Upgrading existing homes

We invested £37.8m into improving over 5,000 properties. This includes hundreds of new bathrooms, kitchens, doors and windows, as well as 33 major refurbishment schemes.

We implemented local asset plans and targeted poor performing properties for disposal or refurbishment, raising £2.1m.

Training and employment

We helped 1,364 young people to participate in educational, health and wellbeing programmes.

As a result of our investment in communities, 200 customers benefitted from employment initiatives, 43 secured permanent employment, and 70 participated in work placements.

Bernese D’Souza receives her Entrepreneur of the Year Resident Award from Ruth Cadbury MP

Jigsaw, West Ealing

Strengthening our business

We generated our highest ever surplus for the fourth year running. Over the course of 2015/16, our surplus reached £114.5m, a £41.3m increase on the previous year. We achieved this by diversifying our commercial activities, reducing our geographical area of operation and becoming more efficient.

We shifted our development programme to deliver more private sale and private rent, allowing us to continue building new affordable homes. Each affordable home requires an average of £120,000 of subsidy, generated from profits from our private sales.

Around 80 percent of our cash surpluses are invested in providing new rented homes and the remaining 20 percent supports investment into existing homes, care and support provision and communities.

£114.5m

Our highest ever surplus

£378.4m

Turnover

G1/V1

Top rating by the Homes and Communities Agency

Highest ever surplus

We have achieved our largest ever surplus of £114.5m, which is a 56 percent increase on our 2014/15 surplus of £73.2m.

This has been realised through strong performance across the Group.

We made efficiency savings of over £2.7m by improving the way we work, streamlining systems and processes, and reviewing procurements and contracts.

Strong credit rating

Fitch reaffirmed that our A+ credit rating has remained unchanged, despite the UK's downgrade.

Securing new funding

We secured £100m of funding via two new bank loans to support our development programme.

We agreed a £50m loan with Barclays for A2Dominion Homes Limited and £50m with HSBC for A2Dominion South Limited.

The funds will be available over the next five years to support our development programme, which will deliver a range of new homes for sale, shared ownership, affordable and private rent across London and the South East.

Award winners

We won six awards and were finalists for a further eight, in recognition of our many achievements over the year.

This includes:

- RESI Awards 2015: Winner – Landlord of the Year (Registered Social)
- Housebuilder Awards 2015: Winner – Best Medium Housebuilder and Best Low or Zero Carbon Initiative (Elmsbrook at NW Bicester)
- National Housing Awards 2015: Winner – Excellence in Customer Service (Leasehold Services)
- What House? Awards 2015: Silver – Housing Association of the Year
- RESI Awards 2015: Finalist – Small Developer of the Year
- UK Housing Awards 2016: Finalist – Outstanding Landlord of the Year.

Case studies

We are dedicated to providing quality new homes in carefully selected locations. Accompanied by an award-winning customer services team, we aim to ensure the customer journey is smooth and enjoyable.

Private rent

We have increased the size of our private rent programme in response to the growing demand for high quality rented homes. Stuart Large and Stephanie Roberts moved into one of our private rented homes at our City Wharf development in Hackney.

They have joined an increasing group of individuals who choose to rent privately. They said:

"We wanted an open-plan, modern home in central London that stayed within our modest budget.

"This property stood out to us because it was better value for money than others we viewed within this price range and in the area.

"Our new home gives us easy access to every part of London and helps us balance our work and social lives. We genuinely look forward to coming home each day."

Shared ownership

We made it easy and affordable for buyers to own their first home through our shared ownership schemes.

Jade Carter and Will Perkins took advantage of an opportunity to own a modern new home in the heart of Sunbury through shared ownership.

The Suna Lodge residents said: “We decided to buy because we wanted to stop paying someone else's mortgage. When we viewed this property, we fell in love with it straight away. It was within our budget thanks to the shared ownership option, conveniently located and the home itself is very well built.

“The process ended up being much easier than we first thought thanks to A2Dominion and I would certainly recommend this initiative to others, particularly first-time buyers.”

Our property portfolio

We manage over 36,000 homes in London and the South East and build homes to meet a range of needs including affordable, private and social rented homes.

We also provide high-quality sustainable homes for sale and shared ownership, available through our FABRICA by A2Dominion brand.

City Wharf, Hackney

Reviving a former industrial setting in north London, City Wharf is a collection of 327 brand-new canal side apartments overlooking the adjacent Wenlock Basin. Arranged across four buildings of varying heights, the one, two and three-bedroom homes are designed to reference the area's industrial heritage. The scheme includes homes for private sale, shared ownership, private rent and affordable rent.

Jigsaw, West Ealing

Jigsaw, formerly known as Green Man Lane, is an exciting regeneration project in West Ealing being delivered in a joint venture partnership with Rydon. Designed by Conran and Partners, the project is transforming a deprived estate and will provide nearly 800 high quality new homes for private sale, shared ownership and affordable rent, a new primary school, outside space and community facilities. The second phase of homes at the scheme launched in 2015, delivering new apartments, maisonettes and houses to local people.

Keybridge, Vauxhall

Jointly purchased with Mount Anvil, the 36-storey Keybridge building is being redeveloped to provide 441 new homes for shared ownership, private rent and affordable rent, as well as 3,500sqm of commercial space. Work at the former BT tower, situated within the Nine Elms Battersea Opportunity Area in London, is expected to complete in 2018.

The Chroma Buildings, Southwark

Situated in the heart of Southwark, The Chroma Buildings has replaced a former photography warehouse with a range of 32 contemporary apartments providing homes for private sale, shared ownership and affordable rent. With fantastic travel links and rooftop views over one of the capital's most vibrant quarters, the scheme delivers modern living across its one, two and three-bedroom apartments.

Queen's Wharf, Hammersmith

Redeveloping the world famous Riverside Studios in Hammersmith and replacing a neighbouring derelict office block, Queen's Wharf provides 165 new apartments for private sale and a state-of-the-art media centre. The south-facing seven-storey scheme comprises one, two and three-bedroom apartments, and is close to the historic Hammersmith Bridge.

Centenary Quay, Southampton

We purchased 102 homes for private rent at a £500m development by Crest Nicholson. Centenary Quay is situated next to the river, with views of the marina and Ocean Village and offers residents a large communal garden area, as well as their own balconies.

The Lamptons, Hounslow

The Lamptons on London Road, will transform a disused 1970s office block in Hounslow. Delivering 155 homes as part of a multi-million pound regeneration of the town centre, the seven-storey site will provide homes for shared ownership, private rent and affordable rent, once completed in 2016.

Canons Gate, Bristol

In partnership with Crest Nicholson, we developed 147 one, two and three-bedroom homes at Canons Gate, a waterfront regeneration project in Bristol. Canons Gate is located on Bristol's harbourside and has easy access to the city's mainline stations.

The Wharf, Waltham Forest

Transforming a disused riverside area in east London, The Wharf delivers 124 new homes for private sale, shared ownership and affordable rent. The development, a joint venture with Sherrygreen Homes, is situated on the banks of the River Lea and comprises one, two, three and four-bedroom homes.

The Grove, Broadbridge Heath

The Grove at Broadbridge Heath has 34 new homes for private sale, shared ownership and affordable rent. The scheme is set around a landscaped green square and parking is available at each property.

West Green Place, Crawley

West Green Place is a collection of one and two-bedroom apartments located in the heart of Crawley, West Sussex. The scheme will deliver 92 apartments for private sale, shared ownership and affordable rent. Due for completion in 2016, it also benefits from excellent transport links, with nearby Crawley and Three Bridges train stations providing direct lines into London and the South Coast.

Elmsbrook at NW Bicester, Oxfordshire

Excelling in reducing carbon in new homes, Elmsbrook at NW Bicester is the first phase of the UK's first eco-town and the only true zero carbon development of its size. A total of £32m funding from the European Investment Bank was allocated to the first phase of the 52-acre development to support the building of sustainable new homes. This phase will deliver homes for private sale, shared ownership and affordable rent.

Alfa Laval, Hounslow

Alfa Laval has transformed a vacant office block and former factory site in West London to deliver 61 new homes for shared ownership and affordable rent. The scheme delivers a range of one to four-bedroom homes and new community facilities.

Stanwell, Spelthorne

Stanwell New Start is a major regeneration project providing over 300 new homes in Spelthorne, Surrey, replacing a post-war estate with new housing for affordable rent, shared ownership and sale. Phase four, which started in 2015, will provide a further 46 high quality new homes.

Suna Lodge, Sunbury-on-Thames

Transforming a disused site in Sunbury-on-Thames, Suna Lodge has 49 one and two-bedroom properties for shared ownership and social rent, parking spaces for residents and a children's play area.

Carlton House, Putney

We secured planning consent to transform Carlton House, a vacant 1960s office building comprising seven storeys in Putney. The mixed-use scheme will bring 73 new apartments for private sale and shared ownership. It will also introduce nine commercial units to Putney Town Centre and a new gateway into the residential areas beyond.

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The Chroma Buildings, Southwark

Overview of the business 2016

The A2Dominion Group is one of the largest housing organisations in southern England, operating in London and throughout the South East with its head office in central London. Other key office locations are Ealing, Bromley and Oxford from where A2Dominion Homes operates, and Staines-upon-Thames and Winchester from where A2Dominion South operates. The headquarters of the commercial division is in Staines-upon-Thames.

A2Dominion Housing Group Limited as the parent association, provides the strategic direction, along with central and development services. During the year ended 31 March 2016 the Group consisted of three social landlords:

A2Dominion Homes and A2Dominion South are charitable organisations operating within these main business areas:

- Long-term rented housing for people who are unable to afford to rent or buy in the open market
- Sheltered and supported housing and care for those who need additional support
- Temporary housing for those who would otherwise be homeless
- Low-cost home ownership housing, particularly shared ownership
- Student accommodation, key worker accommodation and private rented homes.

A2Dominion Housing Options, a non-charitable organisation providing low-cost home ownership homes, particularly shared ownership.

The commercial division consists of A2Dominion Developments Limited, developing homes for private sale and homes for affordable rent, shared ownership and private rent that are sold to members of the Group to manage.

These activities generate profits which are reinvested in the provision of affordable housing, enabling the Group to grow organically through the development of mixed tenure schemes. Many of the Group's new homes for sale, shared ownership and private rent are marketed under its FABRICA by A2Dominion brand.

The Group has established A2Dominion Residential Limited to provide private rental homes to the open market within an ongoing management service for the residents.

The Group looks after 36,130 homes including offices, commercial space, garages and community spaces.

	2016 No.	2015 No.	2014 No.	2013 No.	2012 No.
Homes owned and in management	**36,130**	35,399	34,818	34,343	34,931
Homes in development	**3,856**	4,428	4,641	3,509	3,549

Regulation and risk

Regulation

Social housing provider entities are registered with and regulated by the Homes & Communities Agency (HCA). Regulation takes the form of ensuring that the Group complies with a regulatory framework which assesses performance under two headings: Governance and Viability. The HCA summarises its judgements in a regulatory judgement which is updated as part of the ongoing regulation process.

A2Dominion was last reviewed in February 2016 when the HCA carried out an in-depth assessment. As a result the Group has retained the highest possible regulatory ratings with top scores of G1 and V1 awarded for governance and financial viability. The in-depth assessment reviewed A2Dominion's risk profile, financial planning and overall viability and governance arrangements. The HCA published the results on its website on 11 February 2016, as part of a wider list of judgements on how well registered housing providers are meeting regulatory standards.

The HCA's regulatory framework requires compliance with the Governance and Viability Standard and a supporting Code of Practice. The Group is required to carry out an annual assessment of compliance against the Standard. This assessment has been undertaken by the Board who has certified compliance against each element of the Governance and Viability Standard.

The Group operates a virtual board structure, which streamlines the governance process. This allows the Board to oversee all areas of performance whilst delegating roles to its committees, namely:

- Audit & Risk Committee
- Customer Services Committee
- Development Committee
- Finance Committee
- Governance & Remuneration Committee.

Within the virtual board structure the Board acts on behalf of its subsidiaries, A2Dominion Homes Limited, A2Dominion South Limited and A2Dominion Housing Options Limited. The committees listed above oversee the activities of these subsidiaries through their delegated roles.

The Group encourages customer participation at all levels of decision-making, from local residents' forums to Group committee participation. One of the Group's major committees is the Customer Services Committee, where there is significant representation of residents. The chair of the Customer Services Committee also sits on the Group Board. This committee is assisted by residents involved in A2Dominion's Service Improvement Groups.

Risk

The Group has a framework in place for the Board and managers on A2Dominion's approach to risk management, and a Group Risk Register is maintained. The definition of risk for this purpose is an event that could prevent the Group Business Plan from being achieved if the risk were to materialise.

The risk register records key controls to manage each risk, who is responsible for the control and how the control effectiveness is monitored. Risks are analysed according to their potential impact and probability, i.e. critical, high, medium and low, given the current control environment.

Through the process of regular review, risks which present a significant threat to the Group are reviewed at the Group Audit & Risk Committee and reported to all other committees and to the Group Board. These risks are also reviewed and updated by senior management on a quarterly basis.

Action plans are regularly updated to mitigate any risks with both high impact and probability, in order to reduce the net future risk profile.

Risk management supports the achievement of business objectives by:

- enhancing the quality of decision-making, planning and prioritisation
- contributing to effective allocation of resources
- protecting and enhancing the Group's financial viability, assets and reputation.

Effective management of risk is a high priority within the Group because of its growth plans and the rapidly changing environment in which it operates. In order to grow and improve services, the Group needs to take risks whilst ensuring that these are well-managed and that appropriate controls and contingencies are in place. The Group has a statement of risk appetite in place. This identifies the main risk areas for the Group and provides clarity on how much risk A2Dominion is willing to take.

The Group is affected by changes in government policy and the associated consequences that follow. As and when these are known the assessment of the risk and controls required are updated within the Group Risk Map. The Group has identified the potential risks resulting from changes to rent policy, welfare benefit reforms and the reduction in public funding for new homes, and established appropriate actions to help mitigate their impact.

A2Dominion strives to maximise its surpluses so that it can invest in the provision of new homes and its existing portfolio, whilst continuing to support its customers. The Group is anticipating achieving its forecasted surpluses in the coming years. However there is risk that these surpluses may fluctuate due to introduction of the new accounting framework FRS 102.

Risks identified as critical or high

The Group tests its resilience to risk by running scenarios on its long term financial forecast. This includes multi-variable scenarios which test amongst other things liquidity and covenant compliance to assess that the Group's protection of social assets remains robust.

The table below shows risks which have been identified as critical or high to the Group and which pose a threat even after mitigating action has been taken.

Strategic objective	Risk area	Controls and actions
Provide new quality homes and places	Uncertainty in the housing market could impact on sustaining a large, viable residential development programme across all tenures, including: • land availability and price; • planning delays and planning conditions; • construction cost fluctuations and material availability; • shortage of skilled labour; • sales prices, mortgage rates and mortgage availability; and • grant and funding conditions.	• Weekly sales reporting of performance and market projections • Monthly cash flow reporting reflecting current sales and build costs, split into committed and uncommitted against available funding • Bi-annual review of land acquisition assumptions • Impact assessments using market intelligence which includes government policy implications • Full quarterly reporting to committees on cashflow, treasury, scheme delivery performance and sales performance.
Deliver customer-led services	• Failure to improve and maintain customer satisfaction and core housing performance could lead to a loss of confidence by residents and key stakeholders • Failure to improve and maintain the quality of leasehold services could lead to financial loss and a loss of confidence by residents and stakeholders.	• Dedicated suite of KPI's reported monthly • Service improvement plans monitoring monthly • Continued development and implementation of the Group's customer service strategy monitored by the Group's change delivery board. • Annual production of a guide on services and charges for the Group's residents

Invest in homes and local communities	• Failure to have accurate stock condition information and programme planning could result in incorrect assessment of the long-term repairs costs • Failure to achieve compliance with health and safety regulations could lead to death or injury of residents • Inadequately managed joint ventures for repairs could lead to increased costs, failure to improve service delivery and reduced profitability • Reductions in Supporting People funding and failure to retain existing contracts and win new care and support contracts could lead to financial and service pressures.	• Implementation of the Group Asset Management Strategy, assessing return on investment for the Group's stock portfolio • Annual review of the long term financial forecast repair costs • Weekly monitoring of performance relating to gas safety and fire safety obligations with an embedded escalation procedure identifying properties by risk profile • Clearly defined joint venture management and reporting structure with the Group's residents engaged through the improvement groups • All Supported People existing contracts and new business opportunities fully evaluated for service risk and financial risk with hurdles set.
Strengthen our business	• Changes in the Government's policy on rents and/or welfare reform, could result in a reduction in rental income which could have an adverse effect on customers and the Group's long term financial forecast, risk profile and ability to develop certain types of homes • Changes in the global economic environment such as interest rates, inflation and house prices could lead to decreased profitability • Failure to deliver the IT strategy and associated organisation change successfully could result in non-delivery of significant service improvements and service disruption • An increase in contributions to cover deficits on the Group's pension schemes could result in increased costs to the Group • Third party failure could lead to a significant loss of services to customers or a threat to the delivery of projects • Failure to raise loan finance and maintain sufficient loan security would have an adverse effect on the funding of the development programme and future growth of the Group • Expansion of non-core commercial activity results in a more complex company and tax structure.	• Prudent assumptions used in the Group's long term financial forecasting and stress testing incorporating changes to the Group's income • Liquid asset register maintained • Buffers and trigger limits established monitoring available funding, on-lending limits and covenant compliance using projected cashflows, reported monthly to the Group Board • A change delivery board operates to monitor implementation and compliance with the Group's IT and change strategies • Group defined benefit schemes closed to new entrants and cessation funding agreements being developed • Risk assessments of the Group's joint venture arrangements in place and financial monitoring of the Group's key partners in place • Funding in place to meet the Group's cashflow requirements over a three year forecast period with additional funding secured to create a buffer for the impact of changes to the economic environment • Annual review of the Group's structure and specialist external advice sought for significant investments or changes.

Performance summary

Performance summary

Group statement of comprehensive income and expenditure

	2016 £m	2015 £m
Turnover	378.4	312.3
Cost of sales	(102.4)	(67.2)
Operating costs	(163.0)	(158.6)
Operating surplus	113.0	86.5
Operating margin	29.9%	27.7%
Share of jointly controlled entity surplus	2.7	2.3
Surplus on sale of fixed assets	15.3	6.5
Net interest charges	(47.3)	(48.0)
Change in fair value of investments	0.1	0.9
Movement in fair value of financial instruments	1.9	0.9
Movement in fair value of investment properties	30.1	28.2
Taxation	(0.5)	(3.1)
Non-controlling interest	(0.8)	(1.0)
Net surplus for the year	114.5	73.2

The Group's net surplus of £114.5m (2015: £73.2m) included £32.1m (2015: £30.0m) of unrealised gains from the movement in value of its investments, investment properties and financial instruments.

The Group has achieved a 30.6 percent increase in its operating surplus from 2015 driven by improved surpluses on its outright sales. This has contributed to the increase of £41.3m from last year in the Group's net surplus which will be set aside to provide internal subsidy for the future provision of the development of new homes. The Group sets aside 80 percent of its cash surpluses for re-investment in the provision of new housing. The results this year will enable approximately 730 new rented homes to be built which require levels of cash surplus/subsidy of £120,000 per home. The Group's operating margin will be more volatile over the forthcoming years as it is largely impacted by the flow of the Group's outright sales programme and its mix of developments which in turn is affected by economic conditions.

Group statement of financial position

	2016 £m	2015 £m [1]restated
Tangible fixed assets and investments	2,992.8	2,860.0
Current assets	352.6	379.2
Total creditors including loans and borrowings	(2,595.8)	(2,602.4)
Non-controlling interest	(0.8)	(1.0)
Total reserves	748.8	635.8

[1]Prior period adjustment see note 34

The Group statement of financial position was restated in respect of its opening position as at 1 April 2014 through the adoption of FRS 102 by the Group. Note 39 explains the effect on 2014 and 2015 of FRS 102.

In preparing the financial statements key judgements have been made as detailed on page 72.

Operational performance

Operational performance

One of the mechanisms in place to ensure the Group delivers its strategic objectives is A2Dominion's performance management framework. A number of key performance indicators are used to monitor the achievement of the Group's strategic objectives. These are reported and reviewed on a quarterly basis by senior management and the Board and aligned to the Group's four business objectives:

Operational key performance indicators

Operational performance area	Performance indicator	Target performance 2016	Actual performance 2016	Actual performance 2015
Provide new high quality homes and places	Sales receipts against projection	£137.6m	£139.7m	£88.2m
	Sales achieved from property availability	<18 weeks	6 weeks	6 weeks
	New homes completed	900	1,127	579
Customer-led services	Overall satisfaction with service received from the Customer Services Centre	>80%	81.8%	95.9%
	Overall satisfaction with responsive repairs service	>85%	78.1%	82.1%
	Repair chaser calls	<25%	28%	22%
	Rental arrears – general needs homes	<3.84%	3.70%	3.84%
	Re-let turnaround times	<17 days	19 days	18 days
Invest in homes and local communities	No. of homes refurbished (planned works)	865	1,133	995
	Decent Homes compliance	100.0%	99.0%	99.0%
	No. of homes with a valid gas safety record	100.0%	99.9%	99.5%
Strengthen our business	Gearing	<90.0%	75.7%	80.4%
	Interest cover (excluding 1st tranche sales)	>120.0%	283.9%	219.0%
	Results vs. budget – net surplus	>= Budget	Yes	Yes
	Staff turnover	<10.0%	15.2%	10.8%
	Staff sickness levels	<6.0 days	7.5 days	6.0 days

The Group has met or exceeded 9 out of 16 key performance targets in 2015/16. Sales receipts and new homes provision exceeded target, increasing funding for affordable new homes and wider social programme.

Satisfaction with repairs is below target. The Group has agreed an action plan for investment and improvement, with resources and plans in place to achieve this over the medium term.

Income management (arrears collection and re-let times) remains strong, despite many of the Group's residents being impacted by welfare reform changes.

Decent Homes and gas safety compliance is partly reliant on being able to gain access to properties. The Group has a comprehensive access policy to help ensure it can fulfil its health and safety responsibilities, with legal action taken against residents if necessary. Five properties (<0.1 percent of homes) were without valid gas safety certificates as at 31 March, non-compliant for an average of only 12 days.

Financial performance remains strong. In 2016 the Group introduced additional performance triggers, designed to help the senior management and Board ensure early interventions are taken where future cashflow/drawdown capacity may be put at risk by under-performance in key areas.

Staff sickness levels and turnover increased in 2016 but remain strong compared with the Group's London-based peers (g15 housing providers).

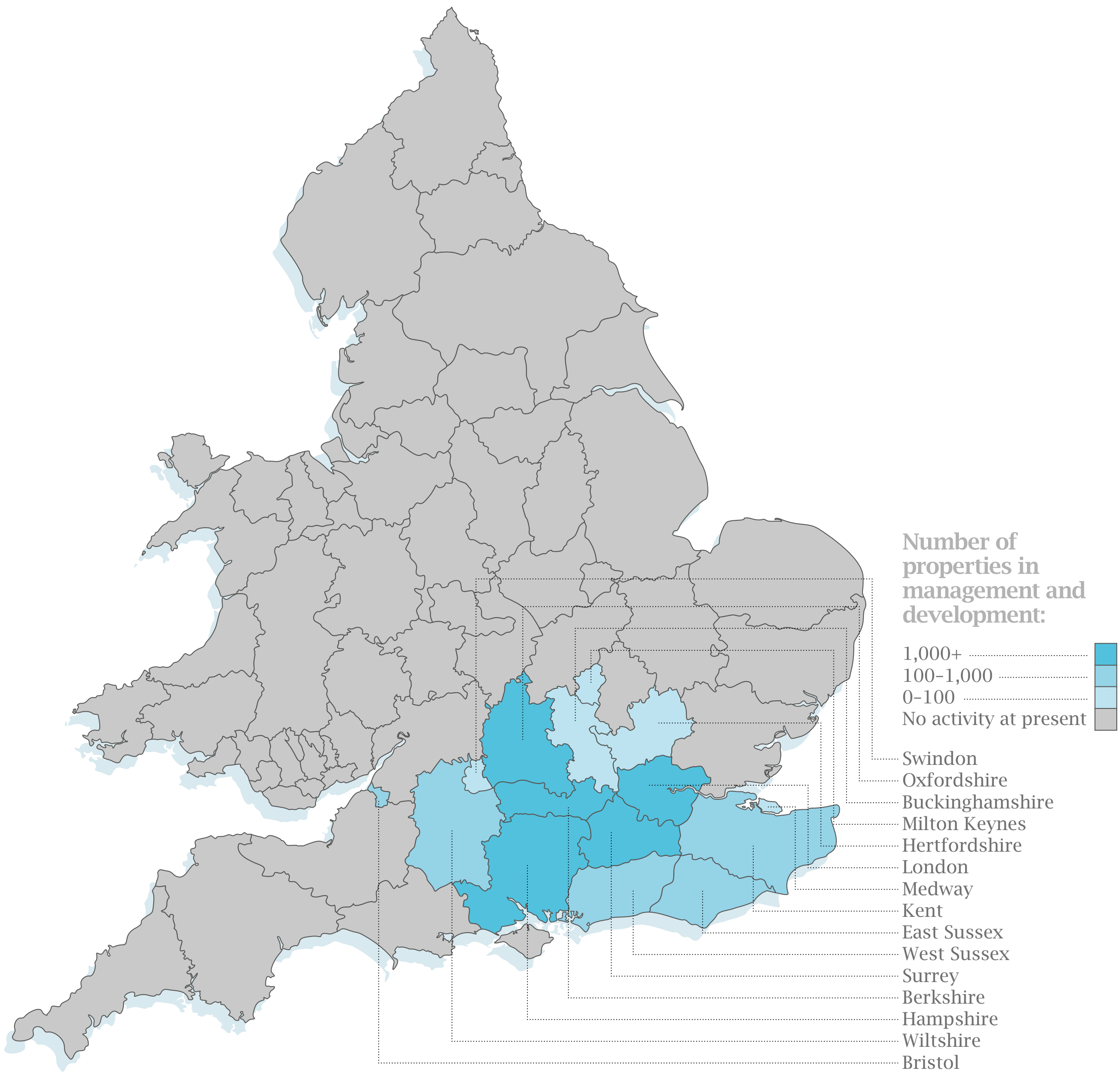
Stock profile

Local authority	Properties in management	Properties in development	Total
Bristol	725	0	725
Bromley	1,229	0	1,229
Camden	117	270	387
Cherwell	298	1,181	1,479
Chichester	559	0	559
Ealing	3,448	690	4,138
Elmbridge	383	599	982
Guildford	499	0	499
Hackney	406	0	406
Hammersmith & Fulham	1,284	165	1,449
Harrow	958	0	958
Hillingdon	2,092	0	2,092
Horsham	196	233	429
Hounslow	2,600	346	2,946
Lambeth	0	442	442
Oxford City	2,689	25	2,714
Reading	536	44	580
Reigate & Banstead	242	474	716
Runnymede	629	48	677
Rushmoor	368	0	368
Slough	976	0	976
South Oxfordshire	241	78	319
Spelthorne	7,491	96	7,587
Sutton	350	0	350
Tower Hamlets	493	0	493
Wandsworth	267	115	382
West Berkshire	632	0	632
Westminster	1,306	29	1,335
Wiltshire	304	0	304
Winchester	1,148	8	1,156
Windsor & Maidenhead	388	0	388
Other*	3,276	524	3,800
Total	36,130	5,367**	41,497

* Indicates local authorities where properties in management and development total less than 300.

** 934 units are being developed as part of current joint venture projects, including Jigsaw in Green Man Lane, Ealing (348), Keybridge House, Lambeth (252), Queen's Wharf, Hammersmith (165), Elmbridge (169), and are included in the above development figures.

Areas of operation



Value for money at A2Dominion

The future success of the organisation is partly dependent on its ability to achieve Value for Money (VFM) in all aspects of its business. The Group therefore has a framework for driving VFM which includes a five year strategy, indicators and targets, and an annual action plan and progress report, all overseen by the Group Board and supported by the Group Audit and Risk Committee.

Our overarching VFM aim is to contribute to the delivery of the Group's vision for efficiencies and savings, maximising surpluses to invest in new and existing homes. This has become an even more important part of our strategy since changes in government funding have eroded grant funding for new homes, and social and affordable rental income has been impacted by a prescribed rent reduction of 1 percent per year over the next four years.

VFM is not simply about lower costs but about achieving more from business activities and investments. We aim to maximise the social, environmental and economic returns from the Group's investments and activities and our approach is shaped by five strategic VFM objectives:

- maximising income and the use of the Group's assets;
- maximising VFM through a range of procurement and joint venture approaches;
- ensuring efficiency and simplicity across all business activity;
- working with customers to prioritise investment in services and communities;
- ensuring managers understand and are accountable for delivering return on investment and that the Group has a well-developed culture for achieving; and demonstrating VFM.

The most significant elements of our VFM programme are currently:

- rationalisation – streamlining systems, processes and the organisation to improve turnaround times and efficiency;
- commercial activities – to generate surpluses for reinvestment in our social programmes;
- procurement – to test value in all major areas of expenditure;
- asset management – to maximise return on investment on our portfolio; and
- Customer Service Strategy – to update our target operating model to deliver better and more cost effective services.

These VFM objectives are reflected in a series of VFM actions and targets for each of the Group's four business plan objectives.

Annual VFM Self Assessment

Each year, A2Dominion evaluates its financial, social and environmental VFM performance in a comprehensive VFM self assessment. We use a range of data to measure VFM progress and report findings against each of the Group's four business objectives. The results help influence investment decisions and provide our regulators, partners and customers with information about our progress. The process also helps ensure compliance with the regulatory VFM Standard.

Our full self-assessment is available to view online at www.a2dominion.co.uk/customerpublications with headline results summarised below.

We also publish VFM information for residents in our Customer Annual Report, viewable online at www.a2dominion.co.uk/customerpublications. In addition we publish information about our social return on investment on our website.

Headline results 2015/16

Overall our judgement is that A2Dominion complies with the regulatory requirements as set out in the Homes and Communities Agency's (HCA) VFM Standard and that VFM improved in 2015/16. An in-depth assessment in 2015/16, which included an assessment against the HCA VFM standard, confirmed A2Dominion meets the standard.

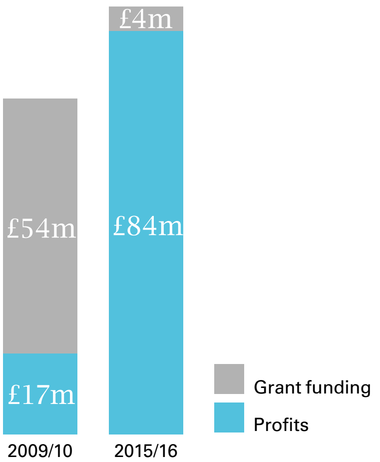
The Group has generated a best ever surplus of £114.5m. This was predominantly achieved through the increased value of investment properties, the sale of new homes and increasing capacity through efficiencies. Other key factors include sales of further tranches of shared ownership homes and disposals of homes uneconomic to repair or outside our core geographical area of operation.

The strong performance on VFM has wider benefits than just for A2Dominion, with key stakeholders seeing positive impacts from our investment decisions.

- Residents – better services, well maintained homes, reasonable service charges

- Government – delivery of new homes, employment opportunities, lower costs to the taxpayer
- Local authority partners – provision of new homes, management and maintenance of existing homes, care and support services, and investment in local communities
- Homes and Communities Agency – compliance with the regulatory VFM Standard and mitigation of economic risks to safeguard existing provision of social housing.

This overall surplus of £114.5m includes £30.1m of unrealised gains on the valuation of our investment properties. Even excluding these, the remaining surplus of £84.4m has achieved the Group's aim of successfully offsetting a reduction in the grants received from the government.



2009/10 annual financial statements were prepared under previous UK Generally Accepted Accounting Principles (GAAP).

In 2015/16 the return on net assets deployed increased from 3 percent to 5 percent. The Group has a clear investment policy which sets out the returns required for each asset opportunity. Investments made in the non-social portfolio have delivered improved yields and asset values above the original investment criteria during the year.

Savings across the Group now total £18.5m since the Group's formation in 2008 (£2.7m in 2015/16). This has been achieved through rationalisation, technology, our Lean business transformation programme and testing the market in all major areas of expenditure, as well as reduced income void losses.

The savings have enabled us to invest in resources in service provision improvements, helping maintain our decent homes standard and assist our residents impacted by welfare reform. Our aim is to save a further £13.2m over the next three years. The trend in income collection improvements continued (£1.5m in 2015/16 and £3.2m in the last four years), along with strong void turnaround performance, also increasing the cash available for reinvestment.

The Group's property portfolio is kept under review by an asset management panel who consider the economic viability and financial performance of properties and how best they may be used strategically. Our Stock Rationalisation Strategy also identifies areas outside our core operation where we will consider disposal to other providers.

In 2015/16, decisions implemented were:

- demolition of 30 units for redevelopment and regeneration;
- disposal of 49 homes generating net proceeds of £3.5m as part of our stock rationalisation strategy – for reinvestment in new homes;
- disposal of nine units as uneconomic to repair netting £2.6m – ring-fenced for major refurbishments;
- 33 major refurbishments; and
- change of tenure of 56 units – including 20 from general needs to affordable rent.

Our policy is to reinvest 80 percent of the Group's annual cash surpluses in to the provision of new affordable homes. The profits made this year mean that the total available for reinvestment in new homes is £87.4m. With each new home requiring an average £120,000 of cash subsidy, this total of £87.4m will provide around 730 new homes over the forthcoming years.

In 2015/16, a total of 529 new homes were delivered against a target of 360. In addition, 598 new homes were delivered for private sale or rent. Using previous years' cash profits helped the Group acquire new sites for future development with the potential for 983 affordable new homes.

The remaining 20 percent of cash surplus is helping to support continual enhancements of existing homes, community investment projects and care and support provision. In 2015/16, £37.8m was invested in upgrading over 5,000 homes. Care and support services were expanded and over 3,000 residents benefitted from community investment initiatives including digital and financial inclusion, training and employment, and health and wellbeing.

Value for money at A2Dominion (continued)

The table below summarises our assessment of 2015/16 performance for each of A2Dominion's business objectives. The full assessment is viewable online, as signposted above.

VFM return	2015/16 rating	Headline evidence	2016/17 targets
1 – Provide new high quality homes and places			
Financial	Strong and improving	Diverse programme informed by investment criteria and supported by £100m of new loans. Private sales margins up by 6.0 percent to 25.3 percent and total sales of £139.7m adding an additional £18.0m surplus to that budgeted for. New FABRICA brand quickly established. One new major joint venture. Private lettings and income targets exceeded.	Achieve land, development and sales targets to help deliver a surplus of £57.3m in 2016/17. Complete the selection process for the new development contractor framework.
Environmental	Strong and improving	Outline consent for 3,500 homes at NW Bicester (the UK's first eco-town). New Development Contractor Framework and associated Design Brief and Technical Specification. National awards.	Improve customer experience with residential sales and aftercare, as measured by a Net Promoter Score of 50 or more.
Social	Strong and improving	Land for 983 new homes procured and 1,127 delivered against a target of 900. 529 of these were affordable homes delivered against a target of 360. High standard of design for sustainable communities, national awards.	Raise £100m new funding for private development which will deliver surplus for cross-subsidy in the longer term.
2 – Deliver customer-led services			
Financial	Average and improving	Best ever income collection levels, securing an extra £1.5m. Repairs costs at average levels for g15 and above average housing management costs, partly due to the scale of investment in tenancy sustainment. A new Housing Services Structure is budgeted to save £400,000 per year from next year.	Better VFM in repairs processing Reduce expenditure on high cost to serve customers Continue investment in new online services
Environmental	Average and stable	Launched new look customer portal and seen online transactions, including registrations, double. Released 165 bedrooms through 122 under-occupation moves.	Build a Knowledge Management solution to help front line staff handle customer enquiries
Social	Strong and improving	£4.7m leveraged in to support residents through tenancy sustainment activity, £1.0m more than secured last year. Helped 81 households avoid benefit deductions through under-occupation moves. Improved administration of service charges, and turned round complaints and communal repairs 20 percent faster. Minimised and supported homeowners at risk of repossession.	

VFM return	2015/16 rating	Headline evidence	2016/17 targets
3 – Invest in homes and local communities			
Financial	Average and improving	20 percent of cash surpluses invested in improving existing homes and services and in community development. Above average planned and cyclical maintenance costs reflect shorter cycle times than our peers. Strategic asset management decisions leading to 124 disposals, 30 demolitions and 56 tenure changes.	Review the Asset Management Strategy to maximise performance of our portfolio Procure new planned and cyclical maintenance contracts at an estimated cost between £25m-30m. Extend usage of our Contractor Portal to save in the region of £100,000 per year Stay on track to meet our April 2018 community investment targets including for apprenticeships and social enterprise ventures
Environmental	Average and improving	Planned, cyclical and energy initiatives, benefiting > 5,000 homes. Spend is above average against our peers due to cycle times for some asset components, now under review. Any significant increase in energy efficiency ratings would require significantly more investment than planned.	
Social	Strong and improving	Successful sales launch at Green Man Lane regeneration scheme under the FABRICA brand. More than 3,000 residents engaged through community investment initiatives. New extra care schemes commissioned and in management, expanded domestic violence and supported housing provision.	
4 – Strengthen the business			
Financial	Strong and improving	£114.5m net surplus and £113.0m operating surplus, 43 percent above target. 6 percent net return on assets deployed. £2.7m efficiencies achieved against a target of £1.8m. Procurement of better value telecommunications and gas and electricity contracts. Compared to g15 peers turnover increased at a higher rate and the operating margin is average.	Surpluses of £57.3m and savings and efficiency savings of £2.3m Undertake year 1 of the new A2Dominion Work Programme including further phases of Dynamics CRM and My Account customer portal Complete Group wide roll out of Purchase to Pay and start to procure replacement systems for Finance, Human Resources, Payroll and housing management Establish our new in-house legal services team to save £200,000 per year
Environmental	Strong and improving	Further office rationalisation despite growth in headcount resulting in a £750,000 saving in office accommodation costs.	
Social	Strong and improving	All cash surplus reinvested in new and existing homes, services and communities. Streamlined processes and faster turnaround times (various). Streamlined human resources processes.	

Value for money at A2Dominion (continued)

VFM indicators

As part of our commitment to transparency we publish the same set of VFM indicators each year, enabling performance to be tracked.

All indicators are calculated using previous UK Generally Accepted Accounting Principles (GAAP) to ensure comparability to previous years.

Indicator	2015/16	2014/15	2013/14	2012/13
Management costs per home – social housing activities	**£1,361**	£1,385	£1,366	£1,406
Planned and responsive costs per home – social housing activities [1]	**£989**	£1,008	£902	£1,003
Service costs per home – social housing activities	**£679**	£754	£674	£682
Rent void loss per home – social housing activities	**£66**	£77	£91	£73
Operating cost per home – social housing activities	**£3,983**	£4,052	£3,685	£4,048
Operating margin – social housing activities	**33.3%**	30.4%	32.6%	24.2%
Operating margin – all activities	**29.9%**	27.7%	28.6%	21.2%
Current rental arrears – general needs homes	**3.70%**	3.84%	4.14%	4.04%
Re-let times – general needs homes	**19 days**	18 days	18 days	18 days
Chief Executive pay per home	**£6.80**	£6.80	£6.72	£6.55
Board and executive pay per home	**£55.38**	£54.75	£51.29	£49.09
Debt per unit	**£37,767**	£38,079	£33,540	£33,570
Capital committed as proportion of fixed assets	**37.6%**	51.0%	55.6%	32.6%

[1] Calculated on expensed planned and responsive repairs costs.

The Group has made real progress in improving its cost per home levels during the year. At 31 March 2016, all of the key VFM indicators except Board pay were ahead of 2015.

Unit costs for management, repairs, services, void loss and arrears all reduced in 2015/16 by varying amounts (1-15 percent). Re-let times increased by 1 day but remain below average compared to other large London based housing associations (reference Housemark g15 results). Chief Executive pay per home has been stable whilst Board and Executive pay per home increased 1.5 percent. Borrowing per unit decreased whilst gearing (capital committed) reduced.

How we compare

The Group's benchmarking club, the g15 (largest London based associations) provides data based on the previous financial year, 31 March 2015. This showed an improving position for the Group's overhead costs which reflects the benefits starting to flow from the office investment strategy and efficiency programme. The results did show that housing management costs are higher than average amongst our peers. Additional investment in a tenancy support team in 2015 has added to our cost base but this investment has more than delivered, securing £4.7m of additional income for our residents to support them paying their rent during this year. In addition these management costs will improve as a restructure of the housing services delivery team will drive even more efficiencies in future years.

Planned and major works costs remain high. The Group undertook a full review of its asset investment profiles during the year and identified that our replacement cycles of asset components was not in line with our peer group. A realignment of these in future years will mean our benchmarking costs will be much more comparable and show us well within the levels within the benchmarking group.

Future VFM priorities

Our principal source of subsidy to fund new homes is now profit from residential sales and we will closely manage the greater financial risks this inevitably involves. We will also focus on driving down costs.

In the next three years, the Group has targeted to save over £13.2m coming from overhead reductions (£4.1m), better income collection (£0.9m), and through procurement and contract savings (£8.2m).

Efficiencies will be achieved by rationalising and streamlining processes, alongside organisational changes. These will deliver a new operating model to improve delivery of customer services whilst reducing management costs per unit, and ensure the organisation has the capacity to implement its work programme.

The A2Dominion work programme comprises projects to:

- Improve customer experience – including in repairs, aftercare and private lettings;
- Reduce costs and maximise profit – including through digital self-service, procurements, a review of external consultants, and a reduction in expenditure on high cost to service customers (without detriment to vulnerable residents); and
- Maximise the delivery of new homes – including increased shared ownership, Voluntary Right to Buy and increased access to capital funding.

We expect to incur major expenditure in the procurement and investment of replacement business (IT) systems which will deliver return on investment in the medium and long term.

We have also commenced a comprehensive review of the Group's Asset Management Strategy, with the aim of best use of A2Dominion assets. Meanwhile we will continue to use receipts from disposing of our least efficient assets to help fund refurbishment of other stock.

Together, these initiatives will enable the Group to be competitive in the provision of homes and services, and to sustain community investment in priority areas.

Financial review

Summary of results for the year ended 31 March 2016

Group turnover totalled £378.4m of which £209.5m was from social housing lettings and £26.1m from the sale of first tranche shared ownership properties. Surplus for the year was £114.5m. Key features of the results were as follows:

- Group operating surplus of £113.0m, an operating margin of 29.9%;
- surplus on first tranche sales of £10.9m with a margin of 41.8%;
- surplus on homes for outright sale of £28.8m with a margin of 25.4%;
- expenditure on planned and major repairs of £37.8m of which £20.1m was capitalised;
- depreciation on housing properties of £26.0m;
- surplus from staircasing sales of shared ownership properties of £11.7m; and
- unrealised gains on investment properties of £30.1m.

Capital structure and treasury strategy

The Group has a formal treasury management policy, which is regularly reviewed and was last approved by the Group's Finance Committee in November 2014 and will be reviewed again in November 2016. The purpose of the policy is to establish the framework within which the Group seeks to protect and control risk and exposure in respect of its borrowings and cash holdings. The treasury policy addresses funding and liquidity risk, covenant compliance and interest rate management. The Group holds floating rate loans which expose the Group to interest rate risk, to mitigate this risk the Group uses interest rate swaps (page 94).

The Group has four active borrowers: A2Dominion Homes Limited, A2Dominion South Limited, A2Dominion Housing Options Limited and A2Dominion Residential Limited. The Group has two funding vehicles, A2Dominion Finance Limited and A2Dominion Treasury Limited, both of which on-lend to the above borrowers. In addition, A2Dominion South Limited is partly funded by loans provided through A2Dominion Housing Group Limited (the Group's parent company). The remaining borrowing within the Group is through bilateral loan agreements with the borrowers listed above.

Borrowings and arranged facilities as at 31 March 2016 can be summarised as follows:

	Arranged £m	Drawn £m
A2Dominion Homes Limited	813.1	600.8
A2Dominion South Limited	719.4	578.5
A2Dominion Housing Options Limited	-	-
A2Dominion Residential Limited	172.5	172.5
Total	1,705.0	1,351.8
Fair value adjustment of loans arising on consolidation		19.9
Loan issue costs		(7.3)
Net debt excluding overdraft (note 28)		1,364.4

During the year the Group secured £100m five year revolving loan facilities which are undrawn. As at 31 March 2016 the percentage of fixed and indexed linked loans to variable was as follows:

	Fixed or indexed linked %
A2Dominion Homes Limited	86.0
A2Dominion South Limited	88.6
A2Dominion Housing Options Limited	100.0
A2Dominion Residential Limited	100.0
A2Dominion Housing Group Limited	89.1

Cash flows

The statement of cash flows is on page 65.

Current liquidity

The Group's policy is not to hold significant cash balances but to ensure that loan facilities are in place to fund future requirements. Any cash balances during the year were held in call and short-term deposit accounts at competitive rates.

Cash and bank balances at the 31 March were £37.3m (2015: £29.4m). Net current assets were £247.1m (2015: £267.5m). Additionally, as at 31 March 2016, the Group had facilities in place to borrow a further £353.2m (2015: £290.2m).

The main factor affecting the amount and timing of borrowing is the pace of the development programme.

Loan covenants are primarily based on interest cover and gearing ratios. Interest cover is after adding back housing property depreciation, interest capitalisation, impairment and includes surpluses from sales. Interest cover and gearing covenants were met throughout the year and at the year-end for all facilities. FRS 102 has had no impact on the Group's loan covenants as the covenants contain a frozen UK GAAP clause.

Accounting policies

The principal accounting policies of the Group are set out on pages 66 to 71. The policies with most impact on the financial statements are the treatment of capital grant, holding value of housing properties, the calculation of housing property depreciation and the capitalisation of interest payable and major repairs.

The accounting policies have been updated to take into account the introduction of FRS 102. There are significant changes in the treatment of capital grant, the recognition of the fair value of investments and financial instruments.

Statement of compliance

The Board confirms that this Strategic Report has been prepared in accordance with the principles set out in the Statement of Recommended Practice "Accounting by registered social housing providers 2014".

D Joseph **Chair**	S Dickinson **Board member**	Z Ollerearnshaw **Secretary**

Board of management

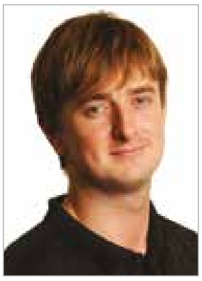
The Group Board steers and directs the activities of the organisation. Members are chosen to ensure a broad cross-section of skills and experience within the housing sector.

Derek Joseph (Chair)

Derek has over 30 years' experience in the housing sector and significant knowledge of social housing finance and governance. A former director of the HACAS Group Plc and Tribal Treasury Services, Derek is currently a non-executive director of a number of quoted and private companies. He is a voluntary director of the charities Homeless International and the London Housing Federation.

David Coates

David has worked as a finance and treasury professional in the retail sector for over 25 years, holding a number of Finance Director roles at companies including Sainsbury's and Debenhams. David is Chair of A2Dominion's Audit and Risk Committee. He currently manages his own property portfolio and prior to this was Group Finance Director at New Look.



Terence Cook

Terence is an A2Dominion resident and was previously Chair of A2Dominion's Customer Services Committee, a representative on A2 Housing's Resident Executive Group (South) and the founding member of Winchester Residents Forum. Terence currently works at Hampshire County Council in its Drug and Alcohol Action Team.

Ian Cox

Ian has worked within the property industry for over 35 years, holding senior-level development and regeneration roles at Bellway Homes and Redrow. He is Managing Partner and shareholder of Cox Development Partners and Chair of A2Dominion's Development Committee. Ian is also part-time project director for the North Solihull regeneration project.

Sara Dickinson

Sara has worked in financial roles for the past 20 years and is Chair of the Group's Finance Committee. She has previously worked as Group Financial Controller for Sage Group PLC and as Vice President & Finance Director of eBookers Group, a pan European online travel agency. She is currently Group Planning and Commercial Finance Director, Costa Coffee.

Caroline Tolhurst

Caroline has 30 years' experience in the property and investment management sectors. She was Company Secretary at Grosvenor and NewRiver Retail, and Compliance Officer at Knight Frank. Caroline is Chair of the A2Dominion's Governance and Remuneration Committee and is the former Chair of the Board at Women's Pioneer Housing.

John Knevett

John has worked in the housing sector for over 30 years, in addition to his extensive experience as a structural and civil engineer. He was previously CEO of A2 Housing Group and is currently Group Commercial Officer and Deputy Chief Executive of A2Dominion.

Caroline Tiller

Caroline has over 30 years' housing experience and is Chair of the Customer Services Committee. Most recently, Caroline was Chief Executive of Central and Cecil Housing Trust – a post she held for six years. Prior to that, Caroline held a number of director level positions, with a focus on customer-facing operations, in large and medium sized housing associations.

Darrell Mercer

Darrell has 35 years' experience in the housing sector and was previously Assistant Director of Housing for the London Borough of Islington. He is the former CEO of Acton Housing Association and Dominion Housing Group and is currently the Group Chief Executive of A2Dominion Group.

Executive officers

Darrell Mercer

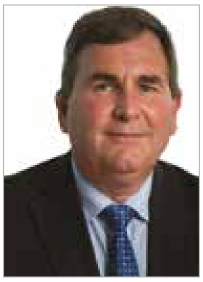
Group Chief Executive

See previous page.

John Knevett

Group Commercial Officer and Deputy Chief Executive

See previous page.



Andrew Boyes

Executive Director (IT & Facilities)

Andrew has over 25 years' experience in IT working across a broad range of business sectors, including housing, insurance, retail and distribution. Andrew joined A2Dominion in 2009 as Group Director of IT and became Executive Director (IT & Facilities) in 2014. He has been an IT Director since 1998, holding three other IT Director roles at insurance firms Castle Cover Ltd and RIAS Plc. and convenience retailer Alldays Plc.

Kathryn Bull

Executive Director (Corporate Services)

Kathryn has significant senior management experience in the public sector. Prior to her current role, she was Group Director of Risk & Planning at Dominion Housing Group. She was also Assistant Director of Housing at the London Borough of Croydon and was at the London Borough of Wandsworth for six years.

Andrew Evans

Executive Director (Operations)

Andrew has over 25 years' service delivery experience in both the private and public sectors. Andrew was previously Group Operations Director for A2 Housing Group for 12 years and was Spelthorne Housing Association's Deputy Chief Executive. Andrew is a member of the Institute of Management.

Simon Potts

Executive Director (Commercial, South East)

Simon has worked in the house building industry for over 27 years. He has extensive experience of land acquisition, strategic development and brownfield regeneration. Prior to his current role, Simon was Strategic Land Director at Barton Willmore and has also held senior management roles at Hillreed, Bellway, Fairclough and Laing Homes.

Dean Tufts

Executive Director
(Finance & Strategy)

Dean is a chartered accountant and has over 25 years' experience in the housing sector. Previously Dean was Dominion Housing Group's Finance Director, a role he held for four years. He has also worked for Acton Housing Association and sheltered housing company McCarthy & Stone Plc. Dean is an associate of the Institute of Chartered Accountants in England and Wales.

Anne Waterhouse

Executive Director
(Financial Services)

Anne is a chartered accountant with over 20 years' finance experience. Prior to her current role, Anne was Deputy Group Finance Director at Dominion Housing Group. She is a member of the Chartered Institute of Management Accountants and has also worked in finance within the housebuilding industry.

Nicholas Yeeles

Executive Director
(Commercial, London)

Nicholas' career encompasses over 20 years' experience in the social housing sector, with an emphasis on business development. Prior to his current role, Nicholas was Chief Executive of Cherwell Housing Trust, part of the Dominion Housing Group. He has held various executive posts in management and development and has worked as a freelance consultant.

Auditors
BDO LLP
55 Baker Street
London W1U 7EU

Bankers
Barclays Bank Plc
Floor 28
1 Churchill Place
London E14 5HP

Solicitors
Winckworth Sherwood
Minerva House
5 Montague Close
London SE1 9BB

Devonshires
30 Finsbury Circus
London EC2M 7DT

Zoë Ollerearnshaw

Group Company Secretary

Report of the Board

The Board presents its report and the Group's audited financial statements for the year ended 31 March 2016.

Principal activities

A2Dominion Housing Group Limited is a social landlord administered by a board of directors with a broad range of expertise and experience. It is also the parent entity of the A2Dominion Group ("the Group") and all further references to the Group refer to the consolidated Group rather than the Association. The subsidiaries of the Group are listed in note 18 to the financial statements and their activities are detailed on page 31.

Business review

Details of the Group's performance for the year and its future plans are set out in the Strategic Report.

Housing property and other fixed assets

Details of changes to the Group's fixed assets are shown in notes 14 to 18 to the financial statements.

Reserves

After transfer of the surplus for the year of £114.5m (2015: £73.2m), the Group's year-end reserves amounted to £748.8m (2015: £635.8m).

Donations

The Group donated £80,200 to charitable entities (2015: £50,145) and made no political donations.

Post balance sheet events

The present board members ("the Board") consider that there have been no events since the year-end that have had a significant effect on the Group's financial position.

Financial instruments

The Group's approach to financial risk management is outlined in the Strategic report.

Employees

The strength of the Group lies in the quality of its employees. In particular, it is their contribution that gives the Group the ability to meet its objectives and commitments to residents in an efficient and effective manner.

The Group shares information on its objectives, progress and activities through regular briefings, seminars and meetings involving board members, the senior management team and staff.

The Group is committed to equal opportunities and in particular supporting the employment of people with disabilities, both in recruitment and in the retention of employees who become disabled whilst in the employment of the Group.

Health and safety

The Board is aware of its responsibilities on all matters relating to health and safety. The Group has prepared detailed health and safety policies and provides staff training and education on health and safety matters.

Board members and executive officers

The Board and the executive officers of the Group are set out on pages 48-51. The Board are drawn from a wide background bringing together professional and commercial experience. The executive officers are the chief executive and the other members of the Group's senior management team.

The executive officers hold no interest in the Group's shares and act as executives within the authority delegated by the Board. Group insurance policies indemnify the Board and officers against liability when acting for the Group.

Service contracts

Executive officers are employed on the same terms and conditions as other staff, save that their notice periods are between six and 12 months.

Pensions

Executive officers are members of either the Social Housing Pension Scheme or Oxfordshire County Council Schemes, both of which are defined benefit final salary pension schemes. They participate in the schemes on the same terms as all other eligible staff and the Group contributes to the schemes on behalf of its employees.

Other benefits

Executive officers are entitled to other benefits such as health care insurance. Details of their total remuneration are included in note 8 to the financial statements.

Governance

A recent in-depth assessment by the Homes & Communities Agency (HCA) confirmed the regulatory judgement for A2Dominion Group is a rating of G1/V1, which was published on 11 February 2016. This judgement is the highest rating achievable and covers A2Dominion Housing Group Limited, A2Dominion Homes Limited, A2Dominion Housing Options Limited, and A2Dominion South Limited.

In addition, the Board has assessed its compliance against the HCA's regulatory framework for Registered Providers, in particular the Governance and Viability Standard and supporting Code of Practice, and reports full compliance.

The Board has also reviewed its governance arrangements for compliance against its adopted code of governance, the National Housing Federation Code of Governance, the updated version of which was published in March 2015. Previous areas of non-compliance with the 2012 version of the Code in maximum terms of office for board members have been addressed, along with the new requirements included in the revised version, and the Board is now fully compliant.

The Board is confident that the regulatory judgement from the HCA, together with the assessments against the regulatory framework and its code of governance, provide assurance that governance across the organisation is strong.

Resident involvement

The Group actively encourages residents' involvement in decision-making by promoting mechanisms for resident involvement. There are clear reporting arrangements between the Customer Services Committee and the Board.

Complaints

The Group has a clear, accessible complaints policy for its residents that has been designed to enable residents to follow a simple process.

Report of the Board

Internal controls assurance

The Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. This responsibility applies to all organisations within the Group.

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

The process for identifying, evaluating and managing the significant risks faced by the Group is on-going and has been in place throughout the period commencing 1 April 2015 up to the date of approval of the annual report and financial statements.

Key elements of the control framework include:

- Board-approved terms of reference and delegated authorities for Group Audit and Risk Committee, Group Finance Committee, Group Governance and Remuneration Committee, Group Development Committee and Group Customer Services Committee;
- clearly defined management responsibilities for the identification, evaluation and control of significant risks;
- robust strategic and business planning processes, with detailed financial budgets and forecasts;
- comprehensive three year programme of internal audit;
- formal recruitment, retention, training and development policies for all staff;
- established authorisation and appraisal procedures for all significant new initiatives and commitments;
- a prudent approach to treasury management which is subject to external review on an annual basis;
- regular reporting to the appropriate committee on key business objectives, targets and outcomes;
- Board-approved whistle-blowing, anti-theft and anti-corruption policies; and
- formal money laundering and fraud policy and register.

The Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the Group Audit and Risk Committee to regularly review the effectiveness of the system of internal control.

The Group Audit and Risk Committee reviews the Group Risk Map quarterly to ensure all risks are fully assessed with actions identified to mitigate risks. In addition each of the Group's committees reviews risks and actions specific to their areas of responsibility. The Group Audit and Risk Committee regularly reviews the fraud register. Any control weaknesses or fraud identified during the year are reported to and monitored by the Group Audit and Risk Committee, who review the mitigating actions and the timescales for their completion.

The Group Audit and Risk Committee and Group Board have received the chief executive's annual review of the effectiveness of the system of internal control for the Group and the annual report of the internal auditor.

The Board has reviewed and evaluated the effectiveness of the internal controls as well as the fraud register and the annual report of the internal auditor as reported to them by the Group Audit and Risk Committee.

In line with the Financial Reporting Council Guidance on Audit Committees, the Group Audit and Risk Committee carried out a separate exercise to review its independence, performance and effectiveness, and agreed actions to further improve its effectiveness.

Board members' responsibilities

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

Co-operative and Community Benefit Society and social housing legislation require the Board to prepare financial statements for each financial year for the Group and Association in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Group and Association for that period.

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers 2014 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the Association's transactions and disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the 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. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for ensuring that the Report of the Board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2014.

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Board. The Board's responsibility also extends to the on-going integrity of the financial statements contained therein.

Going concern

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

Report of the Board

Annual General Meeting

The Annual General Meeting will be held on 20 July 2016 at The Point, 37 North Wharf Road, London, W2 1BD.

Disclosure of information to auditors

At the date of making this report each of the Group's board members, as set out on pages 48-49, confirm the following:

- so far as each board member is aware, there is no relevant information needed by the Group's auditors in connection with preparing their report of which the Group's auditors are unaware; and
- each board member has taken all the steps that they ought to have taken as a board member in order to make themselves aware of any relevant information needed by the Group's auditors in connection with preparing their report and to establish that the Group's auditors are aware of that information.

External auditors

BDO LLP has indicated their willingness to continue in office and a resolution to re-appoint them for the coming year is proposed at the Annual General Meeting.

The Report of the Board was approved by the Board on 20 July 2016 and signed on its behalf by:

D Joseph
Chair

S Dickinson
Board member

Z Ollerearnshaw
Secretary

Independent auditor's report to the members of A2Dominion

Independent auditor's report to the members of A2Dominion Housing Group Limited

We have audited the financial statements of A2Dominion Housing Group Limited for the year ended 31 March 2016 which comprise the consolidated and Association statement of comprehensive income, the consolidated and Association statement of financial position, the consolidated and Association statement of changes in equity, the consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the association's members, as a body, in accordance with the Housing and Regeneration Act 2008 and Section 87 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.

Respective responsibilities of the board and auditors

As explained more fully in the statement of board member responsibilities, the board members 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and parent association's affairs as at 31 March 2016 and of the Group's and parent association's surplus/deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the parent association, or returns adequate for our audit have not been received from branches not visited by us; or
- a satisfactory system of control has not been maintained over transactions; or
- the parent association financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

BDO LLP

BDO LLP, statutory auditor
London
United Kingdom
29 July 2016

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Gunmakers Wharf, Bow

Financial statements

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Consolidated statement of comprehensive income

For the year ended 31 March 2016

	Note	2016 £m	2015 £m restated
Group turnover	4	378.4	312.3
Cost of sales	4	(102.4)	(67.2)
Operating costs	4	(163.0)	(158.6)
Group operating surplus	4, 6	113.0	86.5
Share of jointly controlled entities profit	18	2.7	2.3
Surplus on sale of fixed assets – housing properties	10	15.3	6.5
Interest receivable and other income	11	2.4	1.8
Interest payable and similar charges	12	(49.1)	(49.0)
Other finance costs	31	(0.6)	(0.8)
Change in fair value of investments	18	0.1	0.9
Movement in fair value of financial instruments		1.9	0.9
Movement in fair value of investment properties	16	30.1	28.2
Surplus on ordinary activities before taxation		115.8	77.3
Tax on surplus on ordinary activities	13	(0.5)	(3.1)
Surplus on ordinary activities after taxation		115.3	74.2
Non-controlling interest		(0.8)	(1.0)
Surplus for the financial year		114.5	73.2
Actuarial gains/(losses) on defined benefit pension scheme	31	1.0	(1.1)
Movement in fair value of hedging financial instrument		(2.5)	(34.7)
Total comprehensive income for year		113.0	37.4
Surplus for the year attributable to:			
Non-controlling interest		0.8	1.0
Parent association		114.5	73.2
		115.3	74.2
Total comprehensive income attributable to:			
Non-controlling interest		0.8	1.0
Parent association		112.2	36.4
		113.0	37.4

Association statement of comprehensive income

For the year ended 31 March 2016

	Note	2016 £m	2015 £m
Turnover	4	41.0	41.5
Cost of sales	4	–	–
Operating costs	4	(48.0)	(39.4)
Operating (deficit)/ surplus	4, 6	(7.0)	2.1
Interest receivable and other income	11	6.8	11.0
Interest payable and similar charges	12	(6.8)	(11.5)
Other finance costs	31	(0.5)	(0.7)
(Deficit)/ surplus on ordinary activities before taxation		(7.5)	0.9
Tax on surplus on ordinary activities	13	–	–
(Deficit)/ surplus for the financial year		(7.5)	0.9
Actuarial gains on defined benefit pension scheme	31	0.4	–
Total comprehensive income for the year		(7.1)	0.9

All amounts relate to continuing activities.

The notes on pages 66–108 form part of these financial statements.

Consolidated statement of financial position

At 31 March 2016

	Note	2016 £m	2015 £m restated
Fixed assets			
Tangible fixed assets – housing properties	14	2,530.6	2,480.5
Tangible fixed assets – other	15	21.3	21.2
Investment properties	16	361.5	276.4
Investments – Homebuy loans	17	2.9	3.2
Investments – other	18	18.3	23.9
Investments – jointly controlled entities	18	58.2	54.8
		2,992.8	2,860.0
Current assets			
Properties for sale	19	201.2	243.2
Debtors less than one year	20	41.8	45.1
Debtors more than one year	20	64.3	52.5
Investments	21	8.0	9.0
Cash and cash equivalents	22	37.3	29.4
		352.6	379.2
Creditors: Amounts falling due within one year	23	(105.5)	(111.7)
Net current assets		247.1	267.5
Total assets less current liabilities		3,239.9	3,127.5
Creditors: Amounts falling due after more than one year	24	(2,464.1)	(2,467.8)
Provision for liabilities and charges	30	(21.3)	(17.1)
Net assets excluding pension liability		754.5	642.6
Net pension liability	31	(4.9)	(5.8)
Net assets		749.6	636.8
Capital and reserves			
Non-equity share capital		–	–
Cash flow hedge reserve		(47.4)	(44.9)
Income and expenditure reserve		749.9	630.6
Designated reserve		45.8	49.6
Restricted reserve		0.5	0.5
Consolidated funds		748.8	635.8
Non-controlling interest		0.8	1.0
		749.6	636.8

Co-operative and Community Benefit Society (FCA) 28985R.

The financial statements were approved by the Board and authorised for issue on 20 July 2016 and signed on its behalf by:

D Joseph
Chair

S Dickinson
Board member

Z Ollerearnshaw
Secretary

The notes on pages 66–108 form part of these financial statements.

Association statement of financial position

At 31 March 2016

	Note	2016 £m	2015 £m
Current assets			
Debtors due within one year	20	20.1	12.5
Debtors due after one year	20	131.3	138.5
Investments	21	8.0	9.0
Cash and cash equivalents	22	16.2	13.9
		175.6	173.9
Creditors: Amounts falling due within one year	23	(47.1)	(36.4)
Net current assets		128.5	137.5
Total assets less current liabilities		128.5	137.5
Creditors: Amounts falling due after more than one year	24	(131.3)	(138.5)
Provision for liabilities and charges	30	(19.4)	(13.6)
Net assets excluding pension liability		(22.2)	(14.6)
Net pension liability	31	(1.7)	(2.2)
Net assets		(23.9)	(16.8)
Capital and reserves			
Non-equity share capital		–	–
Income and expenditure reserve		(23.9)	(16.8)
Association's deficit		(23.9)	(16.8)

Co-operative and Community Benefit Society (FCA) 28985R.

The financial statements were approved by the Board and authorised for issue on 20 July 2016 and signed on its behalf by:

D Joseph
Chair

S Dickinson
Board member

Z Ollerearnshaw
Secretary

The notes on pages 66–108 form part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 March 2016

	Cash flow hedge reserve £m	Income and expenditure reserve £m	Designated and restricted reserve £m	Total excluding non-controlling interests £m	Non – controlling interests £m	Total including non – controlling interests £m
Balance at 1 April 2015	**(44.9)**	**630.6**	**50.1**	**635.8**	**1.0**	**636.8**
Surplus for the year	**–**	**114.5**	**–**	**114.5**	**0.8**	**115.3**
Actuarial gains on defined benefit pension scheme	–	1.0	–	1.0	–	1.0
Movement in fair value of hedged financial instrument	(2.5)	–	–	(2.5)	–	(2.5)
Other comprehensive income for the year	(2.5)	1.0	–	(1.5)	–	**(1.5)**
Reserves transfers:						
Capital contribution and distributions	–	–	–	–	(1.0)	(1.0)
Transfer of designated expenditure from income and expenditure reserve	–	(8.0)	8.0	–	–	–
Transfer of designated expenditure to income and expenditure reserve	–	11.8	(11.8)	–	–	–
Balance at 31 March 2016	**(47.4)**	**749.9**	**46.3**	**748.8**	**0.8**	**749.6**

Consolidated statement of changes in equity

For the year ended 31 March 2015

	Cash flow hedge reserve £m	Income and expenditure reserve £m	Designated and restricted reserve £m	Total excluding non-controlling interests £m	Non – controlling interests £m	Total including non – controlling interests £m
Balance at 1 April 2014	(10.2)	557.4	65.1	612.3	0.8	613.1
Prior period adjustment (note 34)	–	(13.9)	–	(13.9)	–	(13.9)
Balance at 1 April 2014 as restated	(10.2)	543.5	65.1	598.4	0.8	599.2
Surplus for the year	–	73.2	–	73.2	1.0	74.2
Actuarial losses on defined benefit pension scheme	–	(1.1)	–	(1.1)	–	(1.1)
Movement in fair value of hedged financial instrument	(34.7)	–	–	(34.7)	–	(34.7)
Other comprehensive income for the year	(34.7)	(1.1)	–	(35.8)	–	(35.8)
Reserves transfers:						
Contributions by and distributions to members	–	–	–	–	(0.8)	(0.8)
Transfer of designated expenditure from income and expenditure reserve	–	(1.4)	1.4	–	–	–
Transfer of designated expenditure to income and expenditure reserve	–	16.4	(16.4)	–	–	–
Balance at 31 March 2015	(44.9)	630.6	50.1	635.8	1.0	636.8

The notes on pages 66–108 form part of these financial statements.

Association statement of changes in equity

For the year ended 31 March 2016

	Income and expenditure reserve £m	Total excluding non-controlling interests £m
Balance at 1 April 2015	**(16.8)**	**(16.8)**
Deficit for the year	**(7.5)**	**(7.5)**
Actuarial gains on defined benefit pension scheme	0.4	**0.4**
Other comprehensive income for the year	**0.4**	**0.4**
Balance at 31 March 2016	**(23.9)**	**(23.9)**

For the year ended 31 March 2015

	Income and expenditure reserve £m	Total excluding non-controlling interests £m
Balance at 1 April 2014	(17.7)	(17.7)
Surplus for the year	0.9	0.9
Balance at 31 March 2015	(16.8)	(16.8)

The notes on pages 66–108 form part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 March 2016

	2016 £m	2015 £m
Cash flows from operating activities		
Surplus for the financial year	114.5	73.2
Adjustments for:		
Depreciation of fixed assets – housing properties	26.0	32.4
Depreciation of fixed assets – other	2.7	2.5
Accelerated depreciation on replaced components	5.4	0.8
Impairment	–	0.1
Amortised grant	(16.1)	(14.9)
Share of surplus in jointly controlled entities	(2.7)	(2.3)
Net fair value gains recognised in statement of comprehensive income	(32.1)	(30.0)
Interest and finance costs	49.7	49.8
Interest received	(2.4)	(1.8)
Surplus on the sale of fixed assets – housing properties	(15.3)	(6.5)
Taxation expense	0.5	3.1
Non-controlling interest	0.8	1.0
Increase in trade and other debtors	(3.7)	(5.3)
Decrease/ (increase) in stocks	56.8	(93.2)
(Decrease)/ increase in trade creditors	(0.8)	9.5
Increase/ (decrease) in provisions	3.8	(1.4)
Cash from operations	187.1	17.0
Tax paid	(0.1)	–
Net cash generated from operating activities	187.0	17.0
Cash flows from investing activities		
Purchase of fixed assets – housing properties	(116.4)	(102.5)
Receipt of grant	7.7	18.5
Repayment of grant	(0.2)	–
Purchase of fixed assets – other	(2.5)	(4.2)
Purchase of fixed asset investments	(55.7)	(17.6)
Sale of fixed asset investments	10.1	–
Sale of current asset investments	1.0	(7.7)
Investment in jointly controlled entities	(11.9)	(51.6)
Repayment of jointly controlled entities capital	6.4	6.7
Distribution of jointly controlled entities profits	4.3	-
Proceeds from sale of fixed assets – housing properties	40.5	36.2
Loans advanced to jointly controlled entities	(15.0)	(23.3)
Interest received	2.4	1.8
Net cash from investing activities	(129.3)	(143.7)
Cash flows from financing activities		
Interest paid	(65.7)	(62.7)
New loans – bank	50.0	433.9
New loans – other	–	150.0
Repayment of loans – bank	(34.1)	(395.1)
Net cash used in financing activities	(49.8)	126.1
Net increase/ (decrease) in cash and cash equivalents	7.9	(0.6)
Cash and cash equivalents at the beginning of year	29.4	30.0
Cash and cash equivalents at end of year	37.3	29.4

The notes on pages 66–108 form part of these financial statements.

Notes to the financial statements

1. Legal status

The Association is registered with the Financial Conduct Authority under the Co-operative and Community Benefits Societies Act 2014 and is registered with the Homes and Communities Agency as a social landlord. The Association is a public entity.

2. Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice) which for the Group includes the Cooperative and Community Benefit Societies Act 2014 (and related group accounts regulations), the Housing and Regeneration Act 2008, FRS 102 "the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2014, "Accounting by registered social housing providers" 2014, the Accounting Direction for Private Registered Providers of Social Housing 2015.

FRS 102 is mandatory for accounting periods beginning on or after 1 January 2015. These financial statements are the first financial statements prepared under FRS 102. Information on the impact of first-time adoption of FRS 102 is given in note 39.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies.

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the Group and the parent company would be identical;
- No cash flow statement has been presented for the parent company;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the Group as a whole;
- No disclosure has been given for the aggregate remuneration of the key management personnel of the company as their remuneration is included in the totals for the Group as a whole.

Basis of consolidation

As required by the Statement of Recommended Practice: Accounting by Registered Social Housing Providers 2014, the Group has prepared consolidated financial statements.

The Group consolidated financial statements present the results of the Association and its subsidiaries as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full. In accordance with the transitional exemption available in FRS 102, the Group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 1 April 2014.

As required by FRS 102 Section 9 Paragraph 11 Special Purpose Entities (SPE) are fully consolidated in the Group's financial statements where the Group controls that entity. An entity is controlled by the Group where the Group retains the risks, receives the majority of the benefits, has ultimate decision making powers and the activities of the SPE are being conducted on behalf of the Group.

In the consolidated financial statements, the items of subsidiaries are recognised in full. On initial recognition, non-controlling interests are measured at the proportionate share of the acquired business' identified assets and liabilities. The minority interests' proportionate shares of the subsidiaries' results and equity are recognised separately in the statement of comprehensive income and statement of financial position, respectively.

Business combinations that are gifts

Where there is a business combination that is in substance a gift, any excess of fair value over the assets received over the fair value of the liabilities assumed is recognised as a gain in the statement of comprehensive income. This gain represents the gift of the value of one entity to another and shall be recognised as income. Where the fair value of the liabilities exceeds the fair value of the assets, the loss represents net obligations assumed and shall be recognised as an expense.

Jointly controlled entities

An entity is treated as jointly controlled entity where the Group is party to a contractual agreement with one or more parties from outside the Group to undertake an economic activity that is subject to joint control.

In the consolidated accounts, interests in jointly controlled entities are accounted for using the equity method of accounting. Under this method an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investor's share of the profit or loss, other comprehensive income and equity of the jointly controlled entities. The consolidated statement of comprehensive income includes the Group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings applying accounting policies consistent with those of the Group. In the consolidated statement of financial position, the interests in jointly controlled entity undertakings are shown as the Group's share of the identifiable net assets, including any unamortised premium paid on acquisition.

Turnover

Turnover comprises rental income receivable in the year, income from property developed for sale including shared ownership first tranche sales, other services included at the invoiced value (excluding VAT) of goods and services supplied in the year, donations received and revenue grants receivable in the year. Rental income is recognised at the point properties become available for letting and income from first tranche sales and developed for sale properties are recognised at point of legal completion. Other income is recognised in the period it is receivable.

Operating segments

There are publically traded securities within the Group and therefore a requirement to disclose information about the Group operating segments under IFRS 8. Segmental information is disclosed in note 4 and as part of the analysis of housing properties in note 14. Information about income, expenditure and assets attributable to material operating segments are presented on the basis of the nature and function of housing assets held by the Group rather than geographical location. As permitted by IFRS 8 this is appropriate on the basis of the similarity of the services provided, the nature of the risks associated, the type and class of customer and the nature of the regulatory environment across all of the geographical locations in which the Group operates. The Group Board do not routinely receive segmental information disaggregated by geographical location.

Long term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Income earned from such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the statement of comprehensive income, after deducting foreseeable losses and payments on account not matched with turnover. Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

Supporting people income and expenditure

Income receivable and costs incurred from contracts are recognised in the period they relate to on a receivable basis and included within other social housing activities in the statement of comprehensive income. Any excess of cost over the grant received is borne by the Group where it is not recoverable from tenants.

Supported housing managed by agencies

Social Housing Grants and other revenue grants for supported housing claimed by the Group are included in the statement of comprehensive income and statement of financial position of the Group. The treatment of other income and expenditure in respect of supported housing depends on whether the Group or its partner carries the financial risk.

Where the Group carries the financial risk, all the supported housing schemes' income and expenditure is included in the statement of comprehensive income.

Service charges

Service charges receivable are recognised in turnover. The Group adopts the variable method for calculating and charging service charges to its leaseholders and shared owners. Tenants are charged a fixed service charge.

Management of units owned by others

Management fees receivable and reimbursed expenses are shown as income and included in management fees receivable. Costs of carrying out the management contracts and rechargeable expenses are included in operating costs.

Schemes managed by agents

Income is shown as rent receivable and management fees payable to agents are included in operating costs.

Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company's subsidiaries operate and generate taxable income. Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the Group can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Value added tax

The Group charges value added tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The statement of comprehensive income includes VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. Recoverable VAT arises from partially exempt activities and is credited to the statement of comprehensive income. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset in the statement of financial position.

Finance costs

FRS 102 requires finance costs to be charged to the profit or loss over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount after initially recognising issue costs as a reduction in the proceeds of the associated capital instrument. Interest is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development if it represents either:

- Interest on borrowings specifically financing the development programme after deduction of interest on social housing grant (SHG) in advance; or
- Interest on borrowings of the Group as a whole after deduction of interest on SHG in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable is charged to the statement of comprehensive income in the year.

The Group's funding, liquidity and exposure to interest rate risks are managed by the Group's treasury department. Treasury operations are conducted within a framework of policies and guidelines authorised by the Board. To manage interest rate risk the Group manages its proportion of fixed to variable rate borrowings within approved limits and where appropriate utilises interest rate swap agreements. Amounts payable or receivable in respect of these agreements are recognised as adjustments to interest rate expense.

2. Accounting policies (continued)

The Group's policy is to have a loan portfolio which is complementary to each Group member's overall objectives. This is achieved by creating a balance between fixed and variable borrowing.

Pensions

Contributions to the Group's defined contribution pension schemes are charged to the statement of comprehensive income in the year in which they become payable.
The Group participates in three funded multi-employer defined benefit schemes, the Social Housing Pension Scheme (SHPS), the Surrey County Council Scheme and the Oxfordshire County Council Scheme.

For the SHPS, it has not been possible to identify the share of underlying assets and liabilities belonging to individual participating employers and therefore SHPS has been accounted for under FRS 102 as if it were a defined contribution pension scheme. The deficit repayments of SHPS have been measured at the present value of the contributions payable discounted at a rate with reference to market yields on high quality corporate bonds at the reporting date.

For the Surrey and Oxfordshire County Council Schemes, the operating costs of providing retirement benefits to participating employees are recognised in the accounting periods in which the benefits are earned. The related finance costs and any other changes in fair value of the assets and liabilities, are recognised in the accounting period in which they arise. The operating costs and finance costs with any actuarial gains and losses are recognised in the consolidated statement of comprehensive income. The difference between the fair value of the assets held in the Group's defined benefit pension scheme and the scheme's liabilities are recognised in the Group's statement of financial position.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Housing properties

Housing properties are principally properties available for rent and shared ownership.

On transition to FRS 102 the A2Dominion Group took the option of stating completed housing properties at cost.

Housing properties under construction are stated at cost. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

Shared ownership properties are split proportionally between current and fixed 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 included in turnover, and the remaining element is classed as a fixed asset and included in housing properties at cost, less any provisions needed for impairment.

General needs housing properties for rent are split between their land and structure costs and a specific set of major components which require periodic replacement. On replacement the new major works component is capitalised with the related net book value of replaced components expensed through the statement of comprehensive income as accelerated depreciation. Component accounting is not applicable to shared ownership housing properties.

Improvements to existing properties which are outside the normal capitalisation policy of component additions, are works which result in an increase in the net rental income, such as a Housing properties reduction in future maintenance costs, or result in a significant extension of the useful economic life of the property in the business and that provide an enhancement to the economic benefits in excess of the standard of performance anticipated when the asset was first acquired, constructed or last replaced.

Only the directly attributable overhead costs associated with new developments or improvements are capitalised.

Depreciation of housing properties

Freehold land is not depreciated. Depreciation is charged so as to write down the cost of freehold housing properties other than freehold land to their estimated residual value on a straight line basis over their estimated useful economic lives at the following annual rates:

Major components:	
Building	75 years
Bathrooms	25 years
Roof	50 years
Lifts	20 years
Kitchens	15 years
Heating	15 years
Windows and doors	25 years
Electrical	30 years

The portion of shared ownership property retained or expected to be retained is not depreciated on account of the high residual value. Neither the depreciable amount nor the annual expected depreciation charge for such assets is considered material, individually or in aggregate.

Assets in the course of construction are not depreciated until they are completed and ready for use to ensure that they are depreciated only in periods in which economic benefits are expected to be consumed.

Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

Donated land

Land donated by local authorities and others is added to cost at the fair value of the land at the time of the donation, taking into account any restrictions on the use of the land.

Land options

The premium payable on an option to acquire land at a future date is amortised over the life of the option. The options are regularly reviewed to assess the likelihood of the option being exercised and at the early stages the majority of the associated expenses are charged to the statement of comprehensive income.

Shared ownership and staircasing

Under shared ownership arrangements, the Group disposes of a long lease of shared ownership housing units to persons who occupy them, for an amount of between 25% and 75% of the open market value (the "first tranche"). The occupier has the right to purchase further proportions at the current valuation at that time up to 100% ("staircasing").

A shared ownership property comprises two assets: that to be disposed of in the first tranche sale, which is recorded as a current asset; and that retained by the Group, which is recorded as a fixed asset in the same manner as for general needs housing properties.

Proceeds of sale of first tranches are accounted for as turnover in the statement of comprehensive income, with the apportioned cost being shown within operating results as the cost of sale.

Subsequent tranches sold ("staircasing sales") are disclosed in the statement of comprehensive income after the operating result as a surplus or deficit on sale of fixed assets. Such staircasing sales may result in capital grant being recycled, deferred or abated and this is credited in the statement of comprehensive income in arriving at the surplus or deficit.

Mixed tenure developments

Costs are allocated to the appropriate tenure where it is possible to specify which tenure the expense relates to. Where it is not possible to relate costs to a specific tenure costs are allocated on a floor area or unit basis depending on appropriateness for each scheme.

Other tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land.

Furniture, fixtures and fittings	20% – 25% per annum
Freehold offices	2% per annum
Freehold alterations	10% per annum
Leasehold offices	Length of the lease
Computers, office equipment and motor vehicles	Between 14⅓% and 33⅓% per annum

Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

Social housing grant (SHG)

Grant received in relation to newly acquired or existing housing properties is accounted for using the accrual model set out in FRS 102 and the SORP for Registered Social Housing Providers 2014. Grant is carried as deferred income in the statement of financial position and released to the statement of comprehensive income on a systematic basis over the useful economic lives of the asset for which it was received. In accordance with SORP for Registered Social Housing Providers 2014 the useful economic life of the housing property structure has been selected (see table of useful economic lives above).

Where SHG funded property is sold, the grant becomes recyclable and is transferred to a recycled capital grant fund until it is reinvested in a qualifying new development and moved to work in progress. When the new development is completed the SHG is moved back into deferred income and amortised. If there is no requirement to recycle or repay the grant on disposal of the assets any unamortised grant remaining within creditors is released and recognised as income within the statement of comprehensive income.

Grants relating to revenue are recognised in statement of comprehensive income over the same period as the expenditure to which they relate once performance related conditions have been met.

Other grants

Other grants are receivable from local authorities and other organisations. Capital grants are carried as deferred income in the statement of financial position and released to the statement of comprehensive income on a systematic basis over the useful economic lives of the asset for which it was received. Grants in respect of revenue expenditure are credited to the statement of comprehensive income in the same period as the expenditure to which they relate.

Recycled Capital Grant Fund

Following certain relevant events, primarily the sale of dwellings, the HCA can direct the Group to recycle the capital grant (SHG) or to repay the recoverable capital grant back to the HCA. Where the grant is recycled the recoverable capital grant is credited to a Recycled Capital Grant Fund which is included as a creditor due within one year or due after more than one year as appropriate.

Disposal Proceeds Fund

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

Sales under Right to Buy

Surpluses and deficits arising from the disposal of properties under the Right to Buy legislation are included within surplus on sale of fixed assets on the face of the statement of comprehensive income after the operating result and before interest. The surpluses or deficits are calculated by reference to the carrying value of the properties. On the occurrence of a sale of properties that were originally transferred to Spelthorne Housing Association (now owned by A2Dominion South Limited), a relevant proportion of the proceeds is payable back to Spelthorne Borough Council.

Investment properties

Investment properties consist of commercial, student accommodation and market rent properties not held for social benefit or for use in the business. Investment properties are measured at cost on initial recognition and subsequently carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the statement of comprehensive income.

Valuation of investments

Investments in subsidiaries are measured at cost.

Cash and unlisted investments classified as fixed asset investments are measured at cost.

Listed investments classified as fixed asset investments are remeasured to fair value at each balance sheet date. Gain and losses on remeasurement are recognised in the statement of comprehensive income.

2. Accounting policies (continued)

Impairment

The housing property portfolio for the Group is assessed for indicators of impairment at each balance sheet date. Where indicators are identified then a detailed assessment is undertaken to compare the carrying amount of assets or cash generating units for which impairment is indicated to their recoverable amounts. An option appraisal is carried out to determine the option which produces the highest net realisable value. Valuations on rental return or potential sale proceeds are obtained and used to inform the options. The Group looks at the net realisable value, under the options available, when considering the recoverable amount for the purposes of impairment assessment. The recoverable amount is taken to be the higher of the fair value less costs to sell or value in use of an asset or cash generating unit. The assessment of value in use may involve considerations of the service potential of the assets or cash generating units concerned or the present value of future cash flows to be derived from them appropriately adjusted to account for any restrictions on their use. No properties have been valued at value in use service potential (VIU-SP).

The Group defines cash generating units as schemes except where its schemes are not sufficiently large enough in size or where it is geographically sensible to group schemes into larger cash generating units. Where the recoverable amount of an asset or cash generating unit is lower than its carrying value an impairment is recorded through a charge to income and expenditure.

Properties for sale

Housing properties that are built with the intention that they are to be transferred to another association are dealt with in current assets and are described as properties for resale.

Shared ownership first tranche and commercial outright sale developments, both completed and under construction, are carried on the statement of financial position at the lower of cost and net realisable value. Cost comprises materials, direct labour, interest charges incurred during the development period and direct development overheads. Net realisable value is based on estimated sales price obtained from independent valuers and after allowing for all further costs of completion and disposal.

Debtors and creditors

Debtors and creditors with no stated interest rate and receivable and payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the statement of comprehensive income in operating costs.

Recoverable amount of rental and other trade receivables

The Group estimates the recoverable value of rental and other receivables and impairs the debtor based on the age profile of the debt, historical collection rates and the class of debt.

Concessionary loans

Concessionary loans are those loans made or received by the Group that are made:

- To further its public benefit objectives,
- At a rate of interest which is below the prevailing market rate of interest
- Not repayable on demand.

These loans are measured at the amount advanced at the inception of the loan less amounts received and any provisions for impairment. Any associated grant is recognised as deferred income until the loan is redeemed.

The Group has a number of arrangements that are considered concessionary loans:

Equity loans, Homebuy loans and grant

Under these arrangements the Group receives Social Housing Grant (Homebuy only) representing a maximum of 30% of the open market purchase price of a property in order to advance interest free loans of the same amount to a homebuyer. The buyer meets the balance of the purchase price from a combination of personal mortgage and savings. Loans advanced by the Group under these arrangements are disclosed in the investments section of the statement of financial position.

In the event that the property is sold on, the Group recovers the equivalent loaned percentage value of the property at the time of the sale. The grant becomes recyclable when the loans are repaid and the amount of grant to be recycled is capped at the amount received when the loan was first advanced. If there is a fall in the value of the property, the shortfall of proceeds is offset against the recycled grant. There are no circumstances in which the Group will suffer any capital loss.

Rent and service charge agreements

The Group has made arrangements with individuals and households for arrears payments of rent and service charges. These arrangements are effectively loans granted at nil interest rate.

Loans

All loans, investments and short term deposits held by the Group, are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost), and subsequently measured at amortised cost. Loans and investments that are payable or receivable within one year are not discounted.

Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand, deposits and short term investments with an original maturity date of three months or less. They include some money market deposits, held for more than 24 hours, which can only be withdrawn without penalty on maturity or by giving notice of more than one working day.

Derivative instruments and hedge accounting

The Group holds floating rate loans which expose the Group to interest rate risk, to mitigate against this risk the Group uses interest rate swaps. These instruments are measured at fair value (mark-to-market) at each reporting date. Each instrument's mark-to-market is calculated with reference to mid-market rates. They are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group has designated each of the swaps against either existing drawn floating rate debt or against highly probable future floating rate debt. Hedge effectiveness is assessed using the hypothetical derivative method. To the extent the hedge is effective, movements in fair value adjustments (other than adjustments for Group or counter party credit risk) are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any movements in fair value relating to ineffectiveness and adjustments for credit risk (whether relating to the Group or the counterparty) are recognised in the statement of comprehensive income.

Leased assets
Rentals payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease term.

Leasehold sinking funds
Unexpended amounts collected from leaseholders for major repairs on leasehold schemes and any interest received are included in creditors.

Provisions
The Group recognises provisions for liabilities of uncertain timing or amounts. Provision is made for specific and quantifiable liabilities, measured at the best estimate of expenditure required to settle the obligation at the balance sheet date.

Where the time value of money is material the amount expected to be required to settle the obligation is recognised at the present value using a discount rate. The unwinding of the discount is recognised as finance cost in the statement of comprehensive income in the year it arises.

Contingent liabilities
A contingent liability is disclosed for a possible obligation, for which it is not yet confirmed that a present obligation exists that could lead to an outflow of resources; or for a present obligation that does not meet the definitions of a provision or a liability as it is not probable that an outflow of resources will be required to settle the obligation or when a sufficiently reliable estimate of the amount cannot be made. This includes a contingent liability reflecting the potential future obligation to repay SHG where properties are disposed of.

Designated reserves
Designated reserves are held to provide reserves in respect of future major repairs spend. The Group maintains a reserve that covers the next three years forecasted major repairs expenditure. Annually a transfer from designated reserves directly to the income and expenditure reserve is made for the value of the repairs expenditure incurred during that year.

Restricted funds
Restricted funds are funds that can only be used for particular restricted purposes within the objects of the Group. Restrictions arise when specified by a donor or grant maker or when funds are raised for particular restricted purposes.

The donations fund was created from charitable donations received by the Group and from investment income from the fund's investments.

Going concern
The Group and Association's financial statements have been prepared on the going concern basis. The Association is supported by its asset owning subsidiaries. A2Dominon Housing Group Limited's Board has effective control over these subsidiaries and their assets. These subsidiaries provide ongoing support to their parent which will continue to allow A2Dominion Housing Group Limited to meet its liabilities as they fall due.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the key judgements have been made in respect of the following:

- Whether there are indicators of impairment of the Group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. The members have considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on EUV-SH or depreciated replacement cost. The members have also considered impairment based on their assumptions to define cash or asset generating units.
- The critical underlying assumptions in relation to the estimate of the pension defined benefit scheme obligation such as standard rates of inflation, mortality, discount rate and anticipated future salary increases. Variations in these assumptions have the ability to significantly influence the value of the liability recorded and annual defined benefit expense.
- Whether leases entered into by the company either as a lessor or a lessee are operating or lease or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- The appropriate allocation of costs for mixed tenure developments, and furthermore the allocation of costs relating to shared ownership between current and fixed assets.
- The exemptions to be taken on transition to FRS 102
- The categorisation of housing properties as investment properties or property, plant and equipment based on the use of the asset
- What constitutes a cash generating unit when indicators of impairment require there to be an impairment review

Other key sources of estimation uncertainty
- Tangible fixed assets (see note 14 and 15)

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as economic conditions are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

For housing property assets, the assets are broken down into components based on management's assessment of the properties. Individual useful economic lives are assigned to these components.

Market rent investment properties are professionally valued annually using a discounted cash flow method, in nominal terms, in line with the traditional approach used by private investors when appraising an opportunity. In each case, 10 year holding period has been used, with reversion of an exit value, defined by the type of asset. Appropriate assumptions have been used as set as below, and have had regard for the investors target rates of return and appropriate costs of servicing the buildings and tenancies. In each model the assumption for rent and house price growth is either 3.5% (in London) or 2.5% (everywhere else).

- Discount rate – 7.75% - 8.25%
- Average cost per unit per annum – £2,781
- Exit yield – 4.6% - 4.9%
- Investments (see notes 17 and 18)

The most critical estimates, assumptions and judgements relate to the determination of carrying value of investments at fair value through income and expenditure.

3. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

In determining this amount, the Group follows the International Private Equity and Venture Capital Valuation Guidelines, applying the overriding concept that fair value is the amount for which an asset can be exchanged between knowledgeable willing parties in an arm's length transaction. The nature, facts and circumstance of the investment drives the valuation methodology.

- Rental and other trade receivables (debtors) (see note 20)

The estimate for receivables relates to the recoverability of the balances outstanding at year end. A review is performed on an individual debtor basis to consider whether each debt is recoverable.

- Recovery of properties developed for sale

Properties developed for sale are carried on the statement of financial position at the lower of cost or net realisable value.

- Fair value measurement of derivatives

These instruments are measured at fair value (mark-to-market) at each reporting date. Each instrument's mark-to-market is calculated with reference to mid-market rates.

4. Turnover, cost of sales, operating costs and operating surplus

Group

	2016			
	Turnover £m	Cost of sales £m	Operating costs £m	Operating surplus/ (deficit) £m
Social housing lettings	209.5	–	(138.0)	71.5
Other social housing activities				
Supporting people	1.8	–	(1.9)	(0.1)
Management services	0.8	–	(0.8)	–
First tranche sales	26.1	(15.2)	–	10.9
Agency sale	4.1	(4.1)	–	–
Other	4.6	–	(5.1)	(0.5)
	37.4	(19.3)	(7.8)	10.3
Non-social housing activities				
Lettings	17.1	–	(7.6)	9.5
Developments for sale	113.6	(83.1)	(1.7)	28.8
Pension provision	–	–	(7.1)	(7.1)
Other	0.8	–	(0.8)	–
	131.5	(83.1)	(17.2)	31.2
	378.4	(102.4)	(163.0)	113.0

	2015			
	Turnover £m	Cost of sales £m	Operating costs £m	Operating surplus/ (deficit) £m
Social housing lettings	202.6	–	(143.3)	59.3
Other social housing activities				
Supporting people	2.1	–	(2.2)	(0.1)
Management services	0.8	–	(0.2)	0.6
First tranche sales	12.4	(7.8)	–	4.6
Other	2.9	–	(2.3)	0.6
	18.2	(7.8)	(4.7)	5.7
Non-social housing activities				
Lettings	14.3	–	(8.0)	6.3
Developments for sale	75.8	(59.4)	(1.8)	14.6
Other	1.4	–	(0.7)	0.7
Impairment	–	–	(0.1)	(0.1)
	91.5	(59.4)	(10.6)	21.5
	312.3	(67.2)	(158.6)	86.5

4. Turnover, cost of sales, operating costs and operating surplus (continued)

Particulars of income and expenditure from social housing lettings

Group

	General housing £m	Supported housing £m	Temporary housing £m	Key worker £m	Low cost home ownership £m	2016 Total £m	2015 Total £m
Turnover from social housing lettings							
Rent receivable net of identifiable service charges	115.7	11.7	11.8	16.5	15.0	170.7	165.8
Service charges income	6.9	4.9	–	0.7	7.6	20.1	18.7
Amortised government grants	12.4	1.3	0.4	0.3	1.7	16.1	14.9
Net rental income	135.0	17.9	12.2	17.5	24.3	206.9	199.4
Nomination fees	–	–	0.8	–	0.3	1.1	1.1
Other income	0.4	0.1	0.1	0.1	0.8	1.5	2.1
Turnover from social housing lettings	135.4	18.0	13.1	17.6	25.4	209.5	202.6
Expenditure on social housing lettings							
Management	(24.7)	(5.4)	(1.4)	(7.1)	(7.4)	(46.0)	(46.3)
Service charge costs	(12.0)	(4.1)	(0.3)	(0.7)	(5.8)	(22.9)	(25.3)
Routine maintenance	(12.5)	(1.9)	(0.6)	(1.0)	(0.7)	(16.7)	(16.2)
Planned maintenance and major repairs expenditure	(14.2)	(0.9)	(0.1)	(0.6)	(1.0)	(16.8)	(17.4)
Bad debts	(0.3)	(0.1)	–	(0.1)	(0.5)	(1.0)	(1.0)
Property lease charges	–	(0.1)	(3.1)	–	–	(3.2)	(3.9)
Depreciation of housing properties	(21.6)	(2.0)	(0.7)	(1.7)	–	(26.0)	(32.4)
Accelerated depreciation on asset components	(4.7)	(0.5)	(0.1)	(0.1)	–	(5.4)	(0.8)
Operating costs on social housing lettings	(90.0)	(15.0)	(6.3)	(11.3)	(15.4)	(138.0)	(143.3)
Operating surplus on social housing lettings	45.4	3.0	6.8	6.3	10.0	71.5	59.3
Void losses	(0.7)	(0.6)	(0.2)	(0.4)	(0.2)	(2.1)	(2.5)

Particulars of turnover from non-social housing lettings

	Group 2016 £m	Group 2015 £m
Market rental	8.3	6.2
Student accommodation	8.0	7.3
Other	0.8	0.8
	17.1	14.3

Association

2016	Turnover £m	Operating costs £m	Operating surplus/ (deficit) £m
Other social housing activities			
Management services	39.6	(47.5)	(7.9)
Other	1.4	(0.5)	0.9
	41.0	(48.0)	(7.0)

2015	Turnover £m	Operating costs £m	Operating surplus/ (deficit) £m
Other social housing activities			
Management services	38.9	(39.2)	(0.3)
Other	2.6	(0.2)	2.4
	41.5	(39.4)	2.1

5. Accommodation in management and development

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

	Group	
	2016 No.	2015 No.
Social housing		
General needs housing	17,573	17,508
Affordable housing	424	321
Supported housing and housing for older people	2,375	2,413
Shared ownership	3,905	3,916
Key worker accommodation	2,692	2,775
Temporary accommodation	440	451
Other	1,250	1,219
Total owned	28,659	28,603
Accommodation managed for others	5,152	4,809
Total owned and managed	33,811	33,412
Non-social housing		
Student accommodation	1,378	1,295
Market rent	852	578
Other – commercial	89	114
Total owned	2,319	1,987
Overall		
Total owned	30,978	30,590
Total managed for others	5,152	4,809
Total owned and managed	36,130	35,399
Accommodation in development	3,856	4,428

The Association does not own or manage any accommodation.

6. Operating surplus

This is arrived at after charging (crediting):

	Group		Association	
	2016 £m	2015 £m	2016 £m	2015 £m
Depreciation of housing properties	26.0	32.4	–	–
Accelerated depreciation on replaced components	5.4	0.8	–	–
Depreciation of other tangible fixed assets	2.7	2.5	–	–
Impairment of housing properties and investments	–	0.1	–	–
Operating lease rentals				
– land and buildings	5.5	6.1	1.6	1.6
– office equipment, computers and vehicles	0.3	0.3	0.3	0.3
Auditor's remuneration (exclusive of VAT)				
– fees payable for the audit of the Group's annual accounts	0.2	0.2	0.2	0.2
– fees for the audit of associated entities	0.1	–	–	–
– fees for tax computations	–	–	–	–
– fees for tax advice	–	–	–	–
– fees for other non-audit services	–	0.1	–	–

7. Employees

Average monthly number of employees expressed in full time equivalents:

A full time equivalent is based on a 35 hour week.

	Group		Association	
	2016 No.	2015 No.	2016 No.	2015 No.
Administration	184	181	182	179
Development	100	94	100	94
Housing, support and care	744	708	574	543
	1,028	983	856	816

Employee costs:

	Group		Association	
	2016 £m	2015 £m	2016 £m	2015 £m
Wages and salaries	35.5	33.8	30.4	29.1
Social security costs	3.3	3.4	2.9	3.0
Pension costs	1.5	1.5	1.4	1.4
Pension provision (note 31)[1]	7.9	1.0	7.9	1.0
	48.2	39.7	42.6	34.5

[1] The current year includes a £5.4m movement on the present value of future SHPS pension deficit payments and £2.1m provision for the local government pension schemes.

8. Directors and senior executive remuneration

The executive officers participate in the pension schemes on the same terms as all other eligible staff.

	Group 2016 £'000	Group 2015 £'000
Total emoluments paid to executive officers (including pension contributions)	1,823	1,764
Emoluments of the highest paid executive officer (excluding pension contributions and pay in lieu thereof[1] but including performance related pay and benefits in kind)	263	255

[1] A payment in lieu of £18,256 (2015: £17,291), the equivalent employer's contribution was received by the highest paid director. The Group defines by management personnel as the Board, the Chief Executive and the Executive management team. There were no payments to key management personnel for compensation for loss of office during the year (2015: £nil).

The emoluments of the executive officers are reviewed and agreed on an annual basis by the Group Governance and Remuneration Committee.

Executive officers

		2016 Total remuneration[1] £'000	2015 Total remuneration[1] £'000
A Boyes	Executive Director (IT and Facilities)	177	174
K Bull	Executive Director (Corporate Services)	143	125
A Evans	Executive Director (Operations)	179	175
J Knevett	Group Commercial Officer	250	245
D Mercer	Group Chief Executive	263	255
S Potts	Executive Director (Commercial, South East)	166	157
D Tufts	Executive Director (Finance & Strategy)	177	174
A Waterhouse	Executive Director (Financial Services)	177	174
N Yeeles	Executive Director (Commercial, London)	165	161

[1] Total remuneration includes performance related pay and benefits in kind of life insurance, private medical and company car where applicable but excludes pension contributions.

Salary banding for all employees earning over £60,000 (includes salary and performance related pay but excludes pension contributions paid by the Group).

	2016 No.	2015 No.
£60,000 to £70,000	19	18
£70,001 to £80,000	17	16
£80,001 to £90,000	8	6
£90,001 to £100,000	8	7
£100,001 to £110,000	6	1
£110,001 to £120,000	7	9
£120,001 to £130,000	1	1
£130,001 to £140,000	1	1
£140,001 to £150,000	1	–
£150,001 to £160,000	–	1
£160,001 to £170,000	2	1
£170,001 to £180,000	4	4
£240,001 to £250,000	–	1
£250,001 to £260,000	1	1
£260,001 to £270,000	1	–
	76	67

9. Board members

Fees of £174,080 (2015: £166,664) were paid to non-executive board members during the year. Taxable travel allowances paid during the year to board members amounted to £13,400 (2015: £17,183). Non-executive board members as at 31 March 2016 were paid as follows:

		Member of					
Board/Committee Member	Membership pay (£)	Audit & Risk Committee	Customer Services Committee	Development Committee	Finance Committee	Governance & Remuneration Committee	Group Board
Suzanne Avery[1]	2,333				●		
Peter Braithwaite	4,000			●			
Jane Clarke	5,333		●				
David Coates	13,233	●	●				●
Terence Cook	10,000						●
Ian Cox	13,750			●		●	●
Jan Czezowski	7,750	●		●			
Sara Dickinson	12,000				●		●
Sue Eggleton[2]	2,316						
Mark Gallagher	5,750			●	●		
Kerrie Green[2]	4,083						
Martin Huckerby	5,750	●		●			
Brenda Jenner[2]	13,750						
Derek Joseph (Chair)	22,000					●	●
David Lewis[2]	12,750						
Nick Martin	5,750	●			●		
Pauline McMichael	4,000		●				
Anne Murray[2]	2,000						
Ross Proudfoot[2]	2,750						
Carl Rudd	4,000		●				
Ingrid Sadiki	5,333		●				
Richard Smith-Ainsley	–		●				
Caroline Tiller[3]	3,667	●					●
Caroline Tolhurst[3]	5,449	●				●	●
Peter Walker[1]	2,333				●		
Peter Wyeth[1]	4,000		●				

[1] These board members commenced their roles part way through the year ended 31 March 2016.
[2] These board members resigned during the year ended 31 March 2016.
[3] These board members commenced their roles part way through the year ended 31 March 2016 and joined the Group Board on the 1 April 2016.

10. Surplus on sale of fixed assets

Group

	2016					2015
	Shared ownership £m	Sales to other registered providers £m	Other housing properties £m	Investments (Homebuy and equity loans) £m	Total £m	Total restated £m
Housing properties						
Disposal proceeds	30.0	3.5	6.6	0.4	40.5	36.2
Cost of disposals	(17.4)	(2.7)	(3.8)	–	(23.9)	(29.4)
Selling costs	(0.2)	–	(0.1)	–	(0.3)	(0.2)
Grant recycled	(0.7)	–	(0.1)	(0.2)	(1.0)	(0.1)
Surplus on disposal of fixed assets – housing properties	11.7	0.8	2.6	0.2	15.3	6.5
Surplus on disposal of other tangible fixed assets	–	–	–	–	–	–
Surplus on disposal of fixed assets	11.7	0.8	2.6	0.2	15.3	6.5

11. Interest receivable and other income

	Group		Association	
	2016 £m	2015 £m	2016 £m	2015 £m
Interest receivable and similar income	2.4	1.8	–	0.1
Received from other Group entities	–	–	6.8	10.9
	2.4	1.8	6.8	11.0

12. Interest payable and similar charges

	Group		Association	
	2016 £m	2015 £m	2016 £m	2015 £m
Loans and bank overdrafts	65.3	61.5	6.8	10.9
Finance related costs	1.8	1.0	–	0.6
Recycled capital grant fund	0.1	0.1	–	–
	67.2	62.6	6.8	11.5
Interest payable capitalised on housing properties under construction	(18.1)	(13.6)	–	–
	49.1	49.0	6.8	11.5
Capitalisation rates used to determine the finance costs capitalised during the year	4.8-6.1%	4.8-6.1%	–	–
Other financing costs through other comprehensive income				
Loss on fair value of hedged derivative instruments	2.5	34.7	–	–

13. Tax on surplus on ordinary activities

	Group		Association	
	2016 £m	2015 £m	2016 £m	2015 £m
Current tax				
UK corporation tax on surplus for the year	0.1	–	–	–
Adjustments in respect of prior years	–	–	–	–
Total current tax charge	0.1	–	–	–
Deferred tax				
Adjustment in respect of prior periods	–	1.9	–	–
Origination and reversal of timing differences	0.7	1.2	–	–
Effect of tax rate change on opening balance	(0.3)	–	–	–
Total deferred tax charge	0.4	3.1	–	–
Total charge in the year	0.5	3.1	–	–
Movement in deferred tax charge				
Provision at start of year	3.1	–	–	–
Deferred tax charged in the income and expenditure account for the year	0.4	3.1	–	–
Provision at end of year	3.5	3.1	–	–

A reconciliation of the tax charge to the surplus on ordinary activities before tax is provided below:

	Group		Association	
	2016 £m	2015 £m	2016 £m	2015 £m
Surplus/(deficit) on ordinary activities before tax:	114.5	73.2	(7.5)	0.9
UK corporation tax at 20% (2015: 21%)	22.9	15.4	(1.5)	0.2
Effects of:				
Other tax adjustments, reliefs and transfers	1.1	0.6	–	–
Capital gains	0.9	0.1	–	–
Deferred tax not recognised	0.5	(4.5)	–	–
Adjust closing deferred tax to average rate	(0.2)	–	–	–
Expenses not deductible for tax purposes	51.1	58.7	12.6	11.0
Income not taxable for tax purposes	(75.6)	(69.1)	(11.1)	(11.2)
Adjustment in respect of prior years	–	1.9	–	–
Fixed asset differences	(0.2)	–	–	–
Current tax charge for year	0.5	3.1	–	–

Notes to the financial statements (continued)

14. Tangible fixed assets – properties

Housing properties	Social Housing completed £m	Social Housing under construction £m	Shared Ownership completed £m	Shared Ownership under construction £m	Keyworker completed £m	Total £m
Cost or valuation						
At 1 April 2015	2,215.5	87.7	306.6	23.6	127.2	**2,760.6**
Prior period adjustment (note 34)	(14.3)	–	–	–	–	**(14.3)**
At 1 April 2015 as restated	2,201.2	87.7	306.6	23.6	127.2	**2,746.3**
Reclassification	(0.5)	0.5	0.3	(0.1)	(0.4)	**(0.2)**
Additions at cost						
Construction works	–	76.2	–	25.4	–	**101.6**
Works to existing properties	19.4	–	–	–	0.7	**20.1**
Transfer to equity loans	(3.5)	–	–	–	–	**(3.5)**
Transfer (to)/ from Investment properties	0.4	–	–	–	(0.4)	**–**
Transfer to current assets	–	(6.5)	(0.3)	(8.0)	–	**(14.8)**
Schemes completed	37.7	(37.8)	16.9	(16.8)	–	**–**
Disposals						
Planned disposals	(1.9)	–	–	–	–	**(1.9)**
Replaced components	(10.5)	–	–	–	(0.5)	**(11.0)**
Sales to other registered providers	(2.7)	–	–	–	–	(2.7)
Staircasing sales	–	–	(17.4)	–	–	**(17.4)**
Transfer to other fixed assets	(0.3)	–	–	–	–	**(0.3)**
At 31 March 2016	**2,239.3**	**120.1**	**306.1**	**24.1**	**126.6**	**2,816.2**
Depreciation and impairment						
At 1 April 2015	243.9	2.6	0.3	–	19.0	**265.8**
Reclassification	(0.2)	–	0.1	–	(0.2)	**(0.3)**
Charge for the year	24.3	–	–	–	1.7	**26.0**
Disposals						
Planned disposals	(0.3)	–	–	–	–	**(0.3)**
Replaced components	(5.2)	–	–	–	(0.4)	**(5.6)**
At 31 March 2016	**262.5**	**2.6**	**0.4**	**–**	**20.1**	**285.6**
Net book value						
At 31 March 2016	**1,976.8**	**117.5**	**305.7**	**24.1**	**106.5**	**2,530.6**
At 31 March 2015	1,957.3	85.1	306.3	23.6	108.2	2,480.5

The amount of cumulative interest capitalised in housing properties since 2009 is £31.1m. Reclassifications represent the reapportionment of base costs between tenures. Prior to the adoption of FRS 102 social housing grant was classified within fixed assets; under those accounting rules social housing and keyworker accumulated depreciation would have been £135.4m.

Housing properties book value, net of depreciation comprises

	Group	
	2016 £m	2015 £m
Freehold land and buildings	1,785.4	1,676.2
Long leasehold land and buildings	671.7	723.9
Short leasehold land and buildings	73.5	80.4
	2,530.6	2,480.5

Expenditure on works to existing properties

	Group	
	2016 £m	2015 £m
Amounts capitalised	20.1	19.8
Amounts charged to income and expenditure account	17.7	17.6
Total	37.8	37.4

The amounts charged to income and expenditure are split between £16.8m for social housing (2015: £17.4m) and £0.9m for investment properties (2015: £0.2m).

The amount of assets given as security (EUV basis of valuation) as at 31 March 2016 is £1,674m (2015: £1,576m).

Valuation for disclosure only

	Group
	2016 £m
Completed housing properties at valuation	2,422.2
Revaluation reserve – completed housing properties	950.2

For information purposes only, completed housing properties are valued at 31 March 2016 by Jones Lang LaSalle Limited and Savills (L&P), qualified professional independent external valuers.

The valuation of the properties was undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. Properties are valued either at Existing Use Value for Social Housing (EUV-SH), for all Social Housing and Shared Ownership properties, or Market Value Tenanted (MV- T) for all non-social housing.

In valuing housing properties, discounted cash flow methodology was adopted with key assumptions:

Social housing and shared ownership only

Discount rate	5.0%–6.25%
Rent assumptions:	
Social rented	Minus 1% for the next four years and CPI + 1.0% thereafter
Supported housing for older people	CPI or CPI +1.0% if under or on formula rent. Minus 1.0% for year's two to four and CPI + 1.0% thereafter.
Shared ownership	RPI +0.5%
Other rents	RPI +1.0% or in accordance with any relevant lease or nominations agreements.

15. Other tangible fixed assets

Group

	Furniture, fixtures and fittings £m	Leasehold offices £m	Freehold alterations £m	Computers, office equipment and motor vehicles £m	Freehold offices £m	Total £m
Cost						
At 1 April 2015	3.8	1.9	0.6	7.8	17.1	31.2
Additions	0.9	0.1	–	1.3	0.2	2.5
Transfer to/from fixed assets	–	–	–	–	0.3	0.3
Disposals	–	–	–	(1.3)	–	(1.3)
At 31 March 2016	**4.7**	**2.0**	**0.6**	**7.8**	**17.6**	**32.7**
Depreciation						
At 1 April 2015	2.0	0.9	0.6	4.7	1.8	10.0
Charged in year	0.4	0.2	–	1.8	0.3	2.7
Disposals	–	–	–	(1.3)	–	(1.3)
At 31 March 2016	**2.4**	**1.1**	**0.6**	**5.2**	**2.1**	**11.4**
Net book value						
At 31 March 2016	**2.3**	**0.9**	**–**	**2.6**	**15.5**	**21.3**
Net book value						
At 31 March 2015	1.8	1.0	–	3.1	15.3	21.2

16. Investment properties

Group

	Student accommodation £m	Market rent £m	Commercial £m	Properties under construction at cost £m	Total £m
At 1 April 2015	85.7	135.8	16.7	38.2	276.4
Additions	0.1	39.9	0.5	14.7	55.2
Disposals	–	(0.1)	(0.1)	–	(0.2)
Schemes completed	5.6	20.5	0.8	(26.9)	–
Transfer from /(to) fixed asset properties	0.4	0.2	(0.6)	–	–
Revaluation	4.9	24.8	0.4	–	30.1
At 31 March 2016	**96.7**	**221.1**	**17.7**	**26.0**	**361.5**

The Group's investment properties are valued annually on 31 March at fair value, determined by Jones Lang LaSalle Limited, qualified professional independent external valuers. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual.

In valuing investment properties, a discounted cash flow methodology was adopted with the following key assumptions:

Discount rate	5.25%
Annual inflation rate	2%
Level of long term annual rent increase	RPI +1%

Commercial properties have been valued using a term and reversion method (where the current rental stream has been capitalised for the term certain of the lease and thereafter the market rent has been capitalised into perpetuity).

Full vacant possession for the market rent properties at 31 March 2016 is £247.9m. This gives an indication of the worth of these if they were to be sold individually in the open property market.

Student accommodation has been valued using a market based approach, where each asset has been valued on an individual basis.

The surplus on revaluation of investment property arising of £30.1m (2015: £28.2m) has been credited to the statement of comprehensive income for the year.

If investment property had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

	Student accommodation £m	Market rent £m	Commercial £m	2016 £m	2015 £m
Historic cost	**63.5**	**161.2**	**8.5**	**233.2**	154.8
Accumulated depreciation	**(10.1)**	**(5.9)**	**(0.4)**	**(16.4)**	(15.3)
	53.4	**155.3**	**8.1**	**216.8**	139.5

17. Investments – Homebuy loans

Group

	2016 £m	2015 £m
At 1 April	**3.2**	3.3
Loans redeemed	**(0.3)**	(0.1)
At 31 March	**2.9**	3.2

Investments in Homebuy loans represent an equity stake in third party properties purchased under the Homebuy scheme. Security for the loans is provided by the assets the loans relate to. Terms of repayment for all loans are on redemption.

18. Fixed asset investments

Group

	Equity loans £m	Other £m	Total £m
Cost			
At 1 April 2015	2.4	21.3	23.7
Prior year adjustment (note 34)	0.2	–	0.2
At 1 April 2015 as restated	2.6	21.3	23.9
Additions	0.2	0.3	0.5
Transfer from fixed assets	3.5	–	3.5
Disposal/redeemed	(0.3)	(9.4)	(9.7)
Movement in fair value	–	0.1	0.1
At 31 March 2016	**6.0**	**12.3**	**18.3**

Equity loans are advances made in relation to discounted sales of housing and are secured on the properties sold. They are stated at cost and independent valuers have confirmed the value at 31 March 2016 is not less than the cost.

Other investments relate to the following, representing fair value remeasurements:

	31 March 2016		31 March 2015	
	Cost £m	Market value £m	Cost £m	Market value £m
Investments listed on a recognised stock exchange	**1.2**	**1.3**	1.2	1.4
British government securities	**3.2**	**5.0**	3.2	4.9
Cash and similar investments	**5.5**	**5.5**	15.0	15.0
Other	**0.5**	**0.5**	–	–
	10.4	**12.3**	19.4	21.3

Group

	Jointly controlled entities £m
Cost	
At 1 April 2015	55.1
Additions	11.9
Disposal/redeemed	(4.8)
At 31 March 2016	**62.2**
Share of retained profits	
At 1 April 2015	(0.3)
Profit for the year	2.7
Distributions	(6.4)
At 31 March 2016	**(4.0)**
Net book value	
At 31 March 2016	**58.2**
At 31 March 2015	54.8

There was no premium on acquisition relating to the jointly controlled entities.

The Group holds an interest in six jointly controlled entities through A2Dominion Developments Limited:

Entity	Country of incorporation or registration	Partner	Group Interest	Group voting rights
Essex Wharf Homes LLP	England	Sherry Green Homes Limited	50%	50%
Green Man Lane LLP	England	Real (Ealing) Limited	50%	50%
Queens Wharf Riverside LLP	England	Hammersmith Developments Holdco Limited	50%	50%
Keybridge House LLP	England	Mount Anvil (Keybridge) Limited	50%	50%
Crest A2 (Walton Court) LLP	England	Crest Nicholson Operations Limited	50%	50%
Secure Storage Solutions LLP	England	Tim Woodcock and Tickland Limited	25%	50%

The amount included in respect of jointly controlled entities includes the following:

	Essex Wharf Homes LLP £m	Green Man Lane LLP £m	Queens Wharf Riverside LLP £m	Keybridge House LLP £m	Crest A2 (Walton Court) LLP £m	Secure Storage Solutions LLP £m	Total £m
Turnover	10.6	–	–	–	–	–	10.6
Cost of sales and administration expenses	(6.8)	–	–	–	–	–	(6.8)
Other finance costs	–	–	0.1	(1.2)	–	–	(1.1)
Surplus for the year	**3.8**	**–**	**0.1**	**(1.2)**	**–**	**–**	**2.7**
Share of:							
Current assets	0.1	16.6	38.3	59.7	11.9	0.1	126.7
Liabilities due within in one year	–	(16.6)	(20.9)	(31.0)	–	–	(68.5)
Net assets	**0.1**	**–**	**17.4**	**28.7**	**11.9**	**0.1**	**58.2**
Share of capital commitments	**–**	**52.1**	**33.5**	**81.9**	**–**	**–**	**167.5**

18. Fixed asset investments (continued)

The principal undertakings in which the Association has an interest are as follows:

Company	Country of incorporation or registration	Group's share of ordinary share capital	Nature of business	Nature of entity
A2Dominion Enterprises Limited	England	100%	Dormant Company	Incorporated Company
A2Dominion Housing Options Limited	England	100%	Rents properties for affordable housing	Non-charitable registered provider of social housing
A2Dominion Housing Finance Limited	England	100%	Raise funds for the operational business	Non-charitable Co-operative and Benefit Society
A2Dominion South Limited	England	100%	Rents properties for social housing	Registered provider of social housing
A2Dominion Homes Limited	England	100%	Rents properties for social housing	Registered provider of social housing
A2Dominion Residential Limited	England	100%	Rents properties at market rents	Incorporated Company
A2Dominion Developments Limited	England	100%	Develops and sells properties	Incorporated Company
A2Dominion Treasury Limited	England	100%	Raise funds for the operational business	Incorporated Company
A2Dominion Investments Limited	England	100%	Dormant Company	Incorporated Company
Affordable Property Management Limited	England	100%	Dormant Company	Incorporated Company
Home Farm Exemplar Limited	England	100%	Non Trading	Incorporated Company
Kingsbridge Residential Limited	England	100%	Dormant Company	Incorporated Company
Pyramid Plus London LLP	England	70%	Property maintenance services	Limited Liability Partnership
Pyramid Plus South LLP	England	70%	Property maintenance services	Limited Liability Partnership
Upper Richmond Buildings Limited	England	100%	Non Trading	Incorporated Company
A2D Funding PLC	England	–	Issue retail bonds and lend proceeds	Public Limited Company
A2D Funding II PLC	England	–	Issue retail bonds and lend proceeds	Public Limited Company

19. Properties for sale

	Group	
	2016 £m	2015 £m
Open market sale – completed properties	**2.2**	4.4
Open market sale – under construction	**183.2**	205.6
Shared ownership – completed properties	**3.7**	2.5
Shared ownership – under construction	**7.1**	14.5
Land held for development	**0.6**	1.7
Agency schemes for sale	**4.4**	14.5
	201.2	243.2

Capitalised interest included in the stock balances is £19.7m (2015: £18.3m).

20. Debtors

	Group		Association	
	2016 £m	2015 £m	2016 £m	2015 £m
Due within one year				
Rent and service charges receivable	**11.8**	11.7	**–**	–
Less: Provision for bad and doubtful debts	**(6.0)**	(6.1)	**–**	–
Net arrears	**5.8**	5.6	**–**	–
Trade debtors	**0.1**	0.2	**0.2**	0.2
Other debtors	**15.1**	11.6	**8.8**	3.0
VAT recoverable	**2.0**	–	**–**	–
Deposits on purchased schemes	**3.0**	–	**–**	–
Prepayments and accrued income	**9.1**	4.9	**0.9**	1.1
Amounts due from Group entities	**–**	–	**10.2**	8.2
Capital and agency debtors	**6.7**	22.8	**–**	–
	41.8	45.1	**20.1**	12.5
Due after more than one year				
Loans due from subsidiary undertakings under on-lending arrangements	**–**	–	**131.3**	138.5
Deposits on purchased schemes	**27.1**	26.0	**–**	–
Loans due from jointly controlled entities	**34.7**	19.9	**–**	–
Capital and agency debtors	**1.9**	–	**–**	–
Other debtors	**0.6**	6.6	**–**	–
	64.3	52.5	**131.3**	138.5
	106.1	97.6	**151.4**	151.0

21. Current asset investments

	Group		Association	
	2016 £m	2015 £m	2016 £m	2015 £m
Money market deposits	8.0	9.0	8.0	9.0

22. Cash at bank and in hand

	Group		Association	
	2016 £m	2015 £m	2016 £m	2015 £m
Cash at bank	31.2	24.0	16.2	13.9
Sinking funds	6.1	5.4	–	–
	37.3	29.4	16.2	13.9

At 31 March 2016 £1.3m (2015: £1.2m) of cash balances were charged to lenders.

23. Creditors: amounts falling due within one year

	Group		Association	
	2016 £m	2015 £m	2016 £m	2015 £m
Loans and borrowings (note 28)	29.2	15.3	7.3	5.8
Trade creditors	7.0	10.8	3.2	4.7
Rent and service charges received in advance	10.1	10.3	–	–
Deferred capital grant (note 25)	15.0	17.6	–	–
Recycled Capital Grant Fund (note 26)	6.6	4.8	–	–
Disposal Proceeds Fund (note 27)	0.5	0.8	–	–
Amounts owed to Group entities	–	–	29.4	19.6
Other taxation and social security	1.1	1.3	1.0	1.1
Other creditors	6.6	3.7	2.1	2.1
Accruals and deferred income	20.3	20.1	4.1	3.1
Interest accrued	5.7	4.9	–	–
Capital creditors	3.4	22.1	–	–
	105.5	111.7	47.1	36.4

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

	Group		Association	
	2016 £m	2015 £m	2016 £m	2015 £m
Loans and borrowings (note 28)	1,335.3	1,332.8	131.3	138.5
Deferred capital grant (note 25)	1,011.0	1,023.5	–	–
Interest rate SWAP – cash flow hedge	84.8	84.2	–	–
Recycled Capital Grant Fund (note 26)	14.4	14.1	–	–
Sinking funds	6.6	5.4	–	–
Disposal Proceeds Fund (note 27)	3.1	1.9	–	–
Capital creditors	5.4	2.8	–	–
Deferred tax (note 32)	3.5	3.1	–	–
	2,464.1	2,467.8	131.3	138.5

25. Deferred capital grant

	2016 Housing property £m	2016 Homebuy £m	2016 Total £m	2015 Housing property £m	2015 Homebuy £m	2015 Total £m
At 1 April	1,038.0	3.1	1,041.1	1,032.7	3.3	1,036.0
Grants received during the year:						
– Housing properties	7.7	–	7.7	23.4	–	23.4
– Recycled Capital Grant Fund	4.8	–	4.8	4.6	–	4.6
– Disposal Proceeds Fund	0.9	–	0.9	–	–	–
Grants recycled during the year:						
– Recycled Capital Grant Fund	(5.9)	(0.2)	(6.1)	(7.3)	(0.2)	(7.5)
– Disposal Proceeds Fund	(0.6)	–	(0.6)	(0.5)	–	(0.5)
Amortised grant	(16.1)	–	(16.1)	(14.9)	–	(14.9)
Transfer on asset disposal to other registered provider	(5.7)	–	(5.7)	–	–	–
At 31 March	1,023.1	2.9	1,026.0	1,038.0	3.1	1,041.1
Due within one year	15.0	–	15.0	17.6	–	17.6
Due in more than one year	1,008.1	2.9	1,011.0	1,020.4	3.1	1,023.5

Without the amortisation of grant introduced under FRS 102, the amount of grant as at 31 March 2016 would have been £1,187.0m.

	Group	
	2016 £m	2015 £m
Work in progress grant	38.7	41.2
Completed grant	1,148.3	1,131.8
	1,187.0	1,173.0

Notes to the financial statements (continued)

26. Recycled Capital Grant Fund

Group	HCA 2016 £m	GLA 2016 £m	Total 2016 £m	HCA 2015 £m	GLA 2015 £m	Total 2015 £m
At 1 April	4.1	14.8	18.9	4.4	11.5	15.9
Inputs to fund:						
Grants recycled from deferred capital grants	0.8	5.3	6.1	1.7	5.8	7.5
Grants recycled from statement of comprehensive income	0.1	0.6	0.7	–	–	–
Interest accrued	–	0.1	0.1	–	0.1	0.1
Recycling of grant:						
New build	(1.4)	(3.4)	(4.8)	(2.0)	(2.6)	(4.6)
At 31 March	3.6	17.4	21.0	4.1	14.8	18.9
Due within one year	0.8	5.8	6.6	1.4	3.4	4.8
Due in more than one year	2.8	11.6	14.4	2.7	11.4	14.1

Withdrawals from the recycled capital grant fund were used for the purchase and development of new housing schemes for letting and for approved works to existing properties.

A contingent liability exists on grant repayment which is dependent on the disposal of related property.

27. Disposal Proceeds Fund

Group	HCA 2016 £m	GLA 2016 £m	Total 2016 £m	HCA 2015 £m	GLA 2015 £m	Total 2015 £m
At 1 April	0.6	2.1	2.7	0.4	0.9	1.3
Inputs to fund:						
Funds recycled from deferred capital grants	0.3	0.3	0.6	–	0.5	0.5
Funds recycled from statement of comprehensive income	0.1	1.1	1.2	0.2	0.7	0.9
New build	(0.4)	(0.5)	(0.9)	–	–	–
At 31 March	0.6	3.0	3.6	0.6	2.1	2.7
Due within one year	0.2	0.3	0.5	0.2	0.6	0.8
Due in more than one year	0.4	2.7	3.1	0.4	1.5	1.9

Withdrawals from the disposal proceeds fund were used for approved works to existing properties.

28. Loans and borrowings

	Group		Association	
	2016 £m	2015 £m	2016 £m	2015 £m
Due within one year				
Bank overdraft	0.1	0.1	0.1	0.1
Bank loans	27.8	13.9	7.2	5.7
Other loans	1.3	1.3	–	–
	29.2	15.3	7.3	5.8

	Group 2016 £m	Group 2015 £m	Association 2016 £m	Association 2015 £m
Due after more than one year				
Bank loans	1,024.0	1,019.8	131.3	138.5
Other loans	318.6	319.9	–	–
Loan issue costs	(7.3)	(6.9)	–	–
	1,335.3	1,332.8	131.3	138.5

	Group 2016 £m	Group 2015 £m	Association 2016 £m	Association 2015 £m
Within one year	29.2	15.3	7.3	5.8
Between one and two years	32.9	25.8	6.5	5.8
Between two and five years	128.6	118.8	19.1	18.4
After five years	1,181.1	1,195.1	105.7	114.3
Loan issue costs	(7.3)	(6.9)	–	–
	1,364.5	1,348.1	138.6	144.3

Loans and borrowings consist of bank loans secured by fixed charges on individual properties and proceeds from two retail bonds.

	Loan balance £m	Premium/ (discount) £m	Interest Rate Lowest	Interest Rate Highest	Interest Rate Weighted average	Margin Lowest	Margin Highest
Loans on floating rates	144.5	–	LIBOR	LIBOR	LIBOR	0.23%	0.75%
Floating rate loans hedged with interest rate swaps	238.9	–	4.04%	4.96%	4.62%	0.22%	1.35%
Non-cancellable floating rate loans hedged with embedded fixes	516.3	–	3.45%	5.97%	4.75%	0.23%	0.75%
Index linked loans	3.3	–	3.88%	5.50%	3.88%	0.00%	0.63%
Bond issue	448.4	0.4	1.96%	11.50%	5.49%	0.00%	0.00%
Total	**1,351.4**	**0.4**					

The bank and other loans are repaid by bullet payments or in half-yearly and quarterly instalments and are fixed and variable rates of interest ranging from 0.76% (LIBOR + margin) to 11.5%. The final instalments fall to be repaid in the period 2019 to 2044 as tabulated below:

	Interest rate maturity ladder[1] £m	Loan repayments bullet £m	Loan repayments Instalment £m
Within 1 year	148.7	2.5	25.4
2 to 5 years	160.9	28.9	127.3
6 to 10 years	189.5	150.0	204.7
11 to 15 years	212.8	150.0	248.3
16 to 20 years	270.5	56.1	189.2
21 to 25 years	229.5	50.0	98.3
More than 25 years	139.9	–	21.1
Total	1,351.8	437.5	914.3

[1]The interest rate maturity ladder indicates the timeline of when periods of fixed interest rates within the Groups loan portfolio end which is not necessarily the same timeline as the underlying borrowing.

28. Loans and borrowings (continued)

At 31 March 2016 the Group had undrawn loan facilities of £353.2m (2015: £290.2m) which carry margins between 0.23% and 1.4%.

Cash balances held at 31 March 2016 include £1.3m (2015: £1.2m) charged to lenders.

29. Financial instruments

	Group		Association	
Financial assets	2016 £m	2015 £m	2016 £m	2015 £m
Financial assets measured at historical cost:				
– Trade receivables	**0.1**	0.2	**0.2**	0.2
– Rent and service charge	**11.8**	11.7	**–**	–
– Other receivables	**65.5**	71.9	**151.2**	150.8
– Investments	**21.2**	27.1	**–**	–
– Investments in short term deposits	**8.0**	9.0	**8.0**	9.0
– Cash and cash equivalents	**37.3**	29.4	**16.2**	13.9
Financial assets that are debt instruments measured at amortised cost:				
– Loans receivable	**34.7**	19.9	**–**	–
Total financial assets	**178.6**	169.2	**175.6**	173.9

	Group		Association	
Financial liabilities	2016 £m	2015 £m	2016 £m	2015 £m
Financial liabilities measured at historical cost:				
– Trade creditors	**7.0**	10.8	**3.2**	4.7
– Other creditors	**1,113.3**	1,136.4	**36.6**	25.9
Derivative financial instruments designated as standalone interest rate swaps without options measured at fair value[1]	**84.8**	84.2	**–**	–
Financial liabilities measured at amortised cost:				
– Loans payable	**1,364.5**	1,348.1	**138.6**	144.3
Total financial liabilities	**2,569.6**	2,579.5	**178.4**	174.9

[1] The fair value of the derivative financial instrument is estimated in accordance with FRS 102 section 11 paragraph C.

These are the interest rate swaps without options to receive floating/pay fixed rates for a fixed period:

Entity	Profile	Notional £m	Swap Fixed Rate	Start Date	End Date	Payments	LIBOR Basis
A2Dominion South	Bullet	35.0	4.570%	30/05/2013	30/11/2037	Quarterly	3 Month
A2Dominion South	Bullet	25.0	4.450%	01/04/2009	01/07/2035	Quarterly	3 Month
A2Dominion South	Bullet	25.0	4.520%	21/05/2013	21/05/2038	Quarterly	3 Month
A2Dominion South	Amortising	40.0	4.760%	30/06/2011	05/09/2030	Quarterly	3 Month
A2Dominion South	Amortising	22.9	4.250%	30/06/2011	30/12/2022	Quarterly	3 Month
A2Dominion Homes	Bullet	15.0	4.75%	–	31/12/2017	Quarterly	3 Month
A2Dominion Homes	Bullet	16.0	4.040%	01/01/2009	22/09/2036	Quarterly	3 Month
A2Dominion Homes	Bullet	30.0	4.960%	30/09/2009	30/09/2018	Quarterly	3 Month
A2Dominion Homes	Bullet	30.0	4.930%	30/09/2009	30/09/2019	Quarterly	3 Month
A2Dominion Housing Options	Bullet	15.5	4.460%	01/07/2005	02/07/2035	Quarterly	3 Month

The Group holds floating rates loans, which expose the Group to interest rate risk, to mitigate this risk, the Group uses interest rate swaps.

During the year the change in fair value of the interest rate swaps was a £0.6m loss (2015: £33.8m).

Of the total notional value, £62.9m are amortising in line with the underlying debt.

Security

Where security is required in respect of the negative fair values of the standalone derivatives, this has been provided by way of cash and first fixed charges over completed housing properties. As at 31 March 2016 the amount of cash posted as collateral was £nil (2015: £12.6m) and the value of properties charged was £45.5m (2015: £33.7m). No additional security is required in respect of embedded derivatives.

Financial institution disclosures

The Group has two retail bond arrangements in place. All borrowings are unsecured but are guaranteed by the parent company, A2Dominion Housing Group Limited. Borrowings are repayable by bullet payments in 2022 (£150.0m) and 2026 (£150.0m) and rates of interest are fixed at 4.75125% and 4.50125% respectively. Total issue costs incurred of £2.2m have been deducted from the initial carrying value and will be charged to the statement of comprehensive income as part of the interest charge using the effective interest rate method.

Retail bonds	2016 £m	2015 £m
Financial liabilities that are debt instruments measured at amortised cost	298.1	298.0

The retail bonds are not secured but are guaranteed by the parent company. The loan covenants of the bonds state the asset cover of unencumbered stock against the loans' value cannot fall below 130%.

The risks associated with these bonds are as follows:

- Credit & liquidity risks:

The risk of being unable to service the bonds or repay the principles as they fall due. The Group manages its cash flow requirements by monitoring medium and long-term cash flows monthly. The Group also monitors its loan repayment profile and ensures as far as possible that when negotiating facilities maturity dates are spread.

- Market risk:

As coupon rates remain unchanged throughout the life of the bonds, the Group is not exposed to fluctuations in interest rates. There is a risk that as the bonds mature the Group may not be able to refinance them at similar rates. The Group monitors and manages this risk by modelling the impact of interest rate rises in its long term forecasts. The Group has extended loan facilities to two LLPs which are joint ventures between A2Dominion Developments Limited and a third party. These are financed with proceeds of a retail bond issued by the Group (note 28). Any interest and other fees receivable are added to the loan and will be paid when the facility matures. Loan interest payable on monies borrowed to on-lend are paid as they fall due. At 31 March, amounts due and payable in respect of these loans are as follows:

Financial assets	2016 £m	2015 £m
Loans to joint ventures, measured at amortised cost	25.9	19.4

Financial liabilities	2016 £m	2015 £m
Loans from external lenders, measured at amortised cost	(22.1)	(18.3)

Turnover and costs relating to these loans are as follows:

Turnover	2016 £m	2015 £m
Loans to joint ventures, measured at amortised cost	3.0	1.2

Costs	2016 £m	2015 £m
Loans from external lenders, measured at amortised cost	(1.0)	(0.2)

The loans are for use by the LLP's to develop units for sale in London.

The risks associated with these loans are as follows:

- Credit risk

The risk of default from a borrower failing to make required payments. The Group shares control of the LLPs and monitors their performance to assess that the loan obligations can be met. The loans are secured against the projects being developed under the LLP agreements and the market value of these projects is in excess of the value of the loans.

29. Financial instruments (continued)

- Liquidity risk

Delays to the developments and associated income from the sales could impact on the LLP's ability to meet the loan terms. The Group manages this risk by careful monitoring of cashflow requirements (both of the Group and of the joint ventures) which are updated to reflect sales expectations including sales delay scenarios, ensuring that it always has sufficient cash to meet obligations as they fall due. Further, Group policy requires it to have spare committed facilities to draw on in the event of a sales downturn.

- Market risk

The loans receivable are linked to LIBOR whilst those payable are fixed, therefore there is a risk that were LIBOR to fall further interest receivable may not cover interest payable on monies borrowed to on-lend. However, the Group receives other income related to the loans (setup and exit fees and commitment fees on undrawn facility) which result in the all-in turnover from loans receivable exceeding costs. Conversely, an increase in LIBOR would increase the interest receivable without affecting costs.

30. Provisions for liabilities

Group	Pension £m	Major works and defects £m	Legal and contractual £m	Holiday pay £m	Total £m
At 1 April 2015	12.6	1.8	2.4	0.3	17.1
Charged to income and expense					
Additions	7.1	–	–	–	7.1
Contributions paid	(1.6)	–	–	–	(1.6)
Unwinding of discount factor	0.4	–	–	–	0.4
Utilised in the year	–	(0.9)	(0.8)	–	(1.7)
At 31 March 2016	**18.5**	**0.9**	**1.6**	**0.3**	**21.3**

The pension provision is the present value of the Social Housing Pension Scheme (SHPS) defined benefit scheme deficit contributions payable up to 2026 of £16.4m and £2.1m for provision for any future cessation events of the Oxford and Surrey LGPS schemes.

Major works and defects provisions reflects the latent defect work contractually required by the company but yet to be completed. The provision provided relates to a number of schemes with work expected to be completed within 18 months. The provision reflects the total cost the company expects to incur on its contractual liabilty.

The legal and contractual provision relates to an ongoing dispute and future contractual obligations.

Association	Pension £m	Contractual £m	Holiday pay £m	Total £m
At 1 April 2015	12.6	0.7	0.3	13.6
Charged to income and expense				
Additions	7.1	–	–	7.1
Contributions paid	(1.6)	–	–	(1.6)
Unwinding of discount factor	0.4	–	–	0.4
Utilised in the year	–	(0.1)	–	(0.1)
At 31 March 2016	**18.5**	**0.6**	**0.3**	**19.4**

31. Pensions

The Group's employees are members of the SHPS or the Surrey and Oxfordshire County Council Schemes or the Scottish Widows scheme. There are two Scottish Widows schemes which are defined contribution schemes. One scheme is operated by A2Dominion Housing Group Limited and has 2 members which is now closed to new entrants. The second Scottish Widows scheme is operated by Pyramid Plus London LLP and Pyramid Plus South LLP and has a total of 20 members. Further information on the other schemes is given below.

Social Housing Pension Scheme (Group and Association)

A2Dominion Housing Group Limited participates in both the SHPS defined benefit scheme (DB) and defined contribution scheme (DC). As at the balance sheet date there were 142 active members of the DB Scheme employed by A2Dominion Housing Group Limited and 627 active members of the DC Scheme.

During the year A2Dominion Housing Group Limited paid contributions at the rate of 20.6%. Member contributions varied between 8.0% and 11.9% depending on their age into the DB scheme. The Group and members contributed between a range of 2% to 8% into the DC scheme. The defined contributions cost for the year totalled £0.7m (2015: £0.7m) of which £0.1m (2015: £0.1m) was outstanding at the year end.

The long-term joint contribution rates that will apply from April 2016 required from the employers and members to meet the cost of future benefit accruals were assessed at:

Benefit structure	Long-term joint contribution rate (% of pensionable salaries)
Final salary with a 1/60th accrual rate	20.6
Career average revalued earnings with a 1/60th accrual rate	16.7

The DB scheme is a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

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

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

Deficit contributions

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

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

The financial assumptions underlying the valuation as at 30 September 2014 were as follows:

Valuation discount rates:	% pa
Pre retirement	5.9
Non-pensioner post retirement	3.3
Pensioner post retirement	3.3
Pensionable earnings growth	4.2
Price inflation	3.1

31. Pensions (continued)

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

Present values of provision

	2016 £m	2015 £m	2014 £m
Present value of provision	(16.4)	(12.6)	(13.5)

Reconciliation of opening and closing provisions

	2016 £m	2015 £m
Provision at start of period	(12.6)	(13.5)
Unwinding of the discount factor (interest expense)	(0.4)	(0.6)
Deficit contribution	1.6	1.5
Remeasurements – impact of change in assumptions	–	–
Remeasurements – amendments to the contribution schedule	(5.0)	–
Provision at the end of period	(16.4)	(12.6)

Income and expenditure impact

	2016 £m	2015 £m
Interest expense	(0.4)	(0.6)
Remeasurements – impact of change in assumptions	–	–
Remeasurements – amendments to the contribution schedule	(5.0)	–

Assumptions

	2016 %	2015 %	2014 %
Rate of discount	4.1	4.1	4.1

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 the company and the scheme at each year end period:

Deficit Contributions Schedule

	2016 £m	2015 £m	2014 £m
Year 1	**2.2**	1.6	1.5
Year 2	**2.3**	1.7	1.6
Year 3	**2.4**	1.8	1.7
Year 4	**2.5**	1.8	1.8
Year 5	**2.1**	1.9	1.8
Year 6	**1.8**	1.6	1.9
Year 7	**1.9**	1.2	1.6
Year 8	**1.6**	1.2	1.2
Year 9	**1.3**	1.0	1.2
Year 10	**1.3**	0.6	1.0
Year 11	**0.7**	1.7	0.6
Year 12	**–**	0.3	0.7
Year 13	**–**	–	0.3
Year 14	**–**	–	–

The company must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the statement of comprehensive income i.e. the unwinding of the discount rate as a finance cost in the period in which it arises.

It is these contributions that have been used to derive the company's statement of financial position liability.

Employer participation in the scheme is subject to adherence with the employer responsibilities and obligations as set out in the "SHPS House Policies and Rules Employer Guide".

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

- Final salary with a 1/60th accrual rate.
- Final salary with a 1/70th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate.

From April 2010 there are a further two benefits structures available, namely:

- Final salary with a 1/80th accrual rate
- Career average revalued earnings with a 1/80th accrual rate

The DC scheme was made available from 1 October 2010 which is the only scheme open to all new employees, as the Group closed its DB scheme to new entrants in 2010.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

A2Dominion Housing Group Limited has operated the final salary with a 1/60th accrual rate and career average revalued earnings with a 1/60th accrual rate benefit structure for active members as at 31 March 2016.

The Trustee commissions an actuarial valuation of the scheme every three years. The main purpose of the valuation is to determine the financial position of the scheme in order to determine the level of future contributions required, in respect of each benefit structure, so that the scheme can meet its pension obligations as they fall due. From April 2007 the split of the total contribution rate between member and employer is set at individual employer level, subject to the employer paying no less than 50% of the total contribution. From 1 April 2010 the requirement for the employer to pay at least 50% of the total contributions no longer applied.

31. Pensions (continued)

The actuarial valuation assesses whether the scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

Employers that participate in the scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate).

Employers that have closed the scheme to new entrants are required to pay an additional employer contribution loading of 2.5% to reflect the higher costs of a closed arrangement.

A small number of employers are required to contribute at a different rate to reflect the amortisation of a surplus or deficit on the transfer of assets and past service liabilities from another pension scheme into the scheme.

Employers joining the scheme after 1 October 2002 that do not transfer any past service liabilities to the scheme pay contributions at the on-going future service contribution rate. This rate is reviewed at each valuation and applies until the second valuation after the date of joining the scheme, at which point the standard employer contribution rate is payable. Contribution rates are changed on the 1 April that falls 18 months after the valuation date.

A copy of the recovery plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the scheme (which would effectively amend the terms of the recovery plan).

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

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

The leaving employer's share of the buy-out debt is the proportion of the scheme's liability attributable to employment with the leaving employer compared to the total amount of the scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total scheme liabilities, scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

A2Dominion Housing Group Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme based on the financial position of the scheme as at 30 September 2015. As of that date the estimated employer debt for A2Dominion Housing Group Limited was £104.2m.

Local Government Pension Schemes
The Group participates in two local government pension schemes: Surrey County Council Pension Fund and Oxfordshire County Council Local Government Pension Fund.

Surrey County Council Pension Fund (SCCPF) (Association)
The SCCPF is a multi-employer scheme, administered by Surrey County Council under regulations governing the Local Government Pension Scheme, a defined benefit scheme. The most recent formal actuarial valuation was completed on 31 March 2016. The employer's contributions to the SCCPF by the Association for the year ended 31 March 2016 were £233,000 at a contribution rate of 26.4% of pensionable salaries, set until the next funding valuation. This scheme is closed to new entrants.

Oxfordshire County Council Local Government Pension Scheme (OCCLGPS) (Group)
The Group also has 15 employees who participate in OCCLGPS. The scheme is a defined benefit scheme based on final salary. Pension benefits depend generally upon age, length of service and salary level. The Group also provides retirees with at least five years of service and who are at least 55 with other post-retirement benefits which include life insurance. This scheme is closed to new entrants.

Reconciliation of present value liabilities

	2016 SCCPF £m	2016 OCCLGPS £m	2016 Total £m	2015 SCCPF £m	2015 OCCLGPS £m	2015 Total £m
At the beginning of the year	(9.7)	(11.3)	(21.0)	(8.9)	(9.2)	(18.1)
Current service cost	–	(0.2)	(0.2)	(0.1)	(0.2)	(0.3)
Interest cost	(0.3)	(0.4)	(0.7)	(0.3)	(0.4)	(0.7)
Actuarial gains/(losses)	0.5	0.9	1.4	(0.6)	(1.6)	(2.2)
Benefits paid	0.6	0.2	0.8	0.2	0.1	0.3
At the end of the year	(8.9)	(10.8)	(19.7)	(9.7)	(11.3)	(21.0)

Reconciliation of fair value of plan assets

	2016 SCCPF £m	2016 OCCLGPS £m	2016 Total £m	2015 SCCPF £m	2015 OCCLGPS £m	2015 Total £m
At the beginning of the year	7.5	7.7	15.2	6.6	6.9	13.5
Interest income on plan assets	0.2	0.3	0.5	0.3	0.3	0.6
Actuarial (losses)/gains	(0.1)	(0.3)	(0.4)	0.6	0.5	1.1
Contributions by Group	0.2	0.2	0.4	0.2	0.2	0.4
Benefits paid	(0.6)	(0.3)	(0.9)	(0.2)	(0.2)	(0.4)
At the end of the year	7.2	7.6	14.8	7.5	7.7	15.2

	2016 SCCPF £m	2016 OCCLGPS £m	2016 Total £m	2015 SCCPF £m	2015 OCCLGPS £m	2015 Total £m
Fair value of plan assets	7.2	7.6	14.8	7.5	7.7	15.2
Present value of plan liabilities	(8.9)	(10.8)	(19.7)	(9.7)	(11.3)	(21.0)
Net pension scheme liability	(1.7)	(3.2)	(4.9)	(2.2)	(3.6)	(5.8)

Amounts recognised in income and expenditure are as follows:

	2016 SCCPF £m	2016 OCCLGPS £m	2016 Total £m	2015 SCCPF £m	2015 OCCLGPS £m	2015 Total £m
Included in administrative expenses:						
Current service cost	–	(0.2)	(0.2)	(0.1)	(0.2)	(0.3)
Past service cost	–	–	–	–	–	–
	–	(0.2)	(0.2)	(0.1)	(0.2)	(0.3)
Amounts included in other finance costs	(0.1)	(0.1)	(0.2)	(0.1)	(0.1)	(0.2)
Net interest cost	(0.1)	(0.1)	(0.2)	(0.1)	(0.1)	(0.2)

31. Pensions (continued)

Analysis of actuarial loss recognised in other comprehensive income

	2016			2015		
	SCCPF £m	OCCLGPS £m	Total £m	SCCPF £m	OCCLGPS £m	Total £m
Actual return less interest income included in net interest income	(0.1)	(0.3)	(0.4)	0.6	0.5	1.1
Experience gains and losses arising on the scheme liabilities	0.1	–	0.1	0.1	–	0.1
Changes in assumptions underlying the present value of the scheme liabilities	0.4	0.9	1.3	(0.7)	(1.6)	(2.3)
	0.4	0.6	1.0	–	(1.1)	(1.1)

Composition of plan assets

	2016			2015		
	SCCPF £m	OCCLGPS £m	Total £m	SCCPF £m	OCCLGPS £m	Total £m
Equities	5.4	4.9	10.3	5.7	5.2	10.9
Bonds and gilts	1.2	1.3	2.5	1.2	1.2	2.4
Property	0.5	0.6	1.1	0.5	0.4	0.9
Cash	0.1	0.2	0.3	0.1	0.2	0.3
LLP's	–	0.3	0.3	–	0.3	0.3
Diversified Growth Fund	–	0.3	0.3	–	0.4	0.4
Total plan assets	7.2	7.6	14.8	7.5	7.7	15.2
Actual return on plan assets	0.1	–	0.1	0.9	0.8	1.7

Principal actuarial assumptions used at the balance sheet date

	SCCPF %	OCCLGPS %	SCCPF %	OCCLGPS %
Discount rates	3.4	3.7	3.1	3.4
Future salary increases	3.6	4.2	3.5	4.3
Future pension increases	2.1	2.4	2.1	2.5
Inflation assumption	2.1	2.4	2.1	2.5

Mortality rates

	years	years	years	years
For a male aged 65 now	22.5	23.3	22.5	23.3
At 65 for a male member aged 45 now	24.5	25.6	24.5	25.5
For a female aged 65 now	24.6	25.8	24.6	25.7
At 65 for a female member aged 45 now	26.9	28.1	26.9	28.0

32. Deferred Tax

	Group	
	2016 £m	2015 £m
Deferred tax liabilities		
Investment property revaluations	3.5	3.1

The net reversal of deferred tax and liabilities expected in 2017 is not possible to estimate. Further reversals or increases in deferred tax balance may arise as a result of revaluations of investment property and financial instruments. As the future deferred tax balances, if any will be dependent on future changes in fair values of assets and liabilities, it is not possible to estimate any further future reversals.

33. Non-equity share capital

Shares of £1 each issued and fully paid

	2016 £m	2015 £m
At 1 April	7	7
Shares issued during the year	1	2
Shares surrendered during the year	(3)	(2)
At 31 March	5	7

The shares provide members with the right to vote at general meetings, but do not provide any rights to dividends or distributions on a winding up.

34. Prior period adjustment

The Group records the assets of any entities that have been acquired through merger at fair value as at the date of acquisition. During the year all assets subject to fair value on acquisition were reviewed for the years 2008 through to 2015 and the prior period adjustment reflects the adjustment between historical cost and the fair value of the assets still held.

Equity loans for the value below had not been recognised in the statement of financial position. They have now been accounted for and both the financial position and statement of comprehensive income have been restated.

	Housing property £m	Investments – other £m	Revenue reserves brought forward £m	Surplus in year £m
As previously stated at 31 March 2015	2,760.6	23.7	557.4	73.4
Fair value adjustment	(14.3)	–	(13.9)	(0.4)
Restatement of equity loans	–	0.2	–	0.2
As restated at 31 March 2015	2,746.3	23.9	543.5	73.2

35. Contingent liabilities

The Group receives grant from the Homes and Communities Agency and from the Greater London Authority, which is used to fund the acquisition and development of housing properties and their components. The Group has a future obligation to recycle such grant once the properties are disposed of. At 31 March 2016, the value of grant amortised in respect of these properties that had not been disposed of was £142.4m (2015: £157.6m).

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

36. Operating leases

The payments which the Group and Association are committed to make under operating leases are as follows:

	Group		Association	
	2016 £m	2015 £m	2016 £m	2015 £m
Land and buildings				
Within one year	4.6	4.8	1.6	1.6
Two to five years	11.2	11.6	5.8	6.1
Over five years	13.9	15.9	9.7	11.0
	29.7	32.3	17.1	18.7
Vehicles and other equipment	0.3	0.3	0.3	0.3

36. Operating leases (continued)

The Group had minimum lease receivables under non-cancellable operating leases as set out below:

	Group	
	2016 £m	2015 £m
Amounts receivable as lessor:		
Not later than one year	**8.8**	7.7
Later than 1 year and not later than 5 years	**19.1**	16.9
Later than 5 years	**35.1**	30.7
	63.0	55.3

Amounts receivable as a lessor includes only non-cancellable leases and excludes any lease that can be cancelled within a month by either party.

37. Capital commitments

Capital expenditure commitments were as follows:

	Group	
	2016 £m	2015 £m
Capital expenditure		
Expenditure contracted for but not provided in the financial statements	**251.5**	242.1
Expenditure authorised by the Board, but not contracted	**340.3**	590.0
Maintenance expenditure contracted and authorised by the board	**41.0**	44.4
	632.8	876.5

The Group expects to meet the above commitments from the following sources:

- Undrawn loan facilities totalling £353.2m (2015: £290.2m)
- Social housing grant and projected proceeds from first tranche sales of shared ownership dwellings and build for sale properties of £646.0m (2015: £1,223.2m).

38. Related party transactions

The ultimate controlling party of the Group is A2Dominion Housing Group Limited. There is no ultimate controlling party of A2Dominion Housing Group Limited.

A2Dominion Housing Group consists of the companies listed in note 18. The Group also has interests in six joint ventures detailed in note 18.

A2Dominion Housing Group Limited provides management and administration services to the companies within the Group. The most significant element of this is staff costs as the subsidiaries within the Group do not have their own employees apart from A2Dominion Homes Limited which has a small number of employees. The management costs are apportioned on a unit basis with sales and marketing costs on the number of sales. During the year A2Dominion Housing Group Limited provided management services to other Group entities and charged £39.7m (2015: £38.9m). At 31 March 2016 A2Dominion Housing Group Limited owed £19.2m to its subsidiaries (2015: £11.5m). This was in relation to working capital balances and management services.

Pyramid Plus London LLP and Pyramid Plus South LLP are apportioned management and administration services based on agreed values representing actual services provided.

The Group owns a 70% share in Pyramid Plus London LLP. The remaining 30% share is owned by Breyer Group PLC. The minority share of £0.2m (2015: £0.3m) relates to Breyer Group PLC's 30% share of the LLP's profit.

The Group owns a 70% share in Pyramid Plus South LLP. The remaining 30% share is owned by MITIE Property Services (UK) Limited. The minority share of £0.6m (2015: £0.7m) relates to MITIE Property Services (UK) Limited's 30% share of the LLP's profit.

The total management and administration costs apported in the year were:

	Association 2016 £m	Association 2015 £m
A2Dominion South Limited	17.1	16.8
A2Dominion Homes Limited	14.7	15.4
A2Dominion Housing Options Limited	1.1	1.0
A2Dominion Residential Limited	1.2	0.1
A2Dominion Developments Limited	4.2	4.1
Pyramid Plus London LLP	0.7	0.7
Pyramid Plus South LLP	0.7	0.8
	39.7	38.9

The board includes one tenant who holds a tenancy agreement on normal terms and cannot use their position to their advantage. The rent charged for the year was £6,274 (2015: £5,863) and the tenant had a credit balance of £29 at the 31 March 2016 (31 March 2015: credit balance of £143).

Intra-group transactions between the Group's registered providers and its non-regulated subsidiaries for the year ended 31 March 2016 are summarised as follows:

2016	Services provided £m	Gift Aid £m	Loan interest payable £m	Loan interest receivable £m	Loans creditors £m	Loans debtors £m	Other creditors £m	Other debtors £m
A2Dominion Developments Limited								
A2Dominion Homes Limited	40.8	(3.2)	(8.5)	–	(106.6)	–	(0.5)	–
A2Dominion South Limited	27.6	–	(7.8)	–	(106.6)	–	–	–
A2Dominion Housing Group Limited	–	–	–	–	–	–	–	–
A2Dominion Treasury Limited								
A2Dominion Homes Limited	–	–	–	5.2	–	77.2	–	–
A2Dominion South Limited	–	–	–	2.6	–	50.3	–	–
A2Dominion Housing Options Limited	–	–	–	0.2	–	–	–	–
A2Dominion Housing Group Limited	–	–	–	–	–	–	(2.1)	–
A2Dominion Residential Limited								
A2Dominion Homes Limited	–	(0.5)	–	–	–	–	–	–
A2Dominion Housing Finance Limited								
A2Dominion South Limited	–	–	–	0.3	–	30.0	–	–
Pyramid Plus London LLP								
A2Dominion Housing Group Limited	8.8	–	–	–	–	–	–	0.9
Pyramid Plus South LLP								
A2Dominion Housing Group Limited	12.3	–	–	–	–	–	–	1.5

A2Dominion Homes Limited and A2Dominion South Limited lend to A2Dominion Developments Limited at a fixed rate of 6% on a three year revolving facility. The loans are secured with floating charges.

A2Dominion Housing Finance Limited lends to A2Dominion South Limited at Libor + 0.4% - the facility is revolving until 2022 thereafter the drawn loan balance converts to term and is payable by instalments until 2033.

A2Dominion Treasury Limited lends to A2Dominion Homes Limited, A2Dominion South Limited and A2Dominion Housing Options Limited at an all-in rate of 4.5875%. These are the proceeds of retail bond 2 which matures in 2026 and must be repaid in full on that date. Any company may repay any part of their loan prior to that date, in such a case another company in the Group must borrow the funds to ensure that £150m remains due to A2Dominion Treasury Limited at all times. The loans are not secured.

38. Related party transactions (continued)

2015	Services provided £m	Gift Aid £m	Loan interest payable £m	Loan interest receivable £m	Loans creditors £m	Loans debtors £m	Other creditors £m	Other debtors £m
A2Dominion Developments Limited								
A2Dominion Homes Limited	14.6	(0.2)	(6.8)	–	(140.7)	–	(1.4)	–
A2Dominion South Limited	11.2	–	(5.7)	–	(124.3)	–	–	–
A2Dominion Housing Group Limited	–	–	–	–	–	–	(0.4)	–
A2Dominion Treasury Limited								
A2Dominion Homes Limited	–	–	–	3.6	–	119.1	(0.2)	–
A2Dominion South Limited	–	–	–	3.3	–	71.3	(0.1)	–
A2Dominion Housing Options Limited	–	–	–	0.3	–	5.8	(2.1)	–
A2Dominion Housing Group Limited	–	–	–	0.5	–	–	–	–
A2Dominion Housing Finance Limited								
A2Dominion South Limited	–	–	–	0.1	–	35.0	–	–
Pyramid Plus London LLP								
A2Dominion Housing Group Limited	8.5	–	–	–	–	–	–	0.8
Pyramid Plus South LLP								
A2Dominion Housing Group Limited	11.7	–	–	–	–	–	–	1.5

Transactions between Group entities and other related parties are summarised as follows:
A2Dominion Developments Limited has completed its joint venture partnership with Essex Wharf Homes LLP with all of the private development units now legally complete. During the year the final capital repayment of £4.3m was received by A2Dominion Developments Limited. (2015: £2.8m net contribution).

A2Dominion Developments Limited is a 50% joint venture partner of Green Man Lane LLP. A2Dominion Developments Limited provided a loan facility of £15.0m to Green Man Lane LLP. As at 31 March 2016, £8.2m (2015: £nil) was due to A2Dominion Developments Limited.

Rydon Construction Limited provided a loan facility of £15.0m to Green Man Lane LLP. As at 31 March 2016, £8.2m (2015: £nil) was due to Rydon Construction Limited. Rydon Construction Limited is a wholly owned subsidiary of Rydon Holdings Limited.

Green Man Lane LLP entered into lease agreements with A2Dominion Homes Limited for the lease of housing blocks and a car park at premiums totalling £6.0m (2015: £10.0m). The contractual term of the lease is 250 years and the premium for each lease is to be paid in 30 monthly instalments until paid in full.

During the year A2Dominion Developments Limited became a 50% joint venture partner of Crest A2 (Walton Court) LLP. Capital contributions of £11.9m (2015: £nil) were made to Crest A2 (Walton Court) LLP.

A2Dominion Treasury Limited has been provided with a loan facility of £150.0m (2015: £150.0m) by A2D Funding PLC. As at 31 March 2016, £150.0m (2015: £150.0m) was owed by A2Dominion Treasury Limited.

A2Dominion Treasury Limited has been provided with a loan facility of £150.0m (2015: £150.0m) by A2D Funding II PLC. As at 31 March 2016, £150.0m (2015: £150.0m) was owed by A2Dominion Treasury Limited.

A2Dominion Housing Group guarantees both bond issues principal and interest and interest in A2D Funding PLC and A2D Funding II PLC.

Pyramid Plus South LLP received services during the year from MITIE Property Services (UK) Limited with a value of £7.0m (2015: £5.9m). As at the 31 March 2016 £0.5m (2015: £0.7m) was owed by Pyramid Plus South LLP.

Pyramid Plus London LLP received services during the year from Breyer Group PLC with a value of £5.4m (2015: £5.2m). As at the 31 March 2016 £0.5m (2015: £0.6m) was owed by Pyramid Plus London LLP.

A2Dominion Residential Limited has entered into a funding agreement with Queens Wharf Riverside LLP a joint venture between A2Dominion Developments Limited and Hammersmith Developments Holdco Limited. As at the 31 March 2016 £8.3m (2015: £4.3m) was owed to A2Dominion Residential Limited. Due to FRS 102 adjustments, the interest and similar income receivable on this loan during the year was £0.1m (2015: £1.0m).

A2Dominion Residential Limited has entered into a funding agreement with Keybridge House LLP a joint venture between A2Dominion Developments Limited and Mount Anvil (Keybridge House) Limited. As at the 31 March 2016 £17.6m (2015: £15.1m) was owed to A2Dominion Residential Limited. The interest and similar income receivable on this loan during the year was £2.8m (2015: £0.1m). Additionally A2Dominion Residential Limited has paid a deposit of £23.0m (2015: £23.0m) for the purchase of properties to be held and used for market rent.

A2Dominion Residential Limited has paid a deposit of £3.0m (2015: £3.0m) to Green Man Lane LLP for the purchase of properties to be held and used for market rent.

39. First time adoption of FRS 102

Group

	Note	Reserves as at 1 April 2014 £m	Surplus for year ended 31 March 2015 £m	Revaluation movement on investments £m	Other compre-hensive income movement £m	Reserves as at 31 March 2015 £m
As previously stated under former UK GAAP		636.5	43.8	11.3	(1.4)	690.2
Prior year adjustment (note 34)		(13.9)	(0.2)	–	–	(14.1)
		622.6	43.6	11.3	(1.4)	676.1
Revaluation to fair value of fixed asset investments	a	–	0.9	(0.9)	–	–
Change to measurement of fixed assets depreciation and grant amortisation	b	10.0	2.1	–	–	12.1
Hedge financial instruments at fair value	c	(40.2)	0.9	–	–	(39.3)
Cash flow hedge reserve	d	(10.2)	–	–	(34.7)	(44.9)
Presentation of gains and losses on revaluation of investment property in profit or loss	e	30.0	28.2	(10.4)	–	47.8
Multi-employer defined benefit scheme treated as defined contribution	f	(13.5)	0.9	–	–	(12.6)
Pension finance and service cost	g	–	(0.3)	–	0.3	–
Holiday accrual	h	(0.3)	–	–	–	(0.3)
Deferred tax	i	–	(3.1)	–	–	(3.1)
		598.4	73.2	–	(35.8)	635.8

Association

	Note	Reserves as at 1 April 2014 £m	Surplus for year ended 31 March 2015 £m	Other compre-hensive income movement £m	Reserves as at 31 March 2015 £m
As previously stated under former UK GAAP		(3.9)	0.1	(0.1)	(3.9)
Multi-employer defined benefit scheme treated as defined contribution	f	(13.5)	0.9	–	(12.6)
Pension finance and service cost	g	–	(0.1)	0.1	–
Holiday accrual	h	(0.3)	–	–	(0.3)
		(17.7)	0.9	–	(16.8)

39. First time adoption of FRS 102 (continued)

Explanation of changes to previously reported surplus and reserves

a. FRS 102 requires that changes in the fair value of fixed asset investments to be recognised in income and expenditure for the period. Under previous UK GAAP these changes were recognised outside of income and expenditure and presented separately in a revaluation reserve. This change has increased the reported surplus for the year ended 31 March 2015 but has not affected the measurement of fixed asset investments on the statement of financial position.

b. The change is due to the required accounting treatment under FRS 102, whereby the Social Housing Grant (SHG) previously held within fixed assets is removed from the depreciable cost, held as a creditor, and amortised annually. The SHG previously allocated to the non-depreciating land component is now being amortised. In addition the SHG attributable to low cost home ownership is being amortised, whereas under current UK GAAP no depreciation is charged on such properties.

c. Interest rates swaps used for hedging purposes were previously not accounted for but are recognised under FRS 102. Ineffective movements on the derivatives values are recognised through income and expenditure.

d. Interest rate swaps used for hedging purposes were previously not accounted for but are recognised under FRS 102. Effective movements on the derivatives' values are recognised directly in reserves.

e. FRS 102 requires that changes in the fair value of investment properties be recognised in the profit or loss for the period. Under previous UK GAAP these changes were recognised outside of profit or loss and presented separately in a revaluation reserve. This change has increased reported profit for the year ended 31 March 2015 but has not affected the measurement of investment property on the statement of financial position.

f. SHPS is a multi-employer defined benefit scheme where liability cannot be attributed to individual employers. The defined benefit scheme is therefore accounted for under FRS 102 as if it was a defined contribution scheme. FRS 102 requires that a liability is recognised for any agreed deficit funding plan. The present value of the future deficit payments is calculated using the rate of an appropriate high yield corporate bond. This is recognised through the statement of comprehensive income and recorded as a liability in the statement of financial position.

g. An adjustment on the pension finance cost and service cost is a result of using financial assumptions that comply with FRS 102. The increase in the finance cost corresponds with the increase in other comprehensive income shown under actuarial gain/ (loss).

h. Under FRS 102 the liability attributable to holiday pay or any other employee entitlements is provided for through the statement of comprehensive income and recorded as a provision in the statement of financial position.

i. FRS 102 requires that deferred tax be recognised on revaluation of investment property. This was not required under previous UK GAAP unless there was a binding agreement to sell the revalued asset and the gains or losses expected to arise on sale had been recognised. This change has been retrospectively applied, leading to the recognition of additional deferred tax liabilities at the date of transition and to increase the deferred tax charge for the year ended 31 March 2015.

j. A2D Funding PLC and A2D Funding II PLC were created to issue the Group's bonds and on lend those funds to other Group companies and thus meet the definition of a special purpose entity (SPE). FRS 102 requires SPE's that are controlled by the Group are consolidated within the Group accounts. Both companies meet the definition of a SPE that is controlled by the Group, as the Group retains the risks, receives the majority of the benefits, has ultimate decision making powers and the activities of the SPE are being conducted on behalf of the Group.

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