

**WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
AN EXEMPT CHARITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Registered Co-operative and Community Benefit Society Number 28654R
Regulator of Social Housing Number L4185

Registered office: 4040 Lakeside
Solihull Parkway
Birmingham
B37 7YN

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES

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WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES BOARD, EXECUTIVE DIRECTORS AND ADVISERS

Board

Colin Dennis (Chair)	
James Brooks-Ward	(Resigned 31 December 2017)
John Creswell (Senior Independent Director)	
Richard Grainger	
Janice Nichols	
Richard Nowell	(Appointed 6 August 2017)
Danielle Oum	
Crispin Passmore	
Kevin Rodgers (Group Chief Executive)	
Helen Scarrett	(Appointed 1 January 2018)

The Group Chief Executive does not hold an interest in the Association's shares.

Executive Directors

Kevin Rodgers	Chief Executive
Nick Byrne	Executive Director - Development
Stuart Kellas	Chief Financial Officer
Simon Kimberley	Executive Director Whitefriars Housing Group (Retired 4 May 2017)
Denise Shuker	Executive Director West Mercia Homes, Optima and Family (Resigned 24 November 2017)
Kate Still	Interim Executive Director of Whitefriars and Property Investment (28 April 2017 to 10 September 2017) Chief Operating Officer (Appointed 11 September 2017)

Membership of the Group Committees in operation at the date of signing of the financial Statements was:

Audit and Risk Committee

Crispin Passmore (Chair)	WM Housing Group
Alison Cambage	Independent
Karthik Srinivas	Independent
Richard Nowell	WM Housing Group
Andrew Winscom	Independent

Remuneration Committee

John Creswell (Chair)	WM Housing Group
Janice Nichols	WM Housing Group
Danielle Oum	WM Housing Group
Helen Scarrett	WM Housing Group

**WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
BOARD, EXECUTIVE DIRECTORS AND ADVISERS**

Advisers

Statutory auditor	Internal auditor	Principal bankers	Principal solicitors
Beever and Struthers St George's House 215 - 219 Chester Road Manchester M15 4JE	KPMG LLP One Snowhill Snow Hill Queensway Birmingham B4 6GH	Barclays Bank plc PO Box 3333 One Snowhill Snow Hill Queensway Birmingham B4 6GN	Trowers & Hamlin 3 Bunhill Row London EC1Y 8YZ
			Anthony Collins 134 Edmund Street Birmingham B3 2ES

Taxation advisers

PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Registered office

4040 Lakeside
Solihull Parkway
Birmingham
B37 7YN

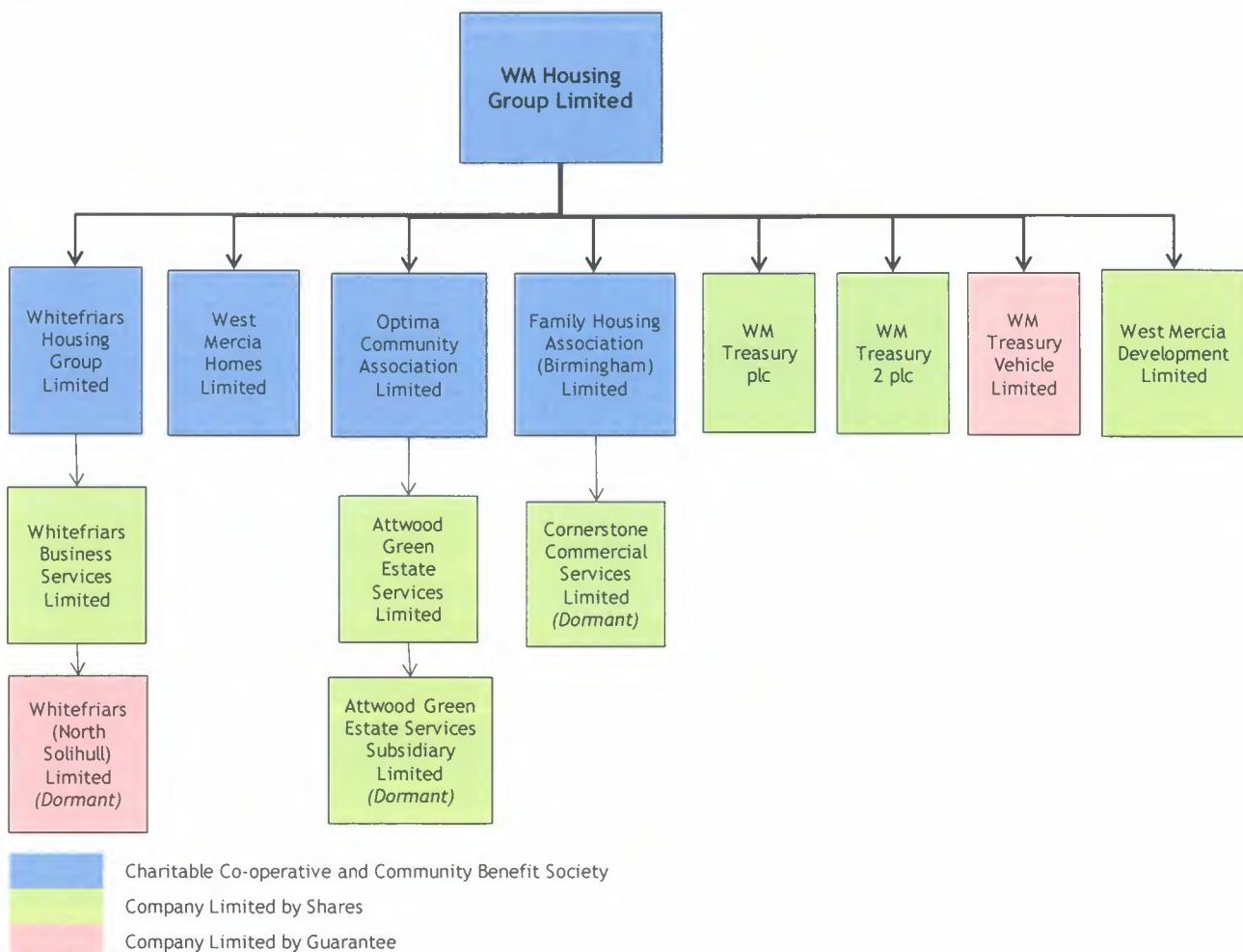
WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES STRATEGIC REPORT

Group Overview

WM Housing Group exists to provide good quality homes in a variety of ways for people who might otherwise be unable to afford them. We work to ensure our customers and the other businesses we work with have successful and sustainable relationships with us. This purpose is shared by all of our subsidiaries and, increasingly, every part of the Group is working to deliver this purpose in a consistent and unified way.

The Group operates across the West Midlands in Coventry, Birmingham, Solihull and across the counties of Herefordshire and Worcestershire. The majority of the Group's 30,254 properties are general needs rented housing, but the Group also owns a small portfolio of learning difficulties care homes, older person accommodation, supported housing (together with specialist care and support providers), and foyers (together with related outreach services aimed at young people in Herefordshire), partially funded by Local Authority grant. The Group is registered with the Regulator of Social Housing (RSH) and is monitored against the RSH's regulatory framework for social housing. The Group Parent is one of a small number of Homes England Development Partners in the West Midlands.

The Group and its subsidiary undertakings throughout the year ended 31 March 2018 is shown in the diagram below:



WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES STRATEGIC REPORT

Group Overview (Continued)

On 12 April 2017, Optima Community Association Limited converted from a Registered Charity to a Society registered under the Co-Operative and Community Benefit Societies Act 2014. HM Revenue and Customs have confirmed that the Association has been accepted as a charity for tax purposes in line with paragraph 1 of Schedule 6 Finance Act 2010 (usually referred to as "Exempt Charitable Status") effective from that date.

WM Treasury 2 plc and WM Treasury Vehicle Limited were formed during the year as part of the refinancing strategy approved by the Board in May 2017.

Objectives and strategies

The Group has a vision and a set of values that establish what we do and the way we intend to achieve our objectives.

Our Group vision - Creating places where people are proud to live and work

Our Group values: -

Providing valued services

- Deliver services which are valued by our customers and add value to our business.
- Recognise and respond to the diversity of our customers and their needs, and deliver appropriate services that support sustainable tenancies.
- Make it easy for customers to contact us and work hard to turn the ordinary into a positive experience.
- Do the things we say we will do when we say we will. If we don't, apologise and try to put things right.

Acting with integrity

- Be honest in our dealings and will always try to keep our promises.
- Do the 'right' thing and make sure our policies and practices reflect our commitment to manage our business ethically.
- Use our resources, purchasing power and influence to help our customers and communities.

Delivering Creative Solutions

- Work to find solutions for our customers, staff and partners that meet their needs.
- Encourage people to try new ways of doing things where it is the best way.
- Be receptive to feedback.

Valuing people

- Treat our customers and the people we work with, respectfully and with understanding and expect the same in return.
- Aim to help. When we cannot we will explain why.
- Try to get things right first time and we will involve our customers in shaping our services. We will work with our customers and other stakeholders to be the best partner we can be.

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES STRATEGIC REPORT

Objectives and strategies (Continued)

Whilst our business is complex, our vision for the future is straightforward and is reflected in our values and objectives.

In March 2017 we updated our five-year business strategy to reflect changes in the Group's operating environment. The revised strategy identifies three objectives for the Group which have been adopted with effect from 1 April 2017, each of which is supported by a number of projects and success measures to provide assurance to the Board that the objectives are being met.

To succeed over the over the five year business plan period, everything that we do will be focussed on being: -

1. A growing business

WM Housing Group has been a significant developer of new homes for many years. Changes in funding over the last few years have presented challenges but also an opportunity to expand our development activity and this is our ambition. Similarly growth has come through other housing associations joining the Group. We will continue to explore opportunities to do this where it is right for us and right for any new entrants to the Group.

2. A delivery focussed business

We will deliver the most efficient and effective services we can. In line with our values these services need to add value and be valued. Whether it is performance improvements in our landlord services, our mixed tenure development programme or our corporate support services, everything we do will have a focus on delivery that balances quality, quantity and value.

3. A sustainable business

As a charitable housing group we have a duty to ensure our assets are protected in the short and long term. Our risk appetite, long-term financial strategy and our investment decisions will reflect this duty and also the importance of retaining the confidence of our regulators, stakeholders and funders. We exist to provide high quality homes and services to people who cannot afford them elsewhere, whether that is our traditional social housing offering or shared ownership, intermediate rent or even market rent. Given the shortage of affordable housing and the financial environment we operate in, it makes business sense to invest in our homes and make our relationships with customers sustainable.

Our business strategy acts as a guide for all our activities although it does not attempt to cover every aspect of our operations in detail. Instead it provides a clear linkage that runs from the work of an individual member of staff through to decisions to raise funds on the financial markets.

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES STRATEGIC REPORT

Business Model

Our vision and values define why we exist as a group. We believe that our approach will enable us to achieve our vision both now and in the future. Our social purpose remains the overriding primary purpose of our group, and the provision of social and affordable rented homes and shared ownership homes forms the majority of our business. However, we continue to offer much more than simply basic landlord services, working to ensure that our customers, staff and partners are helped to achieve all that they can. We think that pride in yourself, your work and where you live are at the heart of what we do.

Each of our business strategy objectives are designed to help us improve our financial performance whilst protecting and enhancing our asset base.

Our carefully selected and strategically limited areas of diversification from our primary purpose (e.g. building homes for outright sale) are closely controlled, managed and monitored to ensure that they do not add significantly to the risks faced by our group. The profits that these activities generate are 'profit for purpose', and together with the financial surpluses generated by our asset-owning subsidiaries, these are reinvested into our homes and communities to fund new developments, improvements to our customers' homes and new and improved systems and services.

Our financial strength and stability, coupled with robust and effective governance, has enabled us to maintain our credit rating and our excellent Financial Viability Judgement. Maintaining our credit rating enabled us to successfully approach the markets for additional funding in the autumn of 2017 to enable us to deliver key projects.

WM Housing Group has an A3 (stable) credit rating from Moody's Investor Services, which was last affirmed on 19 October 2017 when Moody's published its latest rating assessment for the Group. The published Moody's rating reports are available to view at: -

<http://www.wmhousing.co.uk/corporate/Investors/credit-rating>.

Capital structure and treasury policy

WM Housing Group contained entities at 31 March 2018 that borrow funds from external parties. The Board recognises that the Group's level of debt makes it important to consider its treasury policy. The treasury function operates within a framework of clearly defined Board-approved policies, procedures and delegated authorities. The fundamental principle underlying the Group's approach is to treat treasury activities as a means of controlling risk rather than for profit generation. This is reinforced in its approach to managing its surplus cash balances, where the Group seeks to maximise returns through a mix of term deposits with traditional, credit-strong, high street names and AAA-rated money market funds and managed cash funds. These investments are made within the parameters of the Group's approved Treasury strategy which places the emphasis firmly on capital preservation.

**WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
STRATEGIC REPORT**

Capital structure and treasury policy (Continued)

By the year end, Group borrowings amounted to £619.9m (2017: £535.8m) of which £2.9m falls due to be repaid within the next year:

Maturity	2018	2017
	£m	£m
Within one year	2.9	19.6
Between one and two years	2.8	12.4
Between two and five years	28.4	19.8
More than five years	585.8	484.0
	619.9	535.8

At their meetings in March 2017, the Parent and Subsidiary Boards approved a proposal to establish a Group Treasury Vehicle, to unlock borrowing capacity within the group and help to deliver the Business and Development strategies of building new homes. A refinancing strategy was approved at the May 2017 Board meetings.

WM Treasury 2 plc was subsequently incorporated in August 2017 and issued its first bond on the London Stock Exchange on 20 October 2017. The issue attracted significant investor interest and was nearly 3 times oversubscribed demonstrating investors' appetite for the UK social housing sector. The bond was a £280m 31-year fixed rate bond with an annual coupon of 3.25%. The bond was issued at a discounted price of £99.053 per £100. The discounted amount is being amortised through the statement of comprehensive income over the period to maturity. All of this funding was on-lent to the Group's asset owing Registered Provider subsidiaries via secured loans. The refinancing exercise saw the remainder of the Whitefriars syndicated debt, all of Optima's debt and a small number of Family and West Mercia Homes facilities repaid and resulted in refinancing costs being incurred of £67.9m. These costs related to the breaking of the embedded fixed rate loans that were repaid to funders.

WM Treasury Vehicle Limited was incorporated in September 2017 and several of the Group's loan facility agreements that were in place between both West Mercia Homes Limited and Family Housing Association (Birmingham) Limited and the bank/building society lender were superseded with brand new facility agreements between WM Treasury Vehicle Limited and the relevant bank/building society lender. These facility agreements were entered into on 20 December 2017. WM Treasury Vehicle Limited on-lends all of its drawn debt to the Group's asset owning subsidiaries. All future bank/building society debt will be borrowed through WM Treasury Vehicle and on-lent to which ever subsidiary requires it. Financial loan covenants within the Group are now based on the Group's financial performance and position which allows the Group to use the strength of the Group's finances to support its Business and Development strategies.

Covenants for bank/building society debt retained within the Group comprise an EBITDA (MRI) covenant measuring the Group's financial performance and Net Debt per unit measuring the Group's financial position.

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
STRATEGIC REPORT

Value for Money (VfM)

The Regulator of Social Housing (RSH) published its new VfM standard and accompanying Code of Practice on 9 March 2018, which became effective from 1 April 2018. The new Standard aims to encourage providers to achieve their objectives by making the best use of every pound and every property in order to deliver more new homes, make improvements to the existing housing stock, and provide better services to tenants without placing additional burden on the taxpayer. The RSH have now set in place 7 VfM metrics that all providers will be required to report against.

The Board will be setting its targets in relation to the VfM metrics during 2018/19 which we will report against within the 2018/19 audited accounts. The metrics and targets will also be integrated into the Group's performance framework alongside our other measures that monitor value for money and reported to our Operations Board and Parent Board quarterly.

Whilst the standard is effective from 1 April 2018, the table below shows these metrics for the Group for both the 2016/17 and 2017/18 financial years with a commentary against movements in these metrics. The table also shows the Group's targets for the 7 metrics for 2018/19 based on the 2018 Board approved Business Plan update.

Metric	VfM cost chain	Metric description	Positive indicator (aim to maximise/minimise)	2016/17	2017/18	2017/18 (underlying) ¹	2018/19 Target
1	Efficiency	Reinvestment	Either	4.06%	3.22%	3.22%	6.87%
2a	Effectiveness	New supply (social)	Maximise	1.31%	0.54%	0.54%	1.06%
2b	Effectiveness	New supply (non-social)	Either	0.04%	0.09%	0.09%	0.20%
3	Efficiency	Gearing	Either	41.23%	46.07%	46.07%	46.49%
4	Efficiency	EBITDA (MRI) Interest Cover	Maximise	146.33%	50.95%	178.87%	183.35%
5	Economy	Social Housing Cost per unit	Minimise	£3,553	£3,244	£3,244	£3,249
6a	Efficiency	Operating margin (social housing)	Maximise	29.89%	26.71%	26.71%	29.09%
6b	Efficiency	Operating margin (overall)	Maximise	29.91%	26.88%	26.88%	27.91%
7	Efficiency	Return on capital employed	Maximise	3.61%	3.45%	3.45%	3.50%

¹ Excluding debt refinancing breakage costs to measure the underlying performance

It is important to understand the context behind each metric's output. For example, we aim to maximise our operating margin, but minimise our social housing cost per unit. Where metrics are related a positive result could either be a high or low number. For example, a lower-gearered provider with limited/no new social housing supply could be challenged to stretch its gearing further to deliver more new homes. A lower-gearered provider which does deliver new social housing could indicate a very efficient provider using its cash generation to build new homes with limited borrowing.

**WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
STRATEGIC REPORT**

Value for Money (VfM) (Continued)

Over the last year, we have:

- Launched our development strategy with clear objectives for return on investment and with the aim of creating 500 mixed tenure homes per year by 2019;
- Created a Group-wide treasury approach which provides the capacity for long term investment funding for new homes and regenerating existing estates;
- Introduced a Group operations strategy to deliver one operating model across our housing services to improve services and maximise efficiencies;
- Revised our governance arrangements to simplify our approach to decision making.

In addition to this, we have worked to achieve cost savings for our services and contribute to the financial well-being of our customers, under our *Start Well, Live Well, Stay Well* initiatives. To support customers, when a property becomes void we switch energy supplier to a cheaper provider. Over the year we have switched 1,664 properties resulting in potential savings of over £89k.

As well as a number of service reviews and restructurings to reduce costs, headlines have included retendering a number of supply contracts. The 2017/18 budget included total revenue savings of £0.8m across WM Housing Group, or just over 0.5% of Group turnover, as part of our plans to accommodate the social rent reductions that were enacted in the Welfare Reform and Work Act 2016. The results for the year demonstrate that these savings have been achieved.

Key commentary in respect of movements in these metrics between 2016/17 and 2017/18 and in respect of the 2018/19 targets are shown in the table below.

Metric	Movement 2016/17 to 2017/18	Forecast commentary 2018/19
1	2017/18 included £13.0m spent on our existing properties compared with £25.4m in 2016/17. The refinancing exercise undertaken in 2012 enabled £100m of new investment over a 4/5-year period, with £50m being invested in the provision of at least 500 new homes and £50m being invested in existing Coventry homes and estates. 2017/18 represented the final year of the 5-year investment programme for our existing homes and estates, with the spend profile of the £50m seeing higher spend in years 2, 3 and 4 of the programme and lower spend in years 1 and 5 (year 5 being 2017/18).	An improved metric is anticipated in 2018/19 as the Group's development programme gears up to building 500 homes per annum. We are targeting over 350 new homes being handed over during 2018/19, including homes built for outright sale (see metrics 2a and 2b). The 2018/19 provision for investment in the Group's existing stock is £2.1m higher than the 2017/18 programme which also contributes to the increase in this metric.

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
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Value for Money (VfM) (Continued)

Metric	Movement 2016/17 to 2017/18	Forecast commentary 2018/19
2a/2b	<p>Completions in our social housing build programme in 2017/18 were significantly lower than that of 2016/17. In contrast, the number of build for sale homes completed and sold has increased as planned, although still minimal compared to the overall number of homes that we own at the end of the period.</p> <p>Our development pipeline is strong and we remain committed to our strategic commitment to increase the development of homes to 500 homes p.a. from 2019.</p>	<p>Following a lower metric outcome in 2017/18, the Business Plan assumes 312 rented/shared ownership homes and 53 build-for-sale homes will be handed over during 2018/19, which both contribute to an anticipated increased metric for 2018/19.</p>
3	<p>The increase in our level of gearing reflects our commitment to both build new social and affordable rent homes and to reinvest in our existing homes and estates. Our Statement of Financial Position shows that we have £25m of general needs rented and low cost home ownership properties under construction at the end of the year, which will start to bring cash back into the business by means of rental receipts when they are brought into management in the year ahead.</p>	<p>This metric is forecast to increase in 2018/19 as whilst the Group's debt balance is not forecast to increase, the Group's cash balances will be reduced during the year to support the increased investment in new homes.</p>
4	<p>This metric is impacted by the loan breakage costs incurred as part of our loan refinancing exercise undertaken in the year ended 31 March 2018. Excluding loan breakage costs, our underlying EBITDA MRI for the year ended 31 March 2018 is 178.87%. This underlying performance is significantly higher than that of the previous year, due to the spend profile of the 5-year capital investment programme for our existing homes (as explained for Metric 1).</p>	<p>The forecast metric is projected to increase in 2018/19 as a result of anticipated new homes coming into management and reduced interest costs as 2018/19 will be the first full year following the Group's re-financing project.</p>

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
STRATEGIC REPORT

Value for Money (VfM) (Continued)

Metric	Movement 2016/17 to 2017/18	Forecast commentary 2018/19
5	Headline Social Housing Cost per Unit has fallen from £3,552 per unit in 2016/17 to £3,244 per unit in 2017/18. This improvement is primarily due to the spend profile of the 5-year capital investment programme for our existing homes (as explained for Metric 1). Cost efficiencies introduced in response to the 1% rent reductions have been offset by non-cash accounting adjustments in respect of impairment and fair value of housing assets.	This metric is forecast to remain static for 2018/19 as the efficiencies that have been reflected within the Group's business plan are partly offset by anticipated one-off costs to implement the Group's single operating model during 2018/19. In addition, the Group is planning on investing £2.1m more in its existing stock during 2018/19 compared to the £24.7m invested during 2017/18.
6a 6b	The Operating Margin on Social Housing Lettings has fallen from 29.89% in 2016/17 to 26.71% in 2017/18. The drop in margin is due to both an increase in the depreciation charge for the year (reflecting new homes that have come into management and residual depreciation charged in respect of components replaced during the year) and an increase of £2m in the proportion of improvement programme works that are classed as revenue rather than capital and are therefore expensed through the Statement of Comprehensive Income rather than being capitalised on the Statement of Financial Position. There has been a similar reduction in the overall Operating Margin for the Group, due to the same reasons.	Both metrics are forecast to improve in 2018/19 as there is no anticipated impairment charge included within the 2018/19 target. The impairment charge of £3.65m adversely impacted on both of these metrics in 2017/18. In addition, investment in the Group's existing stock in 2018/19 has an assumed 65.3% capital element compared to the 57.5% capital element of the 2017/18 programme. This means the revenue proportion is reduced which has a positive impact on both operating margin metrics.
7	Return on Capital Employed has fallen from 3.61% in 2016/17 to 3.45% in 2017/18. This reduction is due to both the decrease in operating surplus for the year (due to the increase in the depreciation charge for the year and an increase of £2m in improvement programme works that are classed as revenue rather than capital) and an increase in total assets less current liabilities (where the refinancing exercise that was undertaken during the year has resulted in both an increase in cash and cash equivalents held at the end of the year and a decrease in housing loans falling due within one year).	This metric is forecast to increase slightly in 2018/19 in line with an increased forecast operating surplus as described against metrics 6a/6b.

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES STRATEGIC REPORT

Value for Money (VfM) (Continued)

Our approach to Value for Money

Our approach helps to demonstrate how we maximise the potential of our income and assets whilst maintaining awareness of the financial risks and uncertainties facing our Group. Our approach to maximising VfM means we can maintain our credit rating and increase opportunities to attract funding for new homes and services.

To us, VfM is about being effective in how we plan, manage and operate our business within an ever changing operational and financial environment to ensure we make the best use of our resources to provide quality homes. We aim to maximise the potential of our Group with efficient services that provide VfM, make the best use of our income, reduce our costs and improve our services.

VfM is driven by our parent board which continually reviews the efficiency of our work and ensures that we comply with regulatory requirements. Staff are encouraged to innovate to find more efficient ways of providing a better service. To achieve VfM in all we do, we have an integrated approach to:

- **Assets** - we are continually improving our understanding of the performance of our assets to ensure they are well maintained and deliver VfM whilst mitigating risks;
- **Customers** - we involve our customers in our decision making on service improvements to ensure they are continually receiving VfM for their rent and service charges;
- **Decision making** - all decisions that commit to significant growth in expenditure are approved by Board and supported by cost benefit appraisal;
- **Financial** - our budgets and business plans include efficiency targets and service improvements;
- **Governance** - our Parent Board is responsible for agreeing budgets and establishing financial limits and it reviews the efficiency and effectiveness of our work;
- **Performance** - Value for money metrics are embedded within our performance framework, we continuously monitor and review our measures and benchmark our performance including VfM with our peers;
- **Staff** - we invest in our staff through training and on-going development;
- **Scrutiny** - our Local Stakeholder Boards oversee and drive scrutiny across the Group.

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
STRATEGIC REPORT

Value for Money (VfM) (Continued)

Plans for Improvement 2017/18

Plan	Outcome
Continue our programme of identifying efficiency savings within services and commence further work to align and unify our process approach to reduce costs.	Over the year, we have completed several service reviews including our governance arrangements and undertaken restructuring to reduce costs by £0.2m per annum
Undertake the projects identified in our Housing Operations Strategy which seek to mitigate the effects of welfare changes and improve the sustainability of tenancies.	Lean reviews underway to deliver a single operating model across the Group for: <ul style="list-style-type: none"> • Income collection • Voids and lettings • Responsive repairs • Data management • Care and supported housing • Customer contact • Service charges
Revise our executive management team to provide greater clarity of roles and reduce management costs.	Executive management team structure revised and implemented. Savings of £0.145m per annum achieved.
Develop a treasury vehicle.	Treasury vehicle developed. A refinancing of legacy transfer debt and the creation of a Group approach to borrowing will deliver recurring interest savings for the Group. The 2016/17 accounts (the last complete year with “old” debt) showed interest costs of £27.9m on an average debt balance (simple average of opening and closing debt balances) of £545.6m. Following the refinancing, the Group’s 2018/19 interest budget (being the first full year post re-financing) is £26.0m based on an average debt balance of £625.9m. This shows £1.9m of lower interest costs on increased debt balances and average overall cost of borrowing reducing from 5.11% to 4.15%
Continue to support customers with opportunities to move into work.	Each year we provide students and unemployed customers with the opportunity to become part of our team to gain valuable work experience. We also work with Hereward College to provide an internship scheme. We also provide apprenticeships.

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES STRATEGIC REPORT

Performance in the period

Both operational and financial performance during 2017/18 has been closely monitored at Board level across the Group. At Executive Team / Leadership Team level, the introduction of a Group Operations Management Team and a Service Improvement Programme Board have both increased the level of internal scrutiny and improved the pace of change as we seek to improve and develop our performance in order to be the best that we can be as an organisation and continually improve our customer experience.

Our Group Investment Programme had a budget of £23.5m for 2017/18, and has been delivered in line with the budgeted spend for the year. In addition to the original programme of works, as part of our ongoing commitment to fire safety we brought forward the planned installation of sprinkler systems for 5 of our high rise blocks of flats following the tragic fire at Grenfell Tower. Immediately post Grenfell, we carried out extensive additional checks and inspections to our high rise blocks to satisfy ourselves that our blocks are safe. We also completed additional fire safety works arising from the unexpected replacement of the wet riser system to our tallest tower blocks.

Our 14,000 stock condition survey programme continues to progress on target, with 6,500 surveys completed by the end of March 2018 and the remaining 6,500 surveys on course to be completed by the end of September 2018.

Our Customer Service Centre (CSC) provides a single point of contact for our customers via a single phone number where the majority of calls are answered and dealt with at the point of enquiry. The trend of improving performance continued during 2017/18, and the CSC met its Service Level Target for dealing with 70% of all calls within 80 seconds for the first time in March 2018. This was reflected in just 7% of customers abandoning calls at the end of March 2018, compared to 17% at the end of March 2017. The improvement in performance has been recognised externally, with the CSC Quality Team reaching the finals of Inside Housing's Housing Heroes awards in the category of frontline team of the year.

Use of our on-line customer portal (known as "My Account"), continues to increase, although not as quickly as we had originally hoped. Our digital strategy is now in re-development, and in the first year it will build on stabilising the current platform, providing an elegant solution for the two main volume transactions of income and repairs and providing some enhanced core customer communication functionality.

Since July 2014, we have been developing and implementing plans to decommission nine sheltered schemes with shared bathing facilities that we no longer considered to be fit for purpose, replacing them with modern, energy efficient accommodation. All nine schemes have now been closed, with all customers helped to move to other more suitable accommodation, many of them choosing to move to our newly remodelled schemes. Four of the shared bathing schemes have now been remodelled and are back in use. Work is on-going to determine the best approach for the remaining five schemes.

**WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
STRATEGIC REPORT**

Performance in the period (Continued)

		WM Housing Group as a whole 31 March 2018	WM Housing Group as a whole 31 March 2017	HouseMark top quartile 2017
Income Collection	%age of current tenant rent due not paid	3.94%	3.92%	1.78% or less
	Rent collected as a %age of rent charged	100.31%	100.58%	100.33% or more
Stock Management	Average number of days to relet an empty property	21.11 days	25.88 days	24.34 days or less
	%age of rent lost through dwellings being vacant	0.83%	1.09%	0.58% or less
Repairs & Maintenance	Average cost of a responsive repair	£120	£112	-
	%age repair appointments kept	97.76%	98.27%	99.11% or more
	%age of emergency repairs completed in 24 hours	94.26%	93.52%	-
	%age of homes with a current gas safety certificate	99.98%	99.97%	-

All members of the Group remain focussed on performance and providing the best service possible to our customers.

Rent collected from current and former tenants has continued to improve and is close to the HouseMark top quartile percentage for 2017. Family and Optima were the only part of the Group not achieving 100% or over due to the roll out of full service Universal Credit in their areas of operation. Current tenant arrears at the end of the year for the group were 3.94%, which is 0.22% above our internal target. This performance is due to both the operation of early stage arrears processes and the impact of full service Universal Credit in Family and Optima. Excluding Universal Credit based arrears, the performance at the end of the year was 3.44%.

In common with other housing providers, we recognise that the continued roll-out of Universal Credit (UC) is likely to have a negative impact on rent collection over the next few years, and have been operating an effective communication programme to encourage all customers to pay their rent on time (i.e. in advance, not in arrears), enabling us to work with our new customers and set expectations right from the start of a new tenancy agreement and to help existing customers to gradually move to a position of paying their rent in advance. At 31 March 2018 there were 1,295 cases of Universal Credit within the Group. Given the emerging trends demonstrated by those residents moving on to full service Universal Credit in respect of arrears, we are in the process of revising our financial impact risk assessment in order to improve our planning to manage UC as it rolls out across the wider region.

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES STRATEGIC REPORT

Performance in the period (Continued)

The average number of days to relet empty properties in 2017/18 reduced to 21.11 days at the year end, demonstrating a year-on-year improvement of 4.77 days and achieving HouseMark 2017 top quartile performance.

The percentage of rent lost through dwellings being vacant was 0.83%, and reflects the level of tenancy churn within the organisation, which was 8.16% of total stock (compared to a sector average of 5%). The main drivers of losses through churn were the impact of the refurbishment of our sheltered housing schemes and the high churn rate experienced by our supported housing portfolio.

Our repairs staff have undergone extensive training during the year as we transitioned from a single-skill to a multi-skill service in order to improve the effectiveness and efficiency of our repairs service. This has resulted in a significant loss of staff availability whilst attending training, which has impacted on both appointment times and the average cost of responsive repairs.

Gas safety continues to be a key area of focus across the Group, and at 31 March 2018 there were a total of 4 properties without a valid gas safety certificate. Of these properties, 3 have now been serviced and one remains outstanding with legal access in progress to enable us to gain access to the property.

During the year we identified 2 circumstances that we considered to be triggers for us to perform impairment reviews on our housing properties: -

1. Our plans for the decommissioned shared bathing schemes continue to evolve, and a number of the old schemes have now been vacated whilst we evaluate our options for the future;
2. Vacant properties on our Regeneration Schemes that have been handed over to third party developers pending demolition.

The total impact of these reviews is an impairment provision of £3.7m (including fair value adjustments on consolidation) accounted for during 2017/18 (2016/17 - £3.1m).

Compliance with lenders' loan covenants within the WM Housing Group is essential as we seek to grow and develop the Group, and the Group comfortably exceeded its loan covenant requirements in 2017/18.

Following the completion of the refinancing exercise in October 2017, all entity specific loan covenants were replaced with an EBITDA (MRI) covenant measuring the Group's financial performance and Net Debt per unit measuring the Group's financial position.

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
STRATEGIC REPORT

Performance in the period (Continued)

The table below summarises the year end loan covenant levels for the last 5 years for the borrowing entities within the Group:

Loan covenant	2017/18 ⁴	2016/17 ²	2015/16 ²	2014/15	2013/14
Interest cover (Whitefriars); must exceed 110%	N/A	223%	183%	228%	182%
EBITDA MRI (Whitefriars); must exceed 110% ³	N/A	140%	N/A	N/A	N/A
Interest cover (West Mercia Homes); must exceed 110%	N/A	302%	281%	245%	238%
Gearing (West Mercia Homes); must not exceed 75%	N/A	60.5%	64.1%	59.1%	61.9%
Net operating cashflow to total interest (Optima); Covenant to exceed: Year end performance	N/A N/A	1.30 1.32	1.42 1.81	0.14 1.28	0.72 1.24
Interest cover (Family); must exceed 115%	N/A	135%	168%	169%	146%
Gearing (Family); must not exceed 50%	N/A	39.6%	41.5%	43.9%	42.8%
EBITDA MRI (Group); must exceed 105% ⁴	245.4%	N/A	N/A	N/A	N/A
Net Debt per Unit (Group); must not exceed £30,000 ⁴	£19,318	N/A	N/A	N/A	N/A

¹ Whitefriars' loan covenants were amended following the refinancing exercise in December 2012.

² Loan covenants were calculated under FRS 102 for 2016/17 but in accordance with existing loan agreement definitions. At that time we had yet to formally agree loan agreement restatements giving covenant neutrality with all lenders.

³ Whitefriars entered into a new £33m revolving credit facility on 22 December 2016. As a result, a new covenant requirement of EBITDA MRI (Earnings Before Interest, Tax, Depreciation and Amortisation: Major Repairs Included) was introduced.

⁴ Following the completion of the refinancing exercise in October 2017, all entity specific loan covenants were replaced with an EBITDA (MRI) covenant measuring the Group's financial performance and Net Debt per unit measuring the Group's financial position.

The updated long-term financial plans for all borrowing entities within the Group demonstrate compliance with lenders' covenants throughout the business planning period.

In contributing to creating places where people are proud to live, during 2017/18, we have built 151 new homes for rent, generating an annual rental income of £409k, 11 homes for shared ownership and a further 27 homes for outright sale.

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES STRATEGIC REPORT

Social and Environmental Returns

As a social business, we aim to provide services that achieve wider social value for our customers. We have a social value statement outlining how we aim to deliver benefits for our customers and to measure the impact of our work:

Procurement - we identify social value outcomes to goods, services or works being procured and evaluate tenders accordingly this includes targeted recruitment and training clauses in contracts.

Customer involvement - we work with our customers to try to address issues and support them in developing local solutions.

Property investment - we use our property investment and new development programmes to identify and deliver wider benefits for our customers and communities.

Social finance - we continue to support community led activities through social loans and community chest funds.

During the year, the social value contributions that we have made to improve the opportunities available to those living in the areas in which we operate have included: -

- Employing 7 apprentices across the group during 2017/18, providing opportunities for our apprentices to work alongside experienced staff whilst receiving on the job and off the job training, leading to industry recognised standards or qualifications;
- Generating apprenticeships with the contractors working on our new development and investment programme works;
- In partnership with JobCentre Plus, we have developed and successfully piloted a 6-week voluntary work experience programme to provide work-experience opportunities for unemployed residents, to support their efforts to find paid employment. Of the 4 residents who took part in that pilot, 2 have successfully secured permanent positions within WM Housing Group;
- Providing 18 one-week school work-experience opportunities, targeted at and mainly taken up by students at local schools and colleges;
- Supporting and enabling energy switching and comparison for our customers

We have also continued to work with a local college to provide 9 year-long academic internships for students with a range of disabilities to further develop their skills and experience in a structured way, which has already resulted in 4 of those students applying for and successfully securing permanent paid positions within our organisation.

We are in the process of developing our Responsible Business Strategy, which will ensure that we are able to clearly and effectively prioritise and communicate the areas of social responsibility that form our unique selling points as an organisation.

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES STRATEGIC REPORT

Learning and Development

During 2017/18, we have developed a new Knowledge Academy to support the standardisation of competencies for housing staff, and are planning to expand this during the coming year to create a similar framework for our Property Services colleagues.

During the year, the CSC piloted the use of Mindfulness in the CSC environment to support staff to cope with the multitasking demands of their roles and this has been very successful. We are now planning to pilot external Growth Mindset and Mindfulness training for operational teams in order to prepare them for the new ways of working that will be required as we develop a standard operating model. Our approach to Growth Mindset and Mindfulness will focus on building resilience, adaptability to change, innovative thinking and personal stress management.

Following the appointment of a Designated Safeguarding Lead for the organisation and a Board level champion for Safeguarding, we have reviewed our safeguarding procedure and explored ways that we can ensure that safeguarding is “everybody’s business”. We operate at the very heart of the community and have a vital role to play in safeguarding and promoting the welfare of children and vulnerable adults as part of our day-to-day work. It is important that we all recognise child and adult welfare issues, share information, are confident making referrals and are subsequently able to manage or reduce risks of harm. Safeguarding is a priority for us, and as a result specialist Safeguarding training has been delivered across the Group to ensure that we are extremely well-placed to identify those at risk.

Future Prospects

Our Housing Operations Strategy 2017-2021 sets out a vision that we create a business which provides good quality, sustainable, affordable housing through a single consistent Group approach to service standards and delivery. The new operating model will be designed to focus on our customers and assist us to become a top performing service that delivers value for money. The strategy identifies a number of key projects that will be undertaken during the first 2 years in order to achieve that vision, and we have now commenced a programme of formal lean reviews aimed at improving Group level efficiency. The initial reviews will focus on repairs, customer service, leasehold services and lettings, and will be followed later in the year by a further phase of reviews to address core housing management processes.

The development of a Group Improvement and Engagement Team, reporting to our Chief Operating Officer, will focus on: -

- Driving service improvement through programme management and operational research;
- Supporting the voice of the customer in the business, including learning from complaints, involvement and scrutiny;
- Engagement with communities more widely through a more focussed, Group strategy of Community Investment, including developing the Local Stakeholder Board Community Strategies.

One of the three objectives of the Group’s Business Strategy is that we will be a growing business and continue to develop new homes (both for rent and for sale). We have historically developed homes for outright sale via West Mercia Development Limited (which trades as Signature New Homes) and homes for rent via the Registered Provider members of the Group. From April 2018 we will be developing homes of all tenures via West Mercia Development Limited, which will centralise all development activity and maximise the use of development expertise across the group. This is essential as we look to increase the number of homes that we develop to 500 per annum from 2019.

**WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
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Future Prospects (Continued)

The charging and collection of rents and service charges are some of the fundamental basics of our business. It is imperative that we understand the true costs of the services that we deliver, and that we ensure that we are charging appropriately for those services. We are currently in the process of implementing a new service charge module as part of our housing management system, which will help us to understand and manage both income and costs associated with every rented home in our portfolio.

The completion of our stock condition survey programme during 2018/19 will provide the information that we need in order to have in place by March 2019 a strategy for maintenance, disposal or refurbishment of underperforming assets and those which present opportunities to generate greater income.

Principal risks and uncertainties facing the Group

The Group has a risk management framework in place supported by its long-term financial plans, which is used to assess the impact of future plans and to test the sensitivity to changes in key assumptions. Group-wide risk management arrangements are regularly reviewed and reported at appropriate levels within the Group's governance structures. During the year the Group's strategic risk map has been formally reviewed twice by the Board and more detailed consideration of significant risks included within that risk map has been undertaken by the Group's Audit and Risk Committee. The risk management framework is designed to provide strong ownership and management of risk. Our approach to risk management was reviewed in November 2016 as part of our internal audit programme and assessed the first and second line assurances as being strong for the top 6 strategic risks identified by the group.

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
STRATEGIC REPORT

Principal risks and uncertainties facing the Group (Continued)

The following table summarises the key strategic risks and actions that are being taken to mitigate these risks.

Key risks	Assessment summary and risk appetite
<p>Inability to deliver core services within regulatory and legislative requirements</p> <p>Failure to effectively manage our policies and processes within a robust business assurance framework to ensure that the organisation is not at risk of:</p> <ul style="list-style-type: none"> • Significant compliance failure in a critical area such as health & safety, data protection, safeguarding and RSH regulation. • Serious detriment as a result of a breach of consumer standards <p>This includes our ability to manage compliance across disciplines and to properly understand the cause and effect of decisions.</p> <p>Potential consequences include risk of a regulatory downgrade, financial loss through fines and/or reputational damage to the business, potential serious detriment to our customers and the potential for services and programmes to be disrupted or threatened.</p> <p>Known or possible triggers include legislative changes in key compliance areas (including those as a result of the UK's exit from the EU), internal governance changes, customer complaints/referrals to the ombudsman or regulator, changes to the RSH's regulatory framework, consumer regulation review outcomes, de-regulation measures, safeguarding alerts, service charge review outcomes, lack of appropriate audit and assurance processes, implementation of the WM digital strategy and a regulatory/legislative breach that highlights poor practice.</p>	<p>We have adopted the NHF's Excellence in Governance Code and regularly assess our governance arrangements. Associated group-wide and local compliance risks are managed as part of the Group's subsidiary and directorate risk registers and in accordance with the Group's Risk Management Framework.</p> <p>There is a comprehensive learning and development programme in place to ensure regulatory compliance, covering health & safety, corporate governance and data protection.</p> <p>In addition to our risk-based internal audit programme, our Audit and Risk Committee assess areas of increased risk on an annual basis and commission additional work accordingly.</p> <p>Current exposure to the risk of non-compliance is assessed as slightly outside the Group's appetite pending completion of additional projects and actions such as the Care and Supported Housing Review, Service Charge Review and PCI Compliance Project. The target date to bring exposure within appetite has been extended to 31 March 2019 to take account of the planned completion dates for this work.</p>

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
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Principal risks and uncertainties facing the Group (Continued)

Key risks	Assessment summary and risk appetite
<p>Insufficient financial flexibility (operational)</p> <p>Failure to respond to the significant threats in this area by effectively utilising our existing resources and assets, and exploring opportunities to bring in revenue, to deliver our business objectives whilst achieving value for money.</p> <p>Potential consequences include insufficient financial flexibility and options to absorb financial threats and achieve value for money would significantly impact on our ability to meet financial plans and business objectives. This could result in a breach of loan covenants; a downgraded viability and credit rating; inability to deliver core services and fulfil our investment programme or increase the risk of future financial pressures as a result of poor investment decisions. Furthermore, welfare reform measures such as the introduction of Universal Credit have the potential to put pressure on management costs, for example as a result of possible increased resources required for rent and arrears collection.</p> <p>Known or potential triggers include future rent settlements; changes to pension fund liabilities; revised regulatory VFM Standard; outcomes of the service charge project; increased material and labour costs; restrictions on government subsidies; welfare reform changes; voluntary RTB; threats to existing funding streams e.g. EU funding, etc; a major incident or significant compliance breach resulting in significant fines/costs to the business; outcomes of Grenfell enquiry and impact on safety requirements; investment decisions that fail to take account of long term costs; a slowdown in sales as a result of a slump in the housing market; and Signature not achieving the required gift aid.</p>	<p>The Group continues to explore the potential to improve service delivery and reduce costs in order to provide greater flexibility to mitigate against this risk. A number of short and medium-term projects are underway which will achieve operational objectives and deliver VFM.</p> <p>Budget approved for 2018/19 indicates that the Group will deliver additional efficiencies and increase its budgeted margin to above 27% in line with Board expectations.</p> <p>There remains further work to achieve the Business Plan target of 28% for 2019/20. Given the nature of a number of the projects and the time required to deliver intended outcomes this risk remains slightly outside the Group's appetite for the time being however it is anticipated that it will move within appetite as work progresses on efficiencies, particularly on the single operating model during 2018/19. The target date for bringing exposure within appetite has been extended to 31 March 2019.</p>

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
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Principal risks and uncertainties facing the Group (Continued)

Key risks	Assessment summary and risk appetite
<p>Over reliance on particular funding approaches</p> <p>Failure to secure new funding in accordance with business plan aspirations, or to refinance existing borrowings as they fall due.</p> <p>Potential consequences include liquidity constraints affecting the provision of services to customers; potential breach of loan covenants; compromised relationship with funders; and insufficient property security to support the business strategy.</p> <p>Known or potential triggers include on-going volatility in the financial markets; external capital adequacy measure imposed on banks; regulatory or credit rating downgrades; Grenfell enquiry outcomes (property security valuations for high rise blocks); negative changes to future rent settlements; insufficient asset data available and the potential for increased market volatility driven by economic and political uncertainty.</p>	<p>Boards agreed the creation of Group Treasury vehicle at meetings in March 2017 and this was achieved in December 2017 for all bank debt removing loan and subsidiary specific covenants and replacing them with Group wide requirements.</p> <p>The delivery of the treasury vehicle project reduces this risk in terms of likelihood and impact given the Group covenant position provides improved headroom and greater potential to mitigate risks at a group level, therefore, current exposure is assessed as within risk appetite.</p>
<p>Failure to effectively manage an expanded new development programme and diversification activities such that they do not threaten operational performance</p> <p>Failure to ensure that future business strategy aspirations and diversification does not compromise or divert attention away from the delivery of core housing services.</p> <p>Known or potential triggers include future mergers and diversification activities; increased business strategy targets; entering new markets without full evaluation and making short term decisions without due regard to longer term or wider implications.</p> <p>Potential consequences are that at a time of considerable strategic and operational change there is a risk that the breadth and quantity of change lacks coherency and focus shifts away from key areas of the Group's operation and higher risk activities are less well-managed than they should be.</p>	<p>Exposure is currently outside the Groups appetite as the Group begins the practical implementation of operational change following the appointment of new executives and revised governance arrangements.</p> <p>While all agreed actions have been implemented, the increased development programme in particular is in its infancy and therefore risk at present remains outside of target however it is envisaged that target score will be achieved by the approved target date.</p>

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
STRATEGIC REPORT

Principal risks and uncertainties facing the Group (Continued)

Key risks	Assessment summary and risk appetite
<p>Lack of skills and capacity to operate effectively in a changing environment</p> <p>Failure to ensure that the Group has sufficiently skilled staff and resources that appropriately evolve to respond to the changing needs of the business and its customers. This includes culture, morale, leadership, strategic direction, board/staff structures, competencies and skills within a framework of management control that ensures operational effectiveness.</p> <p>Known or potential triggers include changes to government policy including welfare reforms; significant changes to the products and services we deliver or our policies; lack of effective succession planning; inadequate recruitment; higher than anticipated staff or board member turnover; skills shortage, including those associated with the UK's exit from the EU; lack of, or inappropriate, investment in staff training and development; and failure to adequately manage the cumulative demands of multiple projects and the impact of the internal transformation programme, future mergers and cost efficiencies on our staff, resources and overall culture.</p> <p>Potential consequences include a culture that fails to demonstrate our values; employee disengagement; lack of motivation and reduced resource or performance which could lead to a reduction in productivity and service quality and ultimately in an inability to provide services, fulfil programmes and meet Business Strategy aspirations. Furthermore, a lack of skill or competence could threaten our operational effectiveness and lead to a failure in compliance with regulatory or legislative requirements.</p>	<p>The implementation of the Governance Working Group outcomes and the review of Executive portfolios inevitably requires a number of changes to service delivery as we move to a Group centric operating model. Such change will require that WM retains its existing talent and recruits to meet its future skill requirement.</p> <p>Actions are in place to mitigate this risk however a number are still yet to be delivered, such as the development of our internal brand and employee value proposition. Current exposure is outside the appetite of the Board.</p>

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
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Principal risks and uncertainties facing the Group (Continued)

Key risks	Assessment summary and risk appetite
<p>Failure to design, implement and operate effective systems and infrastructure which support and enhance service delivery, data management and system control</p> <p>Insufficient systems and infrastructure to deliver core services and operate effectively within a secure environment and in compliance with regulatory and legislative requirements, including access to accurate data that can inform service delivery and improvements.</p> <p>Potential consequences include loss of electronic processing; inability to access critical group data to enable the delivery of services and decision making; compromised data integrity; processing of payments; communications failure; fines, serious detriment to customers or reputational damage as a result of a regulatory or legislative breach.</p> <p>Known or potential triggers include introduction of new systems; poor data reconciliation and accountability; major projects; service redesign; future and previous mergers; disaster event; critical supplier failure; and significant regulatory or legislative changes.</p>	<p>The Group is increasingly reliant on electronic data and systems to ensure efficient and effective delivery of services to its customers. It is the custodian of considerable data sources and needs to ensure that the data is accurate, relevant and appropriate to its operations and is retained in line with relevant legislation.</p> <p>The Group needs to ensure that increasing sophistication of systems is maximised and that processes are not unduly complicated but deliver the intended and required outputs to ensure WM continues to be successful. Current exposure is slightly outside appetite.</p>

Along with other providers of social housing, following the tragic consequences of the fire at Grenfell Tower in London, we reviewed our fire risk assessments for all of our tower blocks, enabling us to provide appropriate reassurance and guidance to our residents. Our initial assessment was that we do not have high-rise accommodation with the same type of cladding that was used at Grenfell Tower. However, we will continue to monitor the findings of the official investigations as they are released and will take appropriate action as it is identified to maintain the safety of our residents.

Following the referendum decision on 23 June 2016 in favour of leaving the EU ("Brexit") and the subsequent activation of Article 50 of the Lisbon Treaty on 29 March 2017, the United Kingdom is currently scheduled to depart the EU at 11pm on 29 March 2019. That departure is likely to be followed by a transition period that will last until 31 December 2020. Brexit has caused uncertainty in financial markets and the political world, and this is likely to continue as politicians negotiate our exit from the EU and put new arrangements in place. As a Group, WM Housing Group will continue to analyse the local and immediate impacts as more information becomes available, and the detailed implications will be tested through our risk management and stress testing arrangements. We are confident that our business plan and stress testing are able to withstand the likely range of pressures in the short and medium term.

**WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
STRATEGIC REPORT**

Principal risks and uncertainties facing the Group (Continued)

At the end of March 2018, our preparations for the introduction of General Data Protection Regulation on 25 May 2018 were well advanced. WM was already compliant with Data Protection legislation, but the introduction of GDPR prompted us to review and refresh some of our current practices to ensure we remain compliant. We have developed a Data Governance Strategy, and we gained assurance in respect of our approach to GDPR from a review of our plans and progress by our internal auditors.

Some of the areas reviewed and refreshed include the completion of a data mapping exercise across the business, which has enabled us to identify what data we collect, why we collect it and where we store it. We have also revised our approach to breach reporting and developed a full communications plan for use in the event of a data breach occurring.

Financial performance

The financial statements for the year ended 31 March 2018 reflect the emerging best practice from across the housing sector in respect of the implementation of FRS102.

The main accounting policies of the Group are set out in Note 1 of the Financial Statements.

Summary	2017/18 SOCI £m	2016/17 SOCI £m	2015/16 SOCI £m
Turnover	148.6	150.1	151.9
Operating Surplus	42.2	42.5	34.8
Net Interest Payable	(26.5)	(27.5)	(28.3)
Refinancing costs	(67.9)	-	-
Surplus/(Deficit)	(52.2)	15.0	6.5

SOCI = Statement of Comprehensive Income (FRS102)

The table above shows the growth in the Group over the last 3 years.

The results for 2017/18 are impacted by the loan breakage costs that were incurred as part of the refinancing project that was undertaken during the year. Excluding loan breakage costs, the underlying results for 2017/18 are still better than budgeted, despite providing for impairments totalling £3.7m (including fair value adjustments on consolidation). Disposals of property and land generated a surplus at individual entity level for most members of the Group, but at Group level this becomes a deficit due to fair value accounting adjustments required on consolidation.

The Group's operating surplus includes the effect of consolidation adjustments which reduce the Group's 2017/18 underlying operating surplus by £2.2m (2016/17: £2.2m) because of the increase in the housing property depreciation charge to reflect the difference between the fair value of the housing property assets in Whitefriars, Optima and Family and their historical cost values.

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
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Financial performance (Continued)

Summary Statements of Financial Position (under FRS102) and Balance Sheets (under old UKGAAP) for the 5 years up to and including 2017/18 for WM Housing Group are shown in the table below:

Summary	2017/18 Statement of Financial Position £m	2016/17 Statement of Financial Position £m	2015/16 Statement of Financial Position £m
Total fixed assets	1,161.9	1,158.0	1,151.2
Net current assets	62.7	18.9	33.7
Loans and other long-term creditors	(925.2)	(827.2)	(851.7)
Liability for final salary pension scheme	(44.5)	(45.3)	(37.3)
Reserves	254.9	304.4	295.9

Growth is demonstrated by an increase in the cost of fixed assets due to the delivery of new build programmes in Coventry, Birmingham, Hereford, Worcester and North Solihull and capital improvements made to our existing homes.

Governance

During the last two years, a review of the governance structure of the WM Housing Group has been undertaken by a ‘Task and Finish’ group comprising representatives from the Parent Board. Subsidiary Boards and key stakeholders were consulted at various intervals throughout the review. The governance review resulted in the adoption of re-drafted documents, all of which became effective from 1 January 2018:

- Intra Group Agreement
- Standing Orders
- Terms of Reference

In addition, as a result of this review, all Registered Provider members of the Group (with the exception of Optima Community Association Limited) have moved to a single joint (or co-terminous) Board, with revisions to current committee roles and delegations. Optima Community Association Limited currently retains its own Subsidiary Board, but has delegated many of its powers to the Parent Board. The Parent Board will be supported by three new Local Stakeholder Boards that will focus on local issues and ensuring that we deliver effective tenant involvement and effective scrutiny of our local services.

1. Board Members and Executive Officers

The present Board Members and Executive Officers of the Group are set out on page 1. The Group Chief Executive has held a seat on the Board since July 2016, but does not hold an interest in the Parent Association’s shares. The other executive officers have no legal status as directors although they act as Executives within the authority delegated by the Board.

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES STRATEGIC REPORT

Governance (Continued)

2. Board

The Board Members of the Parent Board during the year to 31 March 2018 are listed on page 1. The Parent Board comprises of between 7 and 12 Board Members and is responsible for governing the affairs of the Association who shall be recruited in accordance with the Group's Board Recruitment & Selection Policy. In accordance with the Group's adopted Governance Code the Association's Board as a whole should have or acquire a diverse range of skills, competencies and experience. The Association is required to have regard to the "Group Board Member Skills & Competency Framework" which assists in ensuring there is cohesion of the Group's Boards and Board Members in the way they operate and work with each other. All Board Members undertake an annual self-assessment of their contribution, which is discussed with the Parent Board Chair and an action and training plan is agreed.

In order to ensure that, as an organisation, we are operating efficiently and are delivering what we have told the Parent Board we will deliver an Operations Board has been introduced comprising the members of the Executive Leadership Team. The Operations Board will meet quarterly and be held to account by the Parent Board.

3. Delegations

The Board delegates certain governance responsibilities to Group Committees, which have their own Terms of Reference.

The Committees that were in operation at 31 March 2018 were:

- Audit and Risk Committee
- Remuneration Committee

Membership of the Group Committees at the date of signing of the financial statements is detailed on pages 1 and 2.

Day to day management is delegated to an experienced Executive Leadership Team to ensure:

- adherence to relevant legislation;
- the interest of taxpayers and the reputation of the sector are protected;
- the Group operates in accordance with its Rules, Intra-group Agreement, Standing Orders, Financial Regulations and other governance documentation and complies with all relevant regulatory requirements.

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
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Public Benefit Entity

As a public benefit entity, WM Housing Group Limited has applied the public benefit entity 'PBE' prefixed paragraphs of FRS102.

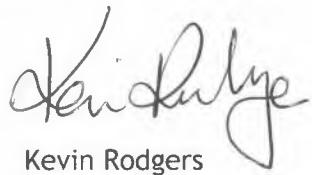
Statement of compliance

This Strategic Report has been prepared in accordance with the guidelines set out in FRS102 and paragraph 4.7 of the Housing SORP 2014.

The Strategic Report was approved on 6 August 2018 and signed on its behalf by:



Colin Dennis
Chair



Kevin Rodgers
Group Chief Executive

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES REPORT OF THE BOARD

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

The Group

The Group is a not-for-profit Group with the vast majority of its properties in Coventry, Birmingham, Solihull and the counties of Herefordshire and Worcestershire. These accounts cover the year ended 31 March 2018. As at 31 March 2018, the Group owned a number of residential schemes providing 30,254 units of accommodation.

Principal activities

The Group's principal activities are the development and management of social housing. A Strategic Report of the year's activities appears on pages 3 - 29.

Governance Code Compliance

WM Housing Group continues to follow best practice with regards to corporate governance and has adopted the NHF's Code of Governance - Promoting Board Excellence for Housing Associations 2015. The Group has undertaken a detailed self-assessment against the code during the year. WM Housing Group fully complies with the Code of Governance at 31 March 2017 and 31 March 2018 for all members of the Group who are Registered Providers. One Limited Company subsidiary of the group parent (not a Registered Provider of social housing) has a board member who has held various positions within the Group totalling in excess of 9 years. The Group Board has reviewed the position and considers it appropriate to the circumstances given the skills, knowledge and experience of the member concerned, who is due to retire at the end of his current 3-year term of office.

Compliance with Regulatory Standards

In April 2015, the Homes and Communities Agency (now the Regulator of Social Housing) revised its regulatory framework. With effect from March 2016, regulatory compliance with this standard must be reviewed at least annually and compliance certified in annual financial statements.

WM Housing Group has reviewed its compliance with all of the regulatory standards both Economic (Governance and Financial Viability, Value for Money and Rent) and Consumer Standards (Tenant Involvement and Empowerment, Home, Tenancy and Neighbourhood and Community) as at March 2018. This comprised a comprehensive self-assessment to provide boards with an honest picture of how well the Group is performing against regulatory requirements, legislation, and internal key measures. The objective of the assessment is to provide an understanding of performance and the outcomes the Group is delivering for its customers, key stakeholders and partners.

The self-assessment also includes improvement plans for 2018/19 to further strengthen compliance. It also includes a detailed assessment of compliance with all relevant law, which is a requirement of the Governance and Financial Viability Standard.

As a result of this work, the Group has received assurance and is satisfied that all reasonable steps have been taken to ensure compliance with the Governance & Viability Standard in all material aspects during the financial year 2017/18.

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES REPORT OF THE BOARD

Compliance with Regulatory Standards (Continued)

As WM Housing operates a group structure and the economic standards are regulated at this level, the parent board has a very important role in directing, challenging and signing-off the self-assessment of compliance with the regulatory standard as part of our business planning and regulatory compliance work. The parent board has delegated responsibility for supporting the assurance process to the Audit and Risk Committee.

The self-assessment compliance statement with the Governance and Financial Viability standard will be formally approved and signed-off by WM Housing Group Board at its meeting on 6 August 2018.

Regulatory Judgments

Regulatory judgements rate organisations on how well they meet the Regulator's standards relating to corporate governance - how well the company is run and the Board's awareness of risks to the business and financial management and viability - the company's financial ability to continue to provide affordable homes in the future.

Early in 2017/18, the Group identified that Whitefriars was potentially in breach of the standards in two areas:

- The rent standard: It appeared that section 2.2 (a) of this standard had been breached at one supported housing scheme where rents were above the formula rent.
- The tenancy standards: It appeared that section 2.2.7 of the standard had been breached at the same supported housing scheme, where eviction processes may have been followed incorrectly.

These breaches were reported to the Regulator by the Company Secretary and to the Whitefriars and WM Housing Group Boards. The Regulator concluded that WM Housing had breached the Tenancy standard and as a consequence of this breach, there was the potential for serious detriment to WM Housing's tenants, and issued a Regulatory Notice in September 2017 to that effect.

The Regulator then undertook an In Depth Assessment (IDA) of WM Housing Group in July 2017. As a result of the breaches that had been reported, it issued a Regulatory Judgement in October 2017 downgrading our Governance Rating from **G1 (compliant)** to **G2 (compliant)** - "The provider meets our governance requirements but needs to improve some aspects of its governance arrangements to support continued compliance". The Group's viability assessment remained at **V1 (compliant)** - "The provider meets our viability requirements and has the financial capacity to deal with a wide range of adverse scenarios."

Following the downgrade to G2, WM agreed an action plan with the regulator to strengthen its control framework to ensure that key controls relating to higher risk activities are operating as intended. In February 2018, the Regulator issued a further Regulatory Judgement confirming that our Governance Rating had been returned to its previous Rating of **G1 (compliant)** - "The provider meets our governance requirements".

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES REPORT OF THE BOARD

Voluntary Code: Mergers, Group Structures and Partnerships

WM Housing Group signed up to the voluntary code introduced by the National Housing Federation (NHF) in respect of Mergers, Group Structures and Partnerships with effect from 1 April 2016. This voluntary Code sits alongside a suite of relevant law, regulatory requirements and other codes supporting excellence in governance in the housing association sector.

The Code aims to establish a set of core principles to which any housing associations seeking, or exploring, dialogue in respect of mergers, group structures and partnerships should adhere. It offers a consistent framework to assist board ownership, support decision making, and to embed improved transparency and accountability.

There has not been any merger activity in the year ended 31 March 2017 or 31 March 2018.

WM Housing Group is a member of the West Midlands Housing Association Partnership, which was formed in 2016 to provide a single voice to help the West Midlands Combined Authority and the elected Mayor to deliver on the following key objectives for the region:

- Supporting economic growth
- Boosting housing supply and home ownership
- Improving health and wellbeing

The Partnership is chaired by our Group Chief Executive, Kevin Rodgers.

Directors' and Officers' Liability Insurance

Directors and Officers have been insured throughout the period to indemnify the Association against liability of the officers when acting for the Association.

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. For this reason, it continues to adopt the going concern basis in the financial statements.

Internal controls assurance

The Board acknowledges its ultimate responsibility for ensuring that the Group has in place a system of control that is appropriate to the various business environments in which it operates. Any such system can provide reasonable, but not absolute, assurance against material misstatements or loss and the development of the system is a continuing process. The system of control is designed to manage key risks and to provide reasonable assurance that planned business objectives and outcomes are achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Group's assets and interests.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls which are embedded within the normal management and governance processes. This approach includes the regular evaluation of the nature and extent of risks to which the Group is exposed and has been in place throughout the period commencing 1 April 2017 up to the date of approval of the report and financial statements. The risk assessments are updated at least annually and are reported to the Board.

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
REPORT OF THE BOARD

Internal controls assurance (Continued)

The process adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework, includes:

- Environment and control procedures
- Appropriately qualified staff
- Identification and evaluation of key risks
- Information and financial reporting systems
- Monitoring and corrective action
- Clear policies in place for both employees and Board Members covering key risk areas (e.g. Probity Policy, Conduct Becoming Policy, Anti-Fraud Policy, Anti-Bribery Policy and a Confidential Reporting (Whistleblowing) Policy).

BDO LLP were appointed as internal auditors for the Group and have delivered the 2017/18 internal audit programme as the final year of their term of appointment. The BDO Internal Audit approach complies with best professional practice, in particular, Government Internal Audit Standards and the Chartered Institute of Internal Auditors' Position Statement on Risk Based Internal Auditing. KPMG LLP have been appointed as internal auditors with effect from the 2018/19 internal audit programme.

Internal Audit provides an independent and objective assurance and consulting activity that is designed to add value to the Group's operations. It helps the Group to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The internal control framework and the risk management process are subject to regular review by Internal Audit, who advise the Senior Leadership Team and report to the Group's Audit and Risk Committee.

The Group's Audit and Risk Committee conducts an annual review of the effectiveness of the system of internal control and has taken account of any changes needed to maintain the effectiveness of risk management and control processes. The Group's Audit and Risk Committee makes an annual report to the Board. The Board has received this report.

The Group has in place procedures to ensure every incident is recorded on the fraud register, which is reported in detail to the Group's Audit and Risk Committee and these incidents are summarised in the report to the Board on internal controls which is presented each year. During 2017/18 and up to the date of signing the accounts, there have been no incidents (2017: no incidents) recorded in the group fraud register.

The Board confirms that there is an on-going process for identifying and managing significant risks faced by the Group. This process has been in place throughout the year under review, up to the date of the annual report and accounts and is regularly reviewed by the Board.

**WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
REPORT OF THE BOARD**

Statement of the responsibilities of the Board for the financial statements

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the association and of the Income and Expenditure for that period of account.

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

- Select suitable policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the association and to enable it 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.

It has general responsibility for taking reasonable steps to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

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

Statements as to disclosure of information to Auditor

The Board Members who held office at the date of approval of this Report confirm that, so far as they are each aware, there is no relevant audit information of which the Association's auditor is unaware, and each Board Member has taken all the steps that they ought to have taken as a Board Member to make themselves aware of any relevant audit information and to establish that the Association's auditor is aware of that information.

Auditor

Beever and Struthers are auditors to the Group and its partner associations as at 31 March 2018.

The report of the Board was approved on 6 August 2018 and signed on its behalf by:



Stuart Kellas
Secretary

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF WM HOUSING GROUP LIMITED

Opinion

We have audited the financial statements of WM Housing Group Limited (“the parent association”) and its subsidiaries (“the group”) for the year ended 31 March 2018 which comprise the consolidated and parent association Statement of Comprehensive Income, the consolidated and parent association Statement of Financial Position, the consolidated and parent association Statement of Changes in Reserves, the consolidated Statement of Cash Flows and notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group’s and parent association’s affairs as at 31 March 2018 and of its 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 Cooperative and Community Benefit Societies Act 2014, the Cooperative 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.

Basis for opinion

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

Conclusions relating to going concern

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

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

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF WM HOUSING GROUP LIMITED

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Cooperative and Community Benefit Societies Act 2014

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Board for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which Cooperative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

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

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF WM HOUSING GROUP LIMITED

Responsibilities of the Board

As explained more fully in the Statement of the Responsibilities of the Board set out on page 34, the Board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's web-site at <http://www.frc.org.uk/auditors/audit-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor%20%99s-responsibilities-for>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the association's members, as a body, in accordance with section 87(2) of the Cooperative 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.

Beever and Struthers

Beever and Struthers, Statutory Auditor
St George's House
215 - 219 Chester Road
Manchester
M15 4JE

Date: 6 August 2018

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2018 £'000	2017 Restated £'000
Turnover	2	148,600	150,137
Operating Expenditure	2	(109,375)	(105,947)
Other income	2	983	1,021
Surplus/(Deficit) on disposal of Fixed Assets	4	1,989	(2,682)
Operating Surplus	6	42,197	42,529
Interest Receivable	9	311	305
Interest and Financing Costs	10	(26,839)	(27,805)
Loan Breakage Costs	22	(67,878)	-
Movement in fair value of financial instruments		4	32
(Deficit)/Surplus before Tax		(52,205)	15,061
Taxation	11	48	(3)
(Deficit)/Surplus for the Year		(52,157)	15,058
Actuarial Gain/(Loss) in respect of Pension Schemes	8	2,635	(6,543)
Total Comprehensive Income for the Year		(49,522)	8,515

The consolidated results relate wholly to continuing activities and the notes on pages 45 to 92 form an integral part of these financial statements.

The figures for the year ended 31 March 2017 have been restated to reflect the elimination of intra-group interest.

The financial statements on pages 38 to 92 were approved and authorised for issue by the Board on 6 August 2018 and signed on its behalf by:

Colin Dennis
Chair

Kevin Rodgers
Group Chief Executive

Stuart Kellas
Secretary

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME

	Notes	2018 £'000	2017 £'000
Turnover	2	18,900	18,462
Operating Expenditure	2	(17,841)	(16,340)
Operating Surplus	6	1,059	2,122
Interest and Financing Costs	10	(25)	(44)
Surplus before Tax		1,034	2,078
Taxation	11	48	-
Surplus for the Year		1,082	2,078
Actuarial Gain/(Loss) in respect of Pension Schemes		-	-
Total Comprehensive Income for the Year		1,082	2,078

The results of the association relate wholly to continuing activities and the notes on pages 45 to 92 form an integral part of these financial statements.

The financial statements on pages 38 to 92 were approved and authorised for issue by the Board on 6 August 2018 and signed on its behalf by:

Colin Dennis
Chair

Kevin Rodgers
Group Chief Executive

Stuart Kellas
Secretary

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2018 £'000	2017 £'000
Fixed Assets			
Tangible Fixed Assets	12	1,159,790	1,155,551
Investments:			
HomeBuy Loans Receivable	13	2,118	2,491
Investment in Joint Venture	15	-	-
		<u>1,161,908</u>	<u>1,158,042</u>
Current Assets			
Stock	16	4,410	1,956
Trade and Other Debtors receivable within one year	17	8,658	7,199
Debtors receivable after more than one year	17	1,006	1,098
Investments	18	2,208	4,314
Cash and Cash Equivalents	19	88,501	62,655
		<u>104,783</u>	<u>77,222</u>
Less: Creditors: amounts falling due within one year	20	(42,131)	(58,296)
Net Current Assets		<u>62,652</u>	<u>18,926</u>
Total Assets less Current Liabilities		1,224,560	1,176,968
Creditors: Amounts falling due after more than one year	21	(925,202)	(827,265)
Provision for Liabilities - Pension Provision	8	(44,476)	(45,299)
Total Net Assets		254,882	304,404
Reserves			
Income and Expenditure Reserve		254,878	304,400
Restricted Reserve		4	4
Total Reserves		254,882	304,404

The notes on pages 45 to 92 form an integral part of these financial statements.

The financial statements on pages 38 to 92 were approved and authorised for issue by the Board on 6 August 2018 and signed on its behalf by:

Colin Dennis
Chair

Kevin Rodgers
Group Chief Executive

Stuart Kellas
Secretary

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

ASSOCIATION STATEMENT OF FINANCIAL POSITION

	Notes	2018 £'000	2017 £'000
Fixed Assets			
Tangible Fixed Assets	12	1,073	1,355
Investments:			
Investment in Associates	14	105	55
		<u>1,178</u>	<u>1,410</u>
Current Assets			
Trade and other Debtors	17	2,166	2,051
Cash and Cash Equivalents	19	2,234	1,078
		4,400	3,129
Less: Creditors: amounts falling due within one year	20	(2,729)	(2,508)
Net Current Assets		<u>1,671</u>	<u>621</u>
Total Assets less Current Liabilities		2,849	2,031
Creditors: Amounts falling due after more than one year	21	(1,553)	(1,817)
Total Net Assets		1,296	214
Reserves			
Income and Expenditure Reserve		<u>1,296</u>	<u>214</u>
Total Reserves		1,296	214

The notes on pages 45 to 92 form an integral part of these financial statements.

The financial statements on pages 38 to 92 were approved and authorised for issue by the Board on 6 August 2018 and signed on its behalf by:

Colin Dennis
Chair

Kevin Rodgers
Group Chief Executive

Stuart Kellas
Secretary

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES

	Income and Expenditure Reserve £'000	Restricted Reserve £'000	Total Controlling Interest £'000	Restricted Fund £'000	Unrestricted Fund £'000
Balance at 1 April 2016	295,885	4	295,889	4	295,885
Surplus for the year	15,058	-	15,058	-	15,058
Other Comprehensive Income for the year:					
- Actuarial loss in respect of pension schemes	(6,543)	-	(6,543)	-	(6,543)
Balance at 31 March 2017	304,400	4	304,404	4	304,400
(Deficit) for the year	(52,157)	-	(52,157)	-	(52,157)
Other Comprehensive Income for the year:					
- Actuarial gain in respect of pension schemes	2,635	-	2,635	-	2,635
Balance at 31 March 2018	254,878	4	254,882	4	254,878

The notes on pages 45 to 92 form an integral part of these financial statements.

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

ASSOCIATION STATEMENT OF CHANGES IN RESERVES

	Income and Expenditure Reserve £'000	Restricted Reserve £'000	Total Controlling Interest £'000	Restricted Fund £'000	Unrestricted Fund £'000
Balance at 1 April 2016	(1,864)	-	(1,864)	-	(1,864)
Surplus for the year	2,078	-	2,078	-	2,078
Balance at 31 March 2017	214	-	214	-	214
Surplus for the year	1,082	-	1,082	-	1,082
Balance at 31 March 2018	1,296	-	1,296	-	1,296

The notes on pages 45 to 92 form an integral part of these financial statements.

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2018 £'000	2017 £'000
Net cash generated from Operating Activities (see below)		54,155	68,345
Cash flow from investing activities:			
Purchase of tangible fixed assets		(37,865)	(44,399)
Proceeds from sale of tangible fixed assets		10,283	9,667
Payment to Coventry City Council RTB Clawback		(2,260)	(1,606)
Loan advanced to Joint Venture		(919)	-
Grants received		5,278	1,905
Proceeds from redemption of equity loans		353	313
Proceeds from disposal of investment in Associate		-	5
Interest received		579	540
Purchase of current asset investments		2,110	-
		(22,441)	(33,575)
Cash flow from financing activities:			
Interest paid (including loan breakage costs)		(83,190)	(26,956)
Repayment of borrowings		(198,140)	(17,547)
New borrowings received		275,462	-
		(5,868)	(44,503)
Net change in cash and cash equivalents		25,846	(9,733)
Cash and cash equivalents at beginning of the year		62,655	72,388
Cash and cash equivalents at end of the year		88,501	62,655
Cash flow from Operating Activities:			
(Deficit)/Surplus for the year		(52,157)	15,058
Adjustments for non-cash items:			
Depreciation of tangible fixed assets		25,958	24,646
Impairment of tangible fixed assets		3,650	3,090
Abortive fees written off		2	-
Amortised grant		(3,900)	(3,892)
(Increase)/Decrease in stock		(679)	506
(Increase)/Decrease in properties held for sale		(1,775)	1,344
(Increase)/Decrease in trade and other debtors		(2,669)	3,197
(Decrease) in trade and other creditors		(5,552)	(4,966)
Pension costs less contributions payable		1	154
Carrying amount of tangible fixed asset disposals		8,304	12,702
Fair value of gifted assets net of contributions made		(983)	(997)
Adjustments for investing or financing activities:			
Proceeds from the sale of tangible fixed assets		(10,399)	(9,965)
Interest payable (including loan breakage costs)		94,717	27,895
Interest received		(311)	(395)
Movement in fair value of financial instruments		(4)	(32)
Taxation expense		(48)	3
Cash from Operations		54,155	68,348
Taxation paid		-	(3)
Net cash generated from Operating Activities		54,155	68,345

The notes on pages 45 to 92 form an integral part of these financial statements.

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

LEGAL STATUS

WM Housing Group Limited is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing as a Private Registered Provider of Social Housing. The registered office is: -

4040 Lakeside
 Solihull Parkway
 Birmingham
 B37 7YN

The group comprises the following entities: -

Name	Incorporation	Registered / Non-registered
Attwood Green Estate Services Limited	Companies Act 2006	Non-registered
Cornerstone Commercial Services Limited	Companies Act 2006	Non-registered
Family Housing Association (Birmingham) Limited	Co-operative and Community Benefit Societies Act 2014	Registered
Optima Community Association Limited	Co-operative and Community Benefit Societies Act 2014	Registered
West Mercia Development Limited	Companies Act 2006	Non-registered
West Mercia Homes Limited	Co-operative and Community Benefit Societies Act 2014	Registered
Whitefriars Business Services Limited	Companies Act 2006	Non-registered
Whitefriars Housing Group Limited	Co-operative and Community Benefit Societies Act 2014	Registered
WM Treasury plc	Companies Act 2006	Non-registered
WM Treasury 2 plc	Companies Act 2006	Non-registered
WM Treasury Vehicle Limited	Companies Act 2006	Non-registered

1. PRINCIPAL ACCOUNTING POLICIES

Basis of accounting

The Group's financial statements have been prepared in accordance with applicable United Kingdom Accounting Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for registered social housing providers: Housing SORP 2014. The Group is required under the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969 to prepare consolidated Group accounts.

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. The financial statements are prepared on the historical cost basis of accounting and are presented in sterling £ and rounded to the nearest thousand.

The Financial Reporting Council (FRC) has recently conducted its planned triennial review of FRS102. The result of this review is that an updated version of the standard, FRS102 (March 2018) has been released, applicable to accounting periods beginning on or after 1 January 2019. Early application is permitted provided that all amendments are applied at the same time. The financial statements have therefore been prepared in compliance with FRS102 (March 2018).

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Basis of accounting (Continued)

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS102:

- 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.

Basis of consolidation

The consolidated financial statements incorporate the results of WM Housing Group Limited and all of its subsidiary undertakings as at 31 March 2018 (with the exception of Attwood Green Estate Services Limited, which is considered to be immaterial to the results of the group as a whole) using the acquisition method of accounting as required. The results of subsidiary undertakings are included from the date of acquisition, being the date the Group obtains control.

Going Concern

The Group's financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. Government's announcements in July 2015 impacting on the future income of the Group have led to a reassessment of the Group's business plan as well as an assessment of imminent or likely future breach in borrowing covenants. No significant concerns have been noted and we consider it appropriate to continue to prepare the financial statements on a going concern basis.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements: -

- **Development expenditure.** The Group capitalises development expenditure in respect of new developments of social and affordable housing. Initial capitalisation of costs is based on management's judgement that a development scheme is confirmed, usually when Board approval has taken place including access to the appropriate funding. In determining whether a project is likely to cease, management monitors the development and considers if changes have occurred that result in impairment.
- **Categorisation of housing properties.** The Group has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the Group has considered if the asset is held for social benefit or to earn commercial rentals. The Group has not identified any investment properties.
- **Impairment.** The Group has identified a cash generating unit (CGU) for impairment assessment purposes at a property scheme level.
- **Provision for bad debts.** The Group provides for bad debts as at 31 March each year based on a percentage scale of current tenant arrears plus 100% of former tenant arrears. The adequacy of the provision methodology is reviewed on an annual basis to ensure that provisions reflect changes in arrears experience and the implications of Welfare Reform.

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Judgements and key sources of estimation uncertainty (Continued)

- **Categorisation of debt.** The Group's debt has been treated as "basic" in accordance with paragraphs 11.8, 11.9 and 11.9A of FRS 102 (March 2018). The Group has some fixed rate loans which have a two-way break clause (i.e. in addition to reasonable compensation being payable by a borrower to a lender if a loan is prepaid where the prevailing fixed rate is lower than the existing loan's fixed rate, reasonable compensation could be payable by the lender to the borrower in the event that a loan is prepaid and the prevailing fixed rate is higher than the existing loan's fixed rate).

Other key sources of estimation and assumptions:

- **Tangible fixed assets.** Tangible fixed assets 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 technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- **Pension and other post-employment benefits.** The Group and its subsidiaries participate in three pension schemes: the West Midlands Pension Fund (as an Admitted Body), the Family Housing Association (Birmingham) Limited (1983) Retirement Fund and the Social Housing Pension Scheme. For the purposes of the financial statements, the West Midlands Pension Fund and the Family Pension Fund are classified as defined benefit schemes.

The Social Housing Pension Scheme is a multi-employer scheme where it is not currently possible to identify each employer's share of the underlying assets and liabilities. As a result, the scheme is accounted for as a defined contribution scheme. The disclosures in the accounts follow the requirements of Section 28 of FRS 102 in relation to multi-employer funded schemes in which the Group has a participating interest. Contributions payable under an agreement with SHPS to fund past deficits are recognised as a liability in the Group's financial statements calculated by the repayments known, discounted to the net present value at the year ended using market rate discount factors. The unwinding of the discount is recognised as a finance cost in the Statements of Comprehensive Income in the period incurred.

We are aware that discussions are on-going between The Pensions Trust and the National Housing Federation (NHF) SORP Working Party to determine whether it might be possible to determine a methodology to identify the share of underlying assets and liabilities attributable to individual employers in future, and will therefore keep our accounting policy and resulting accounting treatment under review as these discussions progress.

The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty.

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Other key sources of estimation and assumptions (Continued)

• Pension and other post-employment benefits (Continued)

For the West Midlands Pension Fund, the pension scheme liabilities are measured using a projected unit method and discounted at an AA corporate bond rate. The pension scheme assets are valued at market rate. The pension scheme deficit is recognised in full on the Statement of Financial Position. The mortality rate is based on publicly available mortality tables for the specific sector. Future salary increases and pension increases are based on expected future inflation rates for the respective sector.

Further details for all pension schemes are provided in note 8.

• Impairment of non-financial assets. Reviews for impairment of housing properties are carried out when a trigger has occurred and any impairment loss in a cash generating unit is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value or its value in use. A cash generating unit is normally a group of properties at scheme level whose cash income can be separately identified.

During the year, the continued implementation of our plans to decommission and redevelop outdated shared bathing sheltered schemes has been identified as a trigger for an impairment review of these schemes. An impairment trigger has also been identified in respect of those properties affected by our regeneration plans for parts of the City of Coventry.

Other triggers include properties that are void and have been identified as difficult to let, and properties that are vacant pending change of use.

Following a trigger for impairment, the housing property-owning members of the Group perform impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from sales transactions in an arm's length transaction on similar cash generating units (properties) or observable market prices less incremental costs for disposing of the properties. The value in use calculation is based on a depreciated replacement model. The depreciated replacement cost is based on available data of the cost of constructing or acquiring replacement properties to provide the same level of service potential to the Association as the existing property.

Following the assessment of impairment, impairment losses of £3.7m (including fair value adjustments on consolidation) were identified in the reporting period (2017: £3.1m) which relates to 232 properties with a carrying value of £896k.

Business combinations

Acquisitions of other entities in the social housing sector that are in substance a gift to WM Housing Group Limited are treated as non-reciprocal transfers where the substance of the transaction is gifting control of one entity to another. These are also known as non-exchange transfers. In this case the fair value of the gifted assets and liabilities are recognised as a gain or loss in the Statement of Comprehensive Income account in the year of the transaction.

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Joint Ventures

An entity is treated as a joint venture where a member of the group holds an interest and shares control under a contractual agreement with one or more parties external to the Group.

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

Negative Goodwill

Negative Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the assets and liabilities acquired and the fair value of the consideration paid.

Negative goodwill is recognised in the Statement of Comprehensive Income in full in the year in which it is generated.

Turnover and revenue recognition

Turnover represents rental income receivable, amortised capital grant, revenue grants from local authorities and Homes England, income from the sale of shared ownership and other properties developed for outright sale and other income, and is recognised in relation to the period when the goods or services have been supplied.

Rental income is recognised from the point at which the property is available to let, net of voids. Income from property sales is recognised on legal completion. Supporting People Income is recognised under the contractual arrangements. Sales of properties developed for outright sale are included in Turnover and Cost of Sales.

Operating expenditure

Operating expenditure includes the actual costs of repairs and maintenance incurred during the period and the cost of sales relating to first tranche shared ownership sales. Management costs are allocated to revenue accounts on the basis of staff time allocated, except for specific items of expenditure, which are allocated directly.

Support income and costs including Supporting People income and costs

Supporting People (SP) contract income received from Administering Authorities is accounted for as SP income in the Turnover as per note 2. The related support costs are matched against this income in the same note. Support charges included in the rent are included in the Statement of Comprehensive Income from social housing lettings note 3 and matched against the relevant costs.

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Supported housing managed by agencies

Social Housing Grant (SHG) for capital expenditure on supported housing projects is claimed and incorporated within the Statement of Financial Position in line with ownership. The treatment of revenue income and expenditure in respect of supported housing projects depends solely on the agreements with the managing agents and on whether the Group entity carries the financial risk.

Where the Group entity holds the support contract with the Supporting People Administering Authority and carries the financial risk, all of the project's income and expenditure is included in the Statement of Comprehensive Income.

Where the agency holds the support contract with the Supporting People Administering Authority and carries the financial risk, the income and expenditure included is only that income and expenditure which relate solely to the Group entity. Other income and expenditure of projects in this category is excluded from the Statement of Comprehensive Income.

Service Charges

Service charge income and costs are recognised on an accruals basis. The Group operates both fixed and variable service charges on a scheme by scheme basis in consultation with residents. Where variable service charges are used the charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge. Until these are returned or recovered they are held as creditors or debtors in the Statement of Financial Position.

Where periodic expenditure is required a provision may be built up over the years, in consultation with the residents; until these costs are incurred this liability is held in the Statement of Financial Position within long term creditors.

Loans

Since 1988 all loans, including bank/building society loans and issued bonds, have been raised from the private sector including banks, building societies, The Housing Finance Corporation Limited and capital markets. All loan interest is accounted for on a basis which reflects the effective periodic rate of interest on the loan. Proceeds of loan stock issued by The Housing Finance Corporation Limited often contain elements of either discount or premium. Loans outstanding on the Statement of Financial Position are shown net of any premiums with the full loan outstanding being reinstated over its life by means of adjustments from the Statement of Comprehensive Income.

Costs of raising finance are set against gross loans received and the loan is then refinanced over its life by means of adjustments from the Statement of Comprehensive Income. Costs of raising finance are deemed to be finance costs of the same nature as interest.

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit and 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 United Kingdom (i.e. the country where the company's subsidiaries operate and generate taxable income).

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the reporting 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; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met

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.

Value Added Tax

The Group charges VAT on some of its income and is able to recover part of the VAT it incurs on expenditure. All amounts disclosed in the accounts are inclusive of VAT to the extent that it is suffered by the Group and not recoverable.

Tangible fixed assets and depreciation

Housing property

Housing properties are shown at cost, less accumulated depreciation. The capitalised cost of developed or purchased housing properties includes the cost of acquiring land and buildings, related development staff salaries and corresponding direct overheads, interest costs on the net capital employed until the date of practical completion, major repairs capitalised and directly attributable professional fees. Following the implementation of the Statement of Recommended Practice (SORP), the cost of housing properties is allocated between land and buildings in line with National Housing Federation valuation matrix.

The Group capitalises major repairs and improvement expenditure on existing housing properties in line with the requirements of the SORP. The cost of capitalised improvements is written off over the expected useful life of the components. Component lives are aligned to the assumed life within the stock condition survey database. Otherwise, such costs are taken as a charge to the Statement of Comprehensive Income in the year in which they are incurred.

The useful economic lives of the properties are:

Housing Properties	- 100 years from date of build
Major Repairs/Improvements	- over the expected life of the component

Where a housing property comprises two or more major components with substantially different useful economic lives (UELs), each component is accounted for separately and depreciated over its individual UEL. Housing properties in the course of construction and freehold land are stated at cost and are not depreciated. When a component is replaced, the existing component is fully depreciated and written off, and is replaced by the capitalisation of the replacement component as incurred.

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Tangible fixed assets and depreciation (Continued)

Housing property (Continued)

The group depreciates freehold housing properties by component on a straight line basis over the UELs of the component categories. The table below shows the asset lives for the separately identified components within the building element of each property.

Component type	Component Life (years)
Structure	100
Insulated Render	Remaining life of structure
Roof	70
Soffits & Fascias	30
Windows	30
Doors	30
Bathroom	30
Heating System	30
Electrics	30
Lifts	30
Solar PV Panels	25
Sprinklers	20
Kitchen	20
Boiler	15

The Group depreciates housing properties held on long leases in the same manner as freehold properties, except where the unexpired lease term is shorter than the longest component life envisaged, in which case the unexpired term of the lease is adopted as the useful economic life of the relevant component category.

Other tangible fixed assets

Tangible fixed assets other than housing properties are stated at cost less accumulated depreciation. Depreciation is charged over the expected useful economic life of the asset, at the following annual rates:

Freehold Offices	- 50 years
Leasehold Office	- over the life of the lease
Computer Equipment	- 3 to 5 years
Fixtures & Fittings	- 4 years
Office Refurbishments	- 12 years

Capitalisation of interest and administration costs

Interest on loans financing the development of new properties is capitalised up to the date of completion of the scheme and only when development activity is in progress. Administration costs relating to development activities are capitalised only to the extent that they are incremental to the development process and directly attributable to bringing the property into its intended use.

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Property sales

Property sales arise from a Preserved Right to Buy for tenants at the time of Local Authority transfer and a Right to Acquire for tenants since transfer.

Under an agreement with Coventry City Council (CCC) signed in April 2014, the surplus on sale of Right to Buy properties owned by Whitefriars Housing Group Limited is passed to the Council to fund improvement works to roads and footpaths on our Whitefriars' estates. The programme of works will address as first priority, the roads and footpaths previously considered to be the responsibility of Whitefriars Housing Group Limited, but now accepted as the responsibility of CCC, following the "Gulliksen" ruling, and will improve the environment for our residents, improving the standard of minor roads and paths on our estates.

For Right to Acquire sales, the surplus represents the difference between the sales proceeds and carrying value after deduction of grant that is to be recycled via the Recycled Capital Grant Fund. The sale of Right to Buy and Right to Acquire properties is considered to be an integral part of the Group's operating strategy, and turnover and cost of sales relating to the disposals are disclosed within operating surplus in the Statement of Comprehensive Income.

Shared Ownership (Low Cost Home Ownership) properties

All properties are split between fixed and current assets in line with the expectation relating to the first tranche sale percentage. The expected first tranche proportion is classified as a current asset and is held at the lower of cost and net realisable value until the point of the first tranche sale. The current asset is then transferred to cost of sales and matched against sales proceeds within the operating surplus in the Statement of Comprehensive Income. Any operating surplus is restricted to the overall surplus which takes account of the Existing Use Value - Social Housing (EUV-SH) of the remaining fixed asset element. The remaining element of the asset is classified as a fixed asset and included in fixed assets in the Statement of Financial Position at cost less any provision for depreciation or impairment.

As shared ownership is considered to be an integral part of the Group's operating strategy, all shared ownership sales (whether initial tranche or subsequent staircasing sales) are disclosed within operating surplus in the Statement of Comprehensive Income.

Property managed by agents

Where the Group carries the majority of the financial risk on property managed by agents, all of the income and expenditure arising from the property is included in the Statement of Comprehensive Income. Where the agency carries the majority of the financial risk, the Statement of Comprehensive Income includes only that income and expenditure which relates solely to the Group. In both cases, the housing assets and associated liabilities are included in the Group's Statement of Financial Position.

Leasing and hire purchase

Where assets are financed by hire purchase contracts and leasing agreements that give rights approximating to ownership (finance leases), they are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as obligations to the lessor in creditors. They are depreciated over the shorter of the lease term and their economic useful lives.

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Leasing and hire purchase (Continued)

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the Statement of Comprehensive Income over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

Other leases are treated as operating leases and payments are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

Reverse premiums and similar incentives received on leases to enter into operating lease agreements are released to Statement of Comprehensive Income over the term of the lease.

HomeBuy

Under these arrangements the Group receives Social Housing Grant representing between 12½% and 25% of the purchase price in order to advance interest free loans to qualifying homebuyers. The buyer meets the balance of the purchase price from a personal mortgage, an element of which may be interest free for a period, and savings.

In the event that a property is resold, the Group recovers the appropriate proportion of the value of the property at the time of the resale. The grant becomes recyclable when the loans are repaid up to the amount of the original grant and the extent the proceeds permit. The Group is able to retain any surplus proceeds attributable to the share of the value of the property. If there is a fall in the value of the property the shortfall of proceeds is offset against the recycled grant.

Loans advanced by the Group under these arrangements are treated as concessionary loans and are initially recognised at the amount paid to the purchaser and reviewed annually for impairment. The associated Social Housing Grant received to fund these loans is recognised as deferred income until the loan is redeemed. There are no circumstances in which the Group will suffer any losses.

Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Current asset investments

Current asset investments include cash and cash equivalents invested for periods of more than 24 hours. They are recognised initially at cost and subsequently at fair value at the reporting date. Any change in valuation between reporting dates is recognised in the Statement of Comprehensive Income.

Stock and properties held for sale

Stock of materials is stated at the lower of cost and net realisable value (being the estimated selling price less costs to complete and sell). Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads. Properties developed for outright sale are included in current assets as they are intended to be sold, at the lower of cost or estimated selling price less costs to complete and sell.

At each reporting date, stock and properties held for sale are assessed for impairment. If there is evidence of impairment, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in Statement of Comprehensive Income.

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Statement of Comprehensive Income in operating expenditure.

Non-government grants and donations

Grants and donations received from non-government sources are recognised under the performance model. If there are no specific performance requirements, the grant or donation is recognised when received or receivable. Where a grant or donation is received with specific performance requirements, it is recognised as a liability until the conditions are met and then it is recognised as Turnover.

Social Housing and other government grants

Where developments have been financed wholly or partly by social housing and other grants, the amount of the grant received has been included as deferred income and recognised in Turnover over the estimated useful life of the associated asset structure (not land), under the accruals model. SHG received for items of cost written off in the Statement of Comprehensive Income is included as part of Turnover.

When Social Housing Grant (SHG) in respect of housing properties in the course of construction exceeds the total cost to date of those housing properties, the excess is shown as a current liability.

SHG must be recycled by the Group under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by Homes England and Greater London Authority. However, SHG may have to be repaid if certain conditions are not met. If grant is not required to be recycled or repaid, any unamortised grant is recognised as Turnover. In certain circumstances, SHG may be repayable, and, in that event, is a subordinated unsecured repayable debt.

Non-monetary government grant

On disposal of assets for which non-monetary government grants are held as liabilities in the Statement of Financial Position, the unamortised amount in creditors is derecognised and recognised as income in the Statement of Comprehensive Income.

Recycling of Capital Grant

Where Social Housing Grant is recycled, as described above, the SHG is credited to a fund which appears as a creditor until used to fund the acquisition of new properties, known as the Recycled Capital Grant Fund (RCGF). Where recycled grant is known to be repayable it is shown as a creditor within one year.

Disposal Proceeds Fund (DPF)

Prior to 1 April 2017, receipts from the sale of SHG funded properties less the net book value of the property and the costs of disposal were credited to the DPF; this creditor was carried forward until it was used to fund the acquisition of new social housing. From 1 April 2017, no further receipts from property sales have been added to the DPF. All grant relating to disposals of housing properties has been recycled via the RCGF.

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Holiday pay accrual

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

Financial Instruments

Financial assets and financial liabilities are measured at transaction price initially, plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

At the end of each reporting period, financial instruments are measured as follows, without any deduction for transaction costs the entity may incur on sale or other disposal:

Debt instruments that meet the conditions in paragraph 11.8(b) of FRS 102 are measured at amortised cost using the effective interest method.

Commitments to receive or make a loan to another entity which meet the conditions in para 11.8(c) of FRS 102 are measured at cost less impairment.

Financial instruments held by the Group are classified as follows:

- Financial assets such as cash, current asset investments and receivables are classified as loans and receivables and held at amortised cost using the effective interest method;
- Financial liabilities such as bonds and loans are held at amortised cost using the effective interest method;
- Loans to or from subsidiaries including those that are due on demand are held at amortised cost using the effective interest method;
- Commitments to receive or make a loan to another entity which meet the conditions above are held at cost less impairment;

Impairment of Financial Assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

The following financial instruments are assessed individually for impairment:

- a) All equity instruments regardless of significance; and
- b) Other financial assets that are individually significant.

Other financial instruments are assessed for impairment either individually or grouped on the basis of similar credit risk characteristics.

An impairment loss is measured as follows on the following instruments measured at cost or amortised cost:

- a) For an instrument measured at amortised cost, the impairment loss is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.
- b) For an instrument measured at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that the entity would receive for the asset if it were to be sold at the reporting date.

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Impairment of Financial Assets (Continued)

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed either directly or by adjusting an allowance account. The reversal cannot result in a carrying amount (net of any allowance account) which exceeds what the carrying amount would have been had the impairment not previously been recognised. The amount of the reversal is recognised in the Statement of Comprehensive Income immediately.

Segmental Reporting

As WM Treasury plc and WM Treasury 2 plc hold debt which is publicly traded, the parent body, WM Housing Group Limited, is required to disclose consolidated information about its operating segments in accordance with IFRS 8.

The Chief Operating Decision Maker (CODM) has been identified as the Group Executive Directors.

The Group Executive Directors have identified the operating segments as General Needs & Supported Housing and Shared Ownership, reflecting the way in which the organisation is operated and managed. The Group Executive Directors receive information regarding the financial and operational performance of these segments on a regular basis.

General Needs & Supported Housing incorporates all of our social rented housing provision, including both social rent and affordable rent properties. Income is derived primarily from rent and service charges.

Shared Ownership comprises those properties where we have sold a proportion of the equity share to the occupier whilst retaining the remaining equity and the freehold of the property. Income is derived from service charges in respect of the properties and from rent charged on the unsold equity element of the properties.

Analysis of the Statement of Comprehensive Income by segment is provided in note 35 to these financial statements. Our management reporting structure does not require analysis of assets and liabilities by segment, and these are therefore not included in the analysis of segmental reporting.

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

**2. TURNOVER, COST OF SALES, OPERATING COSTS
AND OPERATING SURPLUS/(DEFICIT) BY CLASS OF BUSINESS**

	Group					
	2018			2017		
	Turnover £'000	Operating Costs/Cost of Sales £'000	Operating Surplus/ (Deficit) £'000	Turnover £'000	Operating Costs/Cost of Sales £'000	Operating Surplus/ (Deficit) £'000
Social Housing Lettings (Note 3)	140,027	(102,621)	37,406	140,893	(98,776)	42,117
Other social housing activities:						
First tranche shared ownership sales	742	(468)	274	2,218	(1,450)	768
Charges for support services	681	(753)	(72)	843	(772)	71
Development services	-	(496)	(496)	-	(585)	(585)
Community regeneration	-	(127)	(127)	-	(137)	(137)
Management services	318	(271)	47	283	(213)	70
Fair value of gifted assets net of contributions made	983	-	983	997	-	997
Other activities	1,083	(310)	773	1,302	(610)	692
Activities other than Social Housing Activities:						
Lettings (registered nursing homes)	802	(442)	360	764	(459)	305
Leasehold accommodation	669	(609)	60	325	(313)	12
Garages and commercial	183	2	185	126	(8)	118
Build for sale activities	4,095	(3,280)	815	3,232	(2,494)	738
Outright sales	-	-	-	175	(130)	45
	149,583	(109,375)	40,208	151,158	(105,947)	45,211
Association						
	2018			2017		
	Turnover £'000	Operating Costs/Cost of Sales £'000	Operating Surplus/ (Deficit) £'000	Turnover £'000	Operating Costs/Cost of Sales £'000	Operating Surplus/ (Deficit) £'000
Other social housing activities:						
Management services	18,577	(17,841)	736	18,052	(16,340)	1,712
Gift Aid Received	323	-	323	410	-	410
	18,900	(17,841)	1,059	18,462	(16,340)	2,122

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

3. INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	Group			2018 Total	2017 Total
	General Needs £'000	Supported Housing & Housing for Older People £'000	Shared Ownership £'000		
Rents receivable net of identifiable service charge income and net of voids	117,534	4,802	2,820	125,156	126,200
Service charge income	7,114	1,535	481	9,130	9,223
Net rental income	124,648	6,337	3,301	134,286	135,423
Amortised Government Grants	3,387	231	282	3,900	3,892
Other Grants	317	16	-	333	43
Other income from Social Housing Lettings	1,421	87	-	1,508	1,535
Turnover from Social Housing Lettings	129,773	6,671	3,583	140,027	140,893
Operating Expenditure:					
Management	(13,502)	(726)	(516)	(14,744)	(13,912)
Service charge costs	(12,337)	(514)	(336)	(13,187)	(13,671)
Routine maintenance	(24,728)	(1,157)	-	(25,885)	(26,904)
Planned maintenance	(7,487)	(436)	-	(7,923)	(6,527)
Major repairs expenditure	(10,212)	(313)	-	(10,525)	(8,481)
Bad debts	(567)	(28)	-	(595)	(1,796)
Depreciation on housing properties	(22,013)	(848)	(928)	(23,789)	(22,245)
Impairment of housing properties	(3,202)	(448)	-	(3,650)	(3,090)
Property lease charges	(218)	(21)	(36)	(275)	(181)
Other costs	(1,998)	(42)	(8)	(2,048)	(1,969)
Operating Expenditure on Social Housing Lettings	(96,264)	(4,533)	(1,824)	(102,621)	(98,776)
Operating surplus on Social Housing Lettings	33,509	2,138	1,759	37,406	42,117
Void losses (being rental income lost as a result of property not being let, although it is available for letting)	(994)	(37)	(141)	(1,172)	(1,426)

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

4. SURPLUS/(DEFICIT) ON DISPOSAL OF FIXED ASSETS

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Sale of Housing Properties				
Proceeds from disposal	6,065	5,909	-	-
Net Book Value of disposals	(3,428)	(2,874)	-	-
Transfer to CCC	(1,937)	(4,060)	-	-
Transfer to DPF/RCGF	(203)	(2,171)	-	-
Administration costs of disposal	(84)	(59)	-	-
Surplus/(Deficit) on Sale of Housing Properties	413	(3,255)	-	-
Sale of Shared Ownership Subsequent Tranches				
Proceeds from disposal	3,771	3,702	-	-
Net Book Value of disposals	(1,849)	(2,284)	-	-
Transfer to DPF/RCGF	(815)	(897)	-	-
Administration costs of disposal	(24)	(26)	-	-
Directly attributable costs	(70)	(101)	-	-
SHG Abated	111	179	-	-
Surplus on Sale of Shared Ownership Subsequent Tranches	1,124	573	-	-
Sale of Land				
Proceeds from disposal	453	-	-	-
Net Book Value of disposals	(1)	-	-	-
	452	-	-	-
Surplus/(Deficit) on Disposal of Fixed Assets	1,989	(2,682)	-	-

In April 2014, Whitefriars Housing Group signed an agreement with Coventry City Council (CCC) to transfer the surplus achieved on Right to Buy sales to CCC to fund improvement works to roads and footpaths on Whitefriars' estates.

5. EMPLOYEE INFORMATION

	Group		Association	
	2018	2017	2018	2017
	No.	No.	No.	No.
Full Time Equivalents	947	929	220	219
	2018	2017	2018	2017
	Restated	Restated		
	£'000	£'000	£'000	£'000
Staff Costs for the Above:				
Wages and Salaries	28,157	28,366	6,832	7,175
Social Security Costs	2,721	2,739	661	697
Other Pension Costs	4,846	4,449	602	612
	35,724	35,554	8,095	8,484

The figures for the year ended 31 March 2017 have been restated to include pension costs and employees previously omitted, and to exclude agency staff costs.

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

5. EMPLOYEE INFORMATION (Continued)

The number of full time equivalents has been calculated on a 37 hour per week basis.

	Group		Association	
	2018	2017 Restated	2018	2017 Restated
Full Time Equivalents split by remuneration bands of,				
£60,000 - £69,999	22	13	8	4
£70,000 - £79,999	5	7	-	3
£80,000 - £89,999	8	4	6	4
£90,000 - £99,999	3	4	2	3
£100,000 - £109,999	2	4	-	2
£110,000 - £119,999	1	1	1	-
£120,000 - £129,999	1	-	-	-
£130,000 - £139,999	-	1	-	1
£140,000 - £149,999	-	-	-	-
£150,000 - £159,999	2	2	2	2
£210,000 - £219,999	1	1	1	1
£220,000 - £229,999	1	-	1	-

6. OPERATING SURPLUS

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Operating Surplus is stated after charging				
Depreciation:				
On Fixed Assets other than Housing Properties	2,168	2,401	291	353
On Housing Properties	23,790	22,245	-	-
Impairment:				
On Housing Properties	3,650	3,090	-	-
Auditor's Remuneration (excluding VAT):				
Audit of the group financial statements	9	8	9	8
Audit of subsidiaries	63	58	-	-
Fees payable to the group's auditor and its associates for other services to the group:				
Service charge certification	1	2	-	-
Other group services	30	-	30	-
Operating Lease Payments:				
Motor vehicles	877	778	5	5
Office Premises	763	649	602	494
Office equipment	503	503	503	499
Bad Debts:				
On rents	592	1,675	-	-
On service charges	49	121	-	-

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

7. DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS

The Directors of the Association are defined as the Board of Management and Executive Officers as set out on page 1.

Aggregate emoluments paid to or received by Directors who are not executive staff members including salaries, honoraria or other benefits: -

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Colin Dennis	18	18	18	18
James Brookes - Ward	5	5	5	5
Crispin Passmore	8	8	8	8
Abigail Davies	-	5	-	5
Richard Nowell	4	-	4	-
Rebecca Bennett-Casserly	-	7	-	7
Helen Scarrett	4	2	2	-
John Creswell	10	9	-	-
Philip Green	3	2	-	-
Peter Dunford	2	2	-	-
Catherine Stubbing	2	2	-	-
George Davidge	2	2	-	-
Sangita Surridge	2	2	-	-
Gideon White	2	2	-	-
Andrew Winscom	2	2	-	-
Lisa Howarth	2	2	-	-
Philip Allkins	2	2	-	-
Tricia Gbinigie	2	2	-	-
Jane Sargeant	1	2	-	-
Colin Williams	2	2	-	-
Margaret Coward	-	2	-	-
Kalwinder Sandhu	2	2	-	-
Michael Sullivan	2	2	-	-
Danielle Oum	10	8	-	-
Lloyd McLarty	-	2	-	-
Richard Nowell	1	2	-	-
Angela Evans	-	2	-	-
Marie Moore	2	1	-	-
Janice Nichols	11	-	-	-
Peter Morton	-	9	-	-
Diane Jones	-	2	-	-
Linda Bigham	-	1	-	-
Margaret Gormley	2	2	-	-
Wayne Newman	2	2	-	-
Gary Crookes	1	2	-	-
Robert Thay	1	2	-	-
Nigel Swift	2	2	-	-
Steven Thomas	-	1	-	-
Carole Wildman	1	2	-	-
Hannah Mofa	2	2	-	-
Patricia Seaman	1	2	-	-

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

7. DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS (Continued)

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Christine Thomas	2	2	-	-
Ram Lakha	2	-	-	-
Kenneth Taylor	2	-	-	-
Lindsley Harvard	2	-	-	-
Richard Grainger	10	10	-	-
John Payne	2	5	-	-
Barrie Day	5	5	-	-
Roger Griffiths	5	5	-	-
Ian Cox	4	5	-	-
Total	147	160	37	43

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Aggregate emoluments (including pension contributions) paid to or received by Directors who are executive staff members including salaries, honoraria and other benefits	1,016	754	878	754
Aggregate emoluments of the highest paid Director excluding pension contributions included in aggregate emoluments of Directors who are executive staff members	194	192	194	192

WM Housing Group's Remuneration Committee is responsible for recommending the remuneration of the Executive Directors and for recommending the annual cost of living increase to be applied to all employees and draws upon representation and skills from all of the Group's shareholders.

The remuneration packages of the Executive Directors are set by taking into account independent professional advice on remuneration levels in the sector, each of the Executive Director's responsibilities and the pay level for comparable positions in the market place.

Compensation payable to Directors or past Directors during the period in respect of loss of office of Director amounted to £113k (2017: £nil).

Expenses paid during the year to Board and Committee members across the Group amounted to £4k (2017: £9k). Expenses paid during the year to Association Board members amounted to £1k (2017: £4k).

The Group Chief Executive is an ordinary member of the Social Housing Pension Scheme and no enhanced or special terms apply. The Group does not make any further contributions to an individual pension arrangement for the Group Chief Executive.

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

8. PENSION COSTS

Membership of the Social Housing Pension Scheme (SHPS) Defined Contribution Scheme is offered to all employees of the Group. Whitefriars Housing Group and Optima Community Association Limited maintained their admitted body status of the West Midlands Pension Fund following transfer from Coventry City Council in 2000 and Birmingham City Council in 1999 respectively. Both schemes are final salary schemes, with the West Midlands Pension Fund becoming a Career Average Revalued Earnings (CARE) scheme from 1 April 2015. Historically Family Housing Association operated a defined benefit scheme, the assets of which are held in a managed fund administered by the Phoenix Life Group. Since 31 March 2000, the Family defined benefit scheme has been closed to new staff and they have either become members of a Group Personal Pension Plan (GPPP), operated by Legal & General, or have joined the SHPS scheme.

For the purposes of the financial statements, the West Midlands Pensions Fund and the Family Housing Association (Birmingham) Limited (1983) Retirement Fund are classified as defined benefit schemes. SHPS is a multi-employer scheme where it is not currently possible to identify each employer's share of the underlying assets and liabilities. As a result, SHPS is accounted for as a defined contribution scheme. We are aware of the work that is being undertaken by The Pensions Trust and the NHF SORP Working Party to determine and implement a methodology to identify the share of underlying assets and liabilities attributable to individual employers, and will therefore keep our accounting policy and resulting accounting treatment under review. When information is available at an individual employer level, the accounting treatment will need to change to that of a Defined Benefit Scheme in accordance with FRS 102 and the Housing SORP.

The assets of the funds are invested and managed independently of the finances of WM Housing Group. Employee contribution rates are fixed, (in the case of SHPS this is determined by their age on joining the scheme) and the employer's contribution rate is assessed in accordance with the advice of an independent and professionally qualified actuary.

(a) THE PENSIONS TRUST - SOCIAL HOUSING PENSION SCHEME

WM Housing Group Limited, Whitefriars Housing Group Limited, West Mercia Homes Limited and Optima Community Association Limited participate in the Social Housing Pension Scheme, 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 currently possible for the group 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 participating Associations are 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.

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

8. PENSION COSTS (Continued)

(a) THE PENSIONS TRUST - SOCIAL HOUSING PENSION SCHEME (Continued)

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

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

Where the scheme is in deficit and where the participating Association has agreed to a deficit funding arrangement, the participating Association 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

	31 March 2018 £'000	31 March 2017 £'000	31 March 2016 £'000
Present Value of provision - Group	<u>4,346</u>	<u>5,022</u>	<u>5,427</u>
Present Value of provision - Association	<u>1,780</u>	<u>2,069</u>	<u>2,248</u>

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

8. PENSION COSTS (Continued)

(a) THE PENSIONS TRUST - SOCIAL HOUSING PENSION SCHEME (Continued)

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Provision at start of period	5,022	5,427	2,069	2,248
Unwinding of the discount factor (interest expense)	61	104	25	43
Deficit contribution paid	(677)	(652)	(290)	(279)
Remeasurements - impact of any change in assumptions	(60)	143	(24)	57
 Provision at end of period	4,346	5,022	1,780	2,069
 Due within one year (See note 20)	704	677	302	290
Due in more than one year (See note 21)	3,642	4,345	1,478	1,779
 4,346	5,022	1,780	2,069	

INCOME AND EXPENDITURE IMPACT

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Interest expense	61	104	25	43
Remeasurements - impact of any change in assumptions	(60)	143	(24)	57
Remeasurements - amendments to the contribution schedule	-	-	-	-
Contributions paid in respect of future service*	1,035	711	514	332
Costs recognised in Statement of Comprehensive Income*	1,036	958	515	432

*includes defined contribution schemes and future service contributions (i.e. excluding any deficit reduction payments) to defined benefit schemes which are treated as defined contribution schemes.

ASSUMPTIONS

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

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

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

8. PENSION COSTS (Continued)

(b) DEFINED BENEFIT PENSION SCHEMES

	Group	
	2018 £'000	2017 £'000
Fair value of plan assets	115,924	115,411
Present value of defined benefit obligation	(160,400)	(160,710)
Deficit in Plan	<u>(44,476)</u>	<u>(45,299)</u>
Deferred tax	-	-
Net defined benefit liability to be recognised	(44,476)	(45,299)

WEST MIDLANDS PENSION FUND

The Group is able to estimate its share of the underlying assets and liabilities of the West Midlands Pension Fund. The pension contributions for the Group during the year to 31 March 2018 amounted to £3.9m (2017: £3.7m). A full actuarial valuation was carried out as at 31 March 2016 and has been updated to 31 March 2018 by a qualified actuary, independent of the scheme's sponsoring employers. The major assumptions used by the actuary are shown below.

Present values of defined benefit obligation, fair value of assets and defined benefit liability

	2018 £'000	2017 £'000
Fair value of plan assets	110,982	110,698
Present value of defined benefit obligation	(154,344)	(154,465)
Deficit in Plan	<u>(43,362)</u>	<u>(43,767)</u>
Deferred tax	-	-
Net defined benefit liability to be recognised	(43,362)	(43,767)

Reconciliation of opening and closing balances of the defined benefit obligation

	2018 £'000	2017 £'000
Defined benefit obligation at start of the year	154,465	125,666
Current service cost	4,215	2,751
Interest expense	4,133	4,591
Change in financial assumptions	(5,613)	34,689
Change in demographic assumptions	-	(2,473)
Experience (gain)/loss on defined benefit obligation	-	(6,844)
Benefits paid	(3,667)	(5,344)
Past service cost	-	574
Contributions by scheme participants	811	855
Defined benefit obligation at end of the year	154,344	154,465

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

8. PENSION COSTS (Continued)

(b) DEFINED BENEFIT PENSION SCHEMES (Continued)

WEST MIDLANDS PENSION FUND (Continued)

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

	2018 £'000	2017 £'000
Fair value of plan assets at start of the year	110,698	89,587
Interest income	2,992	3,296
Return on assets less interest	(2,919)	15,827
Other actuarial gains	-	3,582
Administration expenses	(49)	(46)
Contributions made by the employer	3,116	2,941
Contributions by fund participants	811	855
Benefits paid	<u>(3,667)</u>	<u>(5,344)</u>
 Fair value of plan assets at end of the year	 <u>110,982</u>	 <u>110,698</u>

Defined benefit costs recognised in the Statement of Comprehensive Income

	2018 £'000	2017 £'000
Recognised within the Surplus for the Year: -		
Service cost	4,215	3,325
Net interest cost	1,141	1,295
Administration expenses	<u>49</u>	<u>46</u>
 Defined benefit costs recognised within the surplus for the year	 <u>5,405</u>	 <u>4,666</u>
 Recognised within Other Comprehensive Income: -		
Return on plan assets (excluding amounts included in net interest cost) - (loss)/gain	(2,919)	15,827
Other actuarial losses on assets	-	3,582
Change in demographic assumptions	-	2,473
Change in financial assumptions	5,613	(34,689)
Experience loss on defined benefit obligation	<u>-</u>	<u>6,844</u>
 Total amount recognised within Other Comprehensive Income - gain/(loss)	 <u>2,694</u>	 <u>(5,963)</u>

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

8. PENSION COSTS (Continued)

(b) DEFINED BENEFIT PENSION SCHEMES (Continued)

WEST MIDLANDS PENSION FUND (Continued)

Assets

	2018 £'000	2017 £'000
UK Equities	70,934	71,300
Other Bonds	4,245	4,587
Property	8,545	8,528
UK Government Bonds	8,110	8,985
Cash	2,731	3,159
Other	16,417	14,139
Total assets	110,982	110,698

None of the fair values of the assets shown above include any direct investments in the Association's own financial instruments or any property occupied by, or other assets used by, the Association.

Assumptions

	2018 % per annum	2017 % per annum
Discount Rate - Whitefriars Housing Group Limited	2.55%	2.7%
Discount Rate - Optima Community Association Limited	2.55%	2.7%

The mortality assumptions adopted at 31 March 2018 imply the following life expectancies:

	Life expectancy at age 65 Years
Male retiring today	21.9
Female retiring today	24.3
Male retiring in 20 years	24.0
Female retiring in 20 years	26.6

The best estimate of contributions to be paid by Group members to the plan for the period commencing 1 April 2018 is £3,162k.

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

8. PENSION COSTS (Continued)

(b) DEFINED BENEFIT PENSION SCHEMES (Continued)

FAMILY HOUSING ASSOCIATION (BIRMINGHAM) LIMITED (1983) RETIREMENT FUND

Family Housing Association sponsors the Family Housing Association (Birmingham) Limited (1983) Retirement Fund which is a defined benefit arrangement. A full actuarial valuation was carried out at 31 January 2017 and has been updated to 31 March 2018 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

The most recent Actuarial Valuation was carried out as at 31 January 2017, and showed that over the 3 preceding years the scheme's deficit increased from approximately £2.10m to the sum of £2.59m. The Trustees have agreed with the employer to make payments of £522,000 per annum, increasing at 3% p.a., payable monthly for a period of 3 years and 9 months from 1 February 2018 to 31 October 2021, as recommended by the Actuary in the valuation. In addition, Pension Protection Fund levy payments, management and administration expenses are payable by the Association as and when they are due.

Present values of defined benefit obligation, fair value of assets and defined benefit liability

	2018 £'000	2017 £'000
Fair value of plan assets	4,942	4,713
Present value of defined benefit obligation	(6,056)	(6,245)
Deficit in Plan	<u>(1,114)</u>	<u>(1,532)</u>
Deferred tax	-	-
Net defined benefit liability to be recognised	<u>(1,114)</u>	<u>(1,532)</u>

Reconciliation of opening and closing balances of the defined benefit obligation

	2018 £'000	2017 £'000
Defined benefit obligation at start of the year	6,245	5,705
Interest expense	165	187
Actuarial losses	2	1,085
Benefits paid	(356)	(54)
Liabilities extinguished on settlements	-	<u>(678)</u>
Defined benefit obligation at end of the year	6,056	6,245

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

8. PENSION COSTS (Continued)

(b) DEFINED BENEFIT PENSION SCHEMES (Continued)

FAMILY HOUSING ASSOCIATION (BIRMINGHAM) LIMITED (1983) RETIREMENT FUND (Continued)

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

	2018 £'000	2017 £'000
Fair value of plan assets at start of the year	4,713	4,489
Interest income	130	145
Actuarial gains	(57)	505
Contributions made by the Association	512	492
Benefits paid	(356)	(54)
Assets distributed on settlements	-	(864)
Fair value of plan assets at end of the year	4,942	4,713

The actual return on the plan assets for the year ended 31 March 2018 was £73k (2017: £650k).

Defined benefit costs recognised in the Statement of Comprehensive Income

	2018 £'000	2017 £'000
Recognised within the Surplus for the Year: -		
Net interest cost	35	42
Losses on settlements	-	186
Defined benefit costs recognised within the surplus for the year	35	228
Recognised within Other Comprehensive Income: -		
Return on plan assets (excluding amounts included in net interest cost) - (loss)/gain	(57)	505
Experience gain/(loss) on defined benefit obligation	77	(21)
Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities - (loss)	(79)	(1,064)
Total amount recognised within Other Comprehensive Income - (Loss)	(59)	(580)

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

8. PENSION COSTS (Continued)

(b) DEFINED BENEFIT PENSION SCHEMES (Continued)

FAMILY HOUSING ASSOCIATION (BIRMINGHAM) LIMITED (1983) RETIREMENT FUND (Continued)

Assets

	2018 £'000	2017 £'000
UK Equities	1,605	1,760
Overseas Equities	31	34
UK Government Bonds	3,156	2,778
Cash	150	141
Total assets	4,942	4,713

None of the fair values of the assets shown above include any direct investments in the Association's own financial instruments or any property occupied by, or other assets used by, the Association.

Assumptions

	2018 % per annum	2017 % per annum
Discount Rate	2.6	2.7
Allowance for commutation of pension for cash at retirement	No allowance	No allowance

The mortality assumptions adopted at 31 March 2018 imply the following life expectancies:

	Life expectancy at age 65 Years	
Male retiring in 2018	21.9	22.1
Female retiring in 2017	23.8	23.9
Male retiring in 2035	23.3	23.5
Female retiring in 2035	25.4	25.4

The best estimate of contributions to be paid by the Association to the plan for the period commencing 1 April 2018 is £525k.

9. INTEREST RECEIVABLE

	Group	
	2018 £'000	2017 Restated £'000
Interest receivable on unlisted investments	311	305

The Association does not retain any balances in its account overnight and therefore does not earn any interest. The figures for the year ended 31 March 2017 have been restated to amend the elimination of intra-group interest.

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

10. INTEREST AND FINANCING COSTS

	Group		Association	
	2018	2017	2018	2017
	£'000	Restated £'000	£'000	£'000
Defined Benefit pension charge	1,176	1,337	-	-
Accruals on DPF and RCGF	18	16	-	-
Other Interest	98	115	25	44
Bank Loans				
Repayable by instalments wholly or partly in more than 5 years	24,556	25,451	-	-
Other interest	1,190	990	-	-
Amortisation of loan premiums and arrangement costs	-	10	-	-
Capitalisation of development interest payable	(199)	(114)	-	-
	26,839	27,805	25	44

The figures for the year ended 31 March 2017 have been restated to amend the elimination of intra-group interest.

11. TAXATION

All material subsidiaries are charitable Co-operative and Community Benefit Societies and, providing income is derived from their primary purpose, there is no liability for Corporation Tax.

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
UK Corporation Tax				
UK Corporation Tax on (deficit)/surplus for the period	-	2	-	-
Adjustments in respect of previous periods	(48)	1	(48)	-
Deferred Tax				
Originating and reversal of timing differences	-	-	-	-
	(48)	3	(48)	-
The tax assessed on the (deficit)/surplus on ordinary activities for the period is lower than the standard rate of Corporation Tax in the UK of 19% (2017: 20%): -				
(Deficit)/Surplus on ordinary activities before tax	(52,205)	15,061	758	1,668
Corporation Tax calculated as (deficit)/surplus on activities before tax, multiplied by 19% (2017: 20%)	(9,919)	3,012	144	334
Effect of:				
Exempt charitable activities	9,985	(2,928)	(144)	(334)
Qualifying Charitable donations	(66)	(82)	-	-
UK Corporation Tax on (deficit)/surplus for the period	-	2	-	-

We are not aware of any circumstances which would materially impact any future tax charges.

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

12. HOUSING PROPERTIES

	Group						Other Fixed Assets				
	Housing Properties			Low Cost Home Ownership Properties			Freehold Offices Leasehold Offices		Short Fixtures & Fittings	Office Equipment	Total Fixed Assets
	Social Housing Properties for Letting Completed	Housing Properties for Letting Under Construction	Properties Under Construction	Low Cost Home Properties	Home Properties	Ownership Properties					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
COST											
At 1 April 2017	1,269,398	16,339	74,910	673	1,361,320	7,573	1,487	2,996	9,793	1,383,169	
Reclassification	(2,753)	-	-	-	(2,753)	-	-	-	-	(2,753)	
Improvement works - existing properties	1,206	15,167	-	-	-	16,373	-	-	-	-	16,373
Improvements completed - existing properties											
Additions - new developments	13,009	(13,009)	-	-	2,909	22,874	-	-	-	-	22,874
Schemes completed - new developments	15,336	(15,336)	851	(851)	-	-	-	-	-	-	-
Disposals	(7,363)	-	(3,036)	-	(10,399)	-	-	-	(1)	(10,400)	
Additions to Other Fixed Assets	-	-	-	-	-	-	-	142	661	803	
Abortive costs	-	(11)	-	-	(11)	-	-	-	-	(11)	
At 31 March 2018	1,288,833	23,115	72,725	2,731	1,387,404	7,573	1,487	3,138	10,453	1,410,055	
DEPRECIATION											
At 1 April 2017	207,907	-	4,231	-	212,138	4,163	434	2,283	7,192	226,210	
Reclassification	(2,753)	-	-	-	(2,753)	-	-	-	-	(2,753)	
Charge for the period	23,306	-	484	-	23,790	59	103	307	1,699	25,958	
Disposals	(3,969)	-	(238)	-	(4,207)	-	-	-	(1)	(4,208)	
At 31 March 2018	224,491	-	4,477	-	228,968	4,222	537	2,590	8,890	245,207	
IMPAIRMENT											
At 1 April 2017	1,174	104	-	130	1,408	-	-	-	-	1,408	
Charge for the period	3,650	-	-	-	3,650	-	-	-	-	3,650	
At 31 March 2018	4,824	104	-	130	5,058	-	-	-	-	5,058	
NET BOOK VALUE											
At 31 March 2018	1,059,518	23,011	68,248	2,601	1,153,378	3,351	950	548	1,563	1,159,790	
At 31 March 2017	1,060,317	16,235	70,679	543	1,147,774	3,410	1,053	713	2,601	1,155,551	

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

12. HOUSING PROPERTIES (Continued)

	Association			
	Other Fixed Assets			Total Fixed Assets
	Short Leasehold Offices	Office Fixtures & Fittings	Computer Equipment	
	£'000	£'000	£'000	£'000
COST				
At 1 April 2017	1,078	296	655	2,029
Additions	-	9	-	9
At 31 March 2018	1,078	305	655	2,038
DEPRECIATION				
At 1 April 2017	89	118	467	674
Charge for the year	71	75	145	291
At 31 March 2018	160	193	612	965
NET BOOK VALUE				
At 31 March 2018	918	112	43	1,073
At 31 March 2017	989	178	188	1,355
Group				
	2018		2017	
	£'000		£'000	
Net Book Value of Land and Buildings comprises: -				
Freehold land and buildings	1,133,915		1,128,293	
Long leasehold land and buildings	20,417		20,554	
Short leasehold land and buildings	3,347		3,390	
				1,157,679 1,152,237
Total expenditure on works to existing properties:				
Replacement components capitalised	16,378		25,416	
Amounts charged to Income and Expenditure account	10,525		7,230	
				26,903 32,646

Cumulative interest capitalised during the development period to 31 March 2018 amounted to £6,399k (2017: £6,200k).

There are 21,603 properties charged against debt borrowed by WM Housing Group Limited either through a Security Trust or directly with a lender at the reporting date. Asset cover is measured by reference to the properties' Existing Use Value - Social Housing (EUV-SH) and/or Market Value - Subject to Tenancy (MV-STT) as a percentage of the debt outstanding. At the reporting date there was sufficient asset cover in respect of the Group's debt.

Housing properties for letting includes the cost of 2 nursing homes shown under non-social housing activities in Note 2. The cost of these properties is £751k, which is part-funded by grants of £280k from a regional health authority.

The Association does not own housing properties.

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

13. HOMEBUY LOANS RECEIVABLE

	Group	
	2018	2017
	£'000	£'000
HomeBuy Loans made by the Group: -		
At the start of the year	2,491	2,703
Loans advanced	-	-
Loans repaid	(373)	(212)
At the end of the year	2,118	2,491
HomeBuy Grants received from Homes England: -		
At the start of the year	2,503	2,767
Grants received	-	-
Grants repaid/recycled	(332)	(264)
At the end of the year	2,171	2,503

The grants received are disclosed within Creditors: Amounts falling due in more than one year (see note 21).

14. FIXED ASSET INVESTMENT IN SUBSIDIARY UNDERTAKINGS

WM Treasury plc, WM Treasury 2 plc and West Mercia Development Limited are subsidiary organisations for incorporation into the Consolidated Financial Statements of WM Housing Group Limited (the Association) in accordance with the Co-operative and Community Benefit Societies Act 2014.

WM Treasury plc and WM Treasury 2 plc are non-regulated companies limited by shares and are special purpose vehicles, which are used to secure funding for the WM Housing Group. Funding is obtained by directly from the capital markets.

West Mercia Development Limited is a non-regulated company limited by shares. The principal activity of West Mercia Development Limited is the development of new build properties for outright sale.

	Association	
	2018	2017
	£'000	£'000
COST OF INVESTMENT	105	55

Details of the WM Housing Group Limited subsidiaries at 31 March 2018:

Name	Percentage of share held
WM Treasury plc	100%
WM Treasury 2 plc	100%
West Mercia Development Limited	100%

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

14. FIXED ASSET INVESTMENT IN SUBSIDIARY UNDERTAKINGS (Continued)

WM Housing Group Limited acquired 100% of the 50,000 authorised £1 shares of WM Treasury plc on 1 November 2012. It paid £12,500 to acquire the 50,000 shares. The liability to pay the remaining £37,500 is shown as a creditor falling due after more than one year on the Association Statement of Financial Position.

On 1 April 2016, WM Housing Group Limited purchased 100% of the issued shares in West Mercia Development Limited (5,000 x £1 shares) from West Mercia Homes Limited at cost (£5,000). This transaction means that from 1 April 2016, West Mercia Development Limited ceased to be a subsidiary of West Mercia Homes Limited and became a direct subsidiary of WM Housing Group Limited.

WM Housing Group Limited acquired 100% of the 50,000 authorised £1 shares of WM Treasury 2 plc on 29 August 2017. It paid £12,500 to acquire the 50,000 shares. The liability to pay the remaining £37,500 is shown as a creditor falling due after more than one year on the Association Statement of Financial Position.

15. FIXED ASSET INVESTMENT IN JOINT VENTURE UNDERTAKING

On 31 March 2017, West Mercia Development Limited entered into a 50:50 Joint Venture LLP with Wates Construction Limited, called Signature Wates Residential LLP, to develop residential accommodation. The capital contribution paid by each party to the Joint Venture on commencement of the agreement was £1. The principal activity of Signature Wates Residential LLP is the development of new build properties for outright sale.

For the year ended 31 March 2018, West Mercia Development Limited was a subsidiary organisation of WM Housing Group Limited. As West Mercia Development Limited does not hold a controlling interest in Signature Wates Residential LLP, the joint venture LLP is not incorporated into the Consolidated Financial Statements of the ultimate parent undertaking, WM Housing Group Limited.

	Group	
	2018	2017
	£	£
COST OF INVESTMENT	1	-

16. STOCK

	Group	
	2018	2017
	£'000	£'000
Properties held for resale: -		
Shared ownership properties (completed)	31	-
Shared ownership properties (work in progress)	1,846	212
Build for sale properties	2,533	1,744
	4,410	1,956

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

17. TRADE AND OTHER DEBTORS

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Amounts receivable within one year				
Rental debtors	6,435	6,464	-	-
Less: Provision for bad debts	(4,467)	(4,662)	-	-
	1,968	1,802	-	-
Trade debtors	224	42	25	17
Prepayments and accrued income	3,344	4,258	1,031	979
Other debtors	1,403	545	324	410
Social Housing Grant receivable	788	552	-	-
Loan to Joint Venture	931	-	-	-
Amounts due from Subsidiary Undertaking	-	-	786	645
	8,658	7,199	2,166	2,051
Amounts falling due after one year				
Other debtors	1,006	1,098	-	-
	9,664	8,297	2,166	2,051

Former tenant rent arrears of £4,542k (2017: £3,876k) are fully provided for and are therefore not included within the rental debtors or provision balances above. Other debtors falling due after one year are interest free equity loans repayable upon sale of the properties to which the loan is charged.

18. INVESTMENTS

	Group	
	2018 £'000	2017 £'000
Investments at valuation	2,208	4,314
Historic cost of investments	2,000	4,000

The investments are held in AAA rated cash managed funds have been valued on a Variable Net Asset Value (VNAV) basis. The initial investment bought a fixed number of shares across two funds and the value of each share is determined on a daily basis using a mark-to-market basis.

19. CASH AND CASH EQUIVALENTS

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Money market investments	14,656	4,627	-	-
Short-term, highly liquid investments	44,329	27,196	-	-
Cash at bank	29,516	30,832	2,234	1,078
	88,501	62,655	2,234	1,078

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

20. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Housing Loans (See note 22)	2,865	19,650	-	-
Trade creditors	6,895	4,542	-	-
SHG received in advance	26	551	-	-
Rents received in advance	5,335	4,734	-	-
Amounts due to subsidiary undertakings	-	-	509	234
Other creditors	2,792	3,419	797	1,005
Accruals and deferred income	15,152	17,526	822	645
Deferred capital grant (See note 23)	3,905	3,960	-	-
SHPS pension agreement plan (See note 8)	704	677	302	290
Recycled Capital Grant Fund (See note 25)	1,899	1,039	-	-
Disposal Proceeds Fund (See note 24)	1,677	1,268	-	-
Tax and social security	881	930	299	334
	42,131	58,296	2,729	2,508

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

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
HomeBuy Loans (See note 13)	2,171	2,503	-	-
Housing Loan (See note 22)	617,004	516,183	-	-
Other Creditors	632	746	75	38
Disposal Proceeds Fund (See note 24)	2,330	3,105	-	-
Recycled Capital Grant Fund (See note 25)	2,748	2,445	-	-
Deferred capital grant (See note 23)	296,675	297,938	-	-
SHPS pension agreement plan (See note 8)	3,642	4,345	1,478	1,779
	925,202	827,265	1,553	1,817

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

22. DEBT ANALYSIS

Loans from banks and building societies and are secured by specific charges on the Group's housing properties. The loans accrue interest at varying rates of interest and are repayable in instalments as shown below:

	Group	
	2018	2017 Restated
	£'000	£'000
Bank/building society loans		
Amounts payable by instalments:		
Repayable within one year	2,865	11,735
Repayable between one and two years	2,832	4,420
Repayable between two and five years	20,359	19,796
Repayable after five years	95,299	244,149
	121,355	280,100
Amounts repayable otherwise than by instalments:		
Repayable within one year	-	7,915
Repayable between one and two years	-	-
Repayable between two and five years	8,000	23,000
Repayable after five years	58,000	68,000
	187,355	379,015
Finance costs	(266)	(444)
	187,089	378,571
Bond issue 3/12/42 - 4.625% semi-annual coupon		
December 2012 bond issue proceeds	160,000	160,000
Discount on December 2012 issue	(1,359)	(1,387)
Net bond proceeds	158,641	158,613
Less arrangement fees	(1,324)	(1,351)
	157,317	157,262
Bond issue 20/10/48 - 3.25% semi-annual coupon		
October 2017 bond issue proceeds	280,000	-
Discount on October 2017 issue	(2,652)	-
Net bond proceeds	277,348	-
Less arrangement fees	(1,885)	-
	275,463	-
	619,869	535,833
Less: amount shown in Creditors: amounts falling due within one year (See note 20)	(2,865)	(19,650)
Housing Loans falling due after more than one year (See note 21)	617,004	516,183

On 3 December 2012, Whitefriars Housing Group borrowed £160m from the capital markets through fellow subsidiary WM Treasury plc, via a 30 year, 4.625% coupon bond issue. On 20 October 2017, members of WM Housing Group borrowed a further £280m from the capital markets through fellow subsidiary WM Treasury 2 plc, via a 30 year, 3.25% coupon bond issue. The refinancing exercise that was undertaken during the year saw the remainder of the Whitefriars syndicated debt, all of Optima's debt and a small number of Family and West Mercia Homes facilities repaid and resulted in refinancing costs being incurred of £67.9m. These costs related to the breaking of the embedded fixed rate loans that were repaid to funders. At 31 March 2018, the Group had a combined £58m of agreed borrowing facilities available to draw down. Interest rates range between 1.08% and 12.26%. The figures for the year ended 31 March 2017 have been restated to amend the analysis of amounts repayable.

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

23. DEFERRED CAPITAL GRANT

	Group	
	2018 £'000	2017 £'000
At the start of the year	301,898	302,390
Grant received in the year	3,079	3,538
Transfer to RCGF / DPF	339	417
Disposals	(836)	(796)
Donated Land	-	241
Released to income in the year	(3,900)	(3,892)
At the end of the year	300,580	301,898
Amount due to be released < 1 year (See note 20)	3,905	3,960
Amount due to be released > 1 year (See note 21)	296,675	297,938
	300,580	301,898

24. DISPOSAL PROCEEDS FUND (DPF)

	Group	
	2018 £'000	2017 £'000
Opening balance	4,373	2,261
Inputs:		
Funds recycled	-	2,317
Net PRTB receipts	-	-
Certain proceeds of profit making PRPs	-	-
Interest accrued	17	9
Transfers from other PRPs	-	17
Use/allocation of funds:		
New build	(383)	(214)
Major repairs and works to existing stock	-	-
Transfers to other PRPs	-	-
Other	-	(17)
Repayment of funds to Homes England/GLA		
Closing balance	4,007	4,373
Amounts falling due < 1 year (See note 20)	1,677	1,268
Amounts falling due > 1 year (See note 21)	2,330	3,105
	4,007	4,373

Amounts 3 years or older where prepayment may be required

All DPF balances pertain to activities within areas covered by Homes England.

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

25. RECYCLED CAPITAL GRANT FUND (RCGF)

	Group	
	2018 £'000	2017 £'000
Opening balance	3,484	2,808
Inputs:		
Grants recycled	1,311	1,457
Interest accrued	10	7
Transfer from other PRPs	-	-
Use/allocation of funds:		
New build	(141)	(777)
Major repairs and works to existing stock	-	-
Transfer to other PRPs	-	-
Other	(17)	(11)
Repayment of funds to Homes England/GLA	-	-
Closing balance	4,647	3,484
Amounts falling due < 1 year (See note 20)	1,899	1,039
Amounts falling due > 1 year (See note 21)	2,748	2,445
	4,647	3,484
Amounts 3 years or older where prepayment may be required	-	-

All RCGF balances pertain to activities within areas covered by Homes England.

26. SHARE CAPITAL

	Group & Association	
	2018 £	2017 £
Allotted, issued and fully paid shares of £1 each:		
At 31 March	8	8

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

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

27. COMMITMENTS

(a) Capital Commitments

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Capital Expenditure, which has been contracted for but has not been provided for in the financial statements	<u>47,063</u>	<u>56,288</u>	-	-
Capital Expenditure, which has been authorised under authority from the Board but has yet to be contracted for	<u>32,522</u>	<u>8,815</u>	-	-
The Group expects these commitments to be contracted within the next year and financed with:				
Social Housing Grant	-	-	-	-
Proceeds from the sale of properties	16,706	3,952	-	-
Committed loan facilities	<u>15,816</u>	<u>4,863</u>	-	-

The contracted amounts above relate to expenditure on new development schemes in the Group's areas of operation which are funded by a combination of rental income, borrowings and grant from Homes England. There is an element of contracted expenditure in relation to the 2017/18 major works programme, which is funded by a combination of rental income and borrowings.

(b) Operating Lease Commitments

At the end of the year, the Association had commitments of future minimum lease payments under non-cancellable operating leases as follows: -

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Land and Buildings:				
Not later than one year	530	67	530	67
Later than one year and not later than five years	2,120	2,120	2,120	2,120
Later than five years	<u>4,100</u>	<u>4,637</u>	<u>4,100</u>	<u>4,637</u>
Other:				
Not later than one year	1,286	473	354	442
Later than one year and not later than five years	2,033	1,038	560	480
Later than five years	<u>204</u>	-	<u>204</u>	<u>286</u>

28. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 March 2018 (2017: £Nil).

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

29. GRANT AND FINANCIAL ASSISTANCE

	Group	
	2018 £'000	2017 £'000
The total accumulated government grant and financial assistance received or receivable at 31 March:		
Grant and financial assistance received or receivable	362,852	360,270
Recognised as income in the Statement of Comprehensive Income	(62,272)	(58,372)
Held as deferred capital grant (See note 23)	300,580	301,898

30. ANALYSIS OF CHANGES IN NET DEBT

	Group		
	At Beginning of the Year £'000	Cash Flows £'000	Non-Cash Movements £'000
			At End of the Year £'000
Cash and Cash Equivalents	62,655	25,846	-
Housing Loans Due in One Year	(19,650)	16,785	-
Housing Loans Due After One Year	(516,183)	(100,727)	(94)
	(473,178)	(58,096)	(94)
			(531,368)

	Association		
	At Beginning of the Year £'000	Cash Flows £'000	Non-Cash Movements £'000
			At End of the Year £'000
Cash and Cash Equivalents	1,078	1,156	-
Housing Loans Due in One Year	-	-	-
Housing Loans Due After One Year	-	-	-
	1,078	1,156	-
			2,234

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

31. ACCOMMODATION OWNED, MANAGED AND IN DEVELOPMENT

	Group			
	2018		2017	
	Owned Homes	Managed Homes	Owned Homes	Managed Homes
Social Housing				
Under development at end of year:				
- General needs housing social rent	45	-	20	-
- General needs housing affordable rent	198	-	135	-
- Low cost home ownership	79	-	26	-
Under management at the end of the year:				
- General needs housing social rent	23,024	40	23,124	41
- General needs housing affordable rent	1,994	-	1,862	-
- Intermediate market rent housing	357	-	357	-
- Supported housing	476	40	640	40
- Housing for older people	939	-	763	-
- Low cost home ownership	1,096	12	1,137	14
	28,208	92	28,064	95
Non-social Housing				
Nursing and care homes	119	-	115	-
Non Social Leased Housing	4	-	4	91
Leasehold Schemes for the Elderly	51	-	51	-
Market Rent	3	-	3	-
Retained freeholds and estate charges	2,191	3	2,292	-
	30,576	95	30,529	186

The figures for the year ended 31 March 2017 have been restated to reflect the analysis of social and non-social housing in the Statistical Data Return.

32. ACCOMMODATION MANAGED BY OTHERS

	Group	
	2018	2017
	Homes	Homes
Managed by others at the end of the year:		
Social Housing		
- General needs housing social rent	49	49
- General needs housing affordable rent	10	-
- Housing for older people	22	22
- Supported housing	180	187
- Low cost home ownership	30	32
Non-social Housing		
- Care & Nursing Homes	104	104
- Retained freeholds and estate charges	-	2
	395	396

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

33. RELATED PARTIES

WM Housing Group Limited is the Parent entity in the Group and ultimate controlling party. The Group has taken advantage of the exemption available under Section 33 FRS 102 not to disclose transactions with wholly owned subsidiary undertakings.

The following are related parties:

- The Boards of some members of the Group have tenant members who hold tenancy agreements on normal terms and cannot use their position to their advantage. The total of rent charged to the Tenant Board members in the year was £25k (2017: £26k). There were arrears of £8 on their tenancies at the reporting period end (2017: £Nil).
- Transactions with key management personnel and their close family, (including compensation paid).
- Related party balances are not secured.
- Transactions with registered and non-registered elements of the business
- The Association provides management services, other services and loans to its subsidiaries.

Relationships between registered and non-registered elements of the business

The table below shows where relationships exist between WM Housing Group members.

	WMHG	WF	WMH	OCA	FHA	WMD	WMT	WMT2	WMTV	WBS	AGES
WMHG		✓	✓	✓	✓	✓					
WF	✓		✓	✓	✓	✓	✓	✓	✓	✓	
WMH	✓	✓		✓		✓		✓	✓		
OCA	✓	✓	✓					✓	✓		✓
FHA	✓	✓						✓	✓		
WMD	✓	✓	✓								
WMT		✓									
WMT2		✓	✓	✓	✓						
WMTV		✓	✓	✓	✓						
WBS		✓									
AGES				✓							

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

33. RELATED PARTIES (Continued)

Relationships between registered and non-registered elements of the business (Continued)

Entities in the table are abbreviated as follows and [R] denotes where the entity is a Registered Provider:

WM Housing Group Limited [R]	WMHG	WM Treasury plc	WMT
Whitefriars Housing Group Limited [R]	WF	WM Treasury 2 plc	WMT2
West Mercia Homes Limited [R]	WMH	WM Treasury Vehicle Limited	WMTV
Optima Community Association Limited [R]	OCA	Whitefriars Business Services Limited	WBS
Family Housing Association (Birmingham) Limited [R]	FHA	Attwood Green Estate Services Limited	AGES
West Mercia Development Limited	WMD		

Transactions with registered elements of the business

The Association makes charges to its subsidiaries for the provision of group services. The quantum and basis of those charges is set out below:

Payable to the Parent Association from subsidiaries and other group members:

	Charges for Group Services	
	2018 £'000	2017 £'000
Regulated entities:		
Family Housing Association (Birmingham) Limited	690	654
Optima Community Association Limited	1,400	1,193
West Mercia Homes Limited	4,940	4,833
Whitefriars Housing Group Limited	11,184	10,998
	<hr/>	<hr/>
	18,214	17,678

Group Services provided by the parent to other members of the WM Housing Group and the basis on which the charges for those services are to be decided are set out in the WM Housing Group Intra-Group Agreement. The services include (but are not limited to): -

- Executive
- Governance / Company Secretarial
- ICT
- Finance
- HR / Facilities Management
- Development / Procurement / Sales

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

33. RELATED PARTIES (Continued)

Transactions with non-registered entities

WM Treasury plc, registered in England and Wales, was incorporated as a subsidiary of the WM Housing Group in October 2014 and issued its first bond on the London Stock Exchange in December 2012. The bond raised £157million (net of issue costs) at a coupon of 4.625% and the proceeds have been on-lent to Whitefriars Housing Group Ltd.

WM Treasury 2 plc, registered in England and Wales, was incorporated as a subsidiary of the WM Housing Group in August 2017 and issued its first bond on the London Stock Exchange in October 2017. The bond raised £275million (net of issue costs) at a coupon of 3.25% and the proceeds have been on-lent and interest costs are recharged to Whitefriars Housing Group Limited, West Mercia Homes Limited, Optima Community Association Limited and Family Housing Association (Birmingham) Limited.

WM Treasury Vehicle, registered in England and Wales, was incorporated as a subsidiary of the WM Housing Group in September 2017 and entered into loan agreements with bank and building society lenders on 20 December 2017. The drawn debt has been on-lent and interest costs are recharged to Whitefriars Housing Group Limited, West Mercia Homes Limited, Optima Community Association Limited and Family Housing Association (Birmingham) Limited.

Non-registered entity	Recharge	Cost in year £'000	Balance at year end £'000
WM Treasury plc	Loan interest on bond	7,457	159,749
WM Treasury 2 plc	Loan interest on bond	4,102	279,565
WM Treasury Vehicle Limited	Loan interest and other finance costs	813	81,749

West Mercia Homes Limited provides a £5m loan facility to its trading subsidiary, West Mercia Development Limited. During the year ended 31 March 2015, a further £10m loan facility from Whitefriars Housing Group Limited to West Mercia Development Limited was also approved. Financial transactions between West Mercia Homes Limited/Whitefriars Housing Group Limited and West Mercia Development Limited consist only of loan advances and interest costs.

Non-regulated subsidiary	Transaction	Loan repaid in year £'000	Balance at year end £'000	Basis of interest charged	Interest Charged in year ended 31 March 2018 £'000
West Mercia Development Limited	Advance of loan facility from West Mercia Homes Limited	-	5,000	3.75% above LIBOR	198
West Mercia Development Limited	Advance of loan facility from Whitefriars Housing Group Limited	-	1,000	3.75% above LIBOR	10

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

33. RELATED PARTIES (Continued)

Transactions with non-registered entities (Continued)

Attwood Green Estate Services Limited (AGES) was established in May 2003 in response to the desire of Optima's board for the major redevelopment in Attwood Green, Birmingham to remain a high quality attractive place to live, not just now but in the future. Currently all services are provided via Optima Community Association Limited, bringing the benefits of economies of scale and expertise in estate management in close proximity to the sites that are the responsibility of AGES.

Non-regulated entity	Recharge	Cost in year £'000	Balance at year end £'000
Attwood Green Estate Services Limited	Provision of services	66	33

34. FINANCIAL INSTRUMENTS

The Association's financial instruments may be analysed as follows:

	Note	2018 £'000	2017 £'000
Financial assets			
(a) Financial assets measured at fair value through profit and loss		-	-
(b) Financial assets that are debt instruments measured at amortised cost			
- Cash and cash equivalents	19	2,234	1,078
- Trade debtors	17	25	17
		<u>2,259</u>	<u>1,095</u>
(c) Financial assets that are equity instruments measured at cost less impairment		-	-
Financial liabilities			
(a) Financial liabilities measured at amortised cost			
- Accruals	20	(822)	(645)
- Other creditors	20/21	(872)	(1,043)
		<u>(1,694)</u>	<u>(1,688)</u>
(b) Derivative financial instruments designated as hedges of variable interest rate risk		-	-
(c) Financial liabilities measured at fair value through profit or loss		-	-
(d) Loan commitments measured at cost less impairment		-	-

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

34. FINANCIAL INSTRUMENTS (Continued)

The Group's financial instruments may be analysed as follows:

	Note	2018 £'000	2017 £'000
Financial assets			
(a) Financial assets measured at fair value through profit and loss			
- Investments at valuation	18	2,208	4,314
(b) Financial assets that are debt instruments measured at amortised cost			
- Cash and cash equivalents	19	88,501	62,655
- Rental and service charge debtors	17	1,968	1,802
- Trade debtors	17	224	42
- SHG receivable	17	788	552
- Other debtors	17	2,409	1,643
		93,890	66,694
(c) Financial assets that are equity instruments measured at cost less impairment		-	-
Financial liabilities			
(a) Financial liabilities measured at amortised cost			
- Housing Loans	22	(619,869)	(535,833)
- HomeBuy Loans	13	(2,171)	(2,503)
- Trade creditors	20	(6,895)	(4,542)
- Other creditors	20/21	(3,424)	(4,165)
- Accruals	20	(15,152)	(17,526)
- Deferred capital grant	23	(300,580)	(301,898)
- Recycled Capital Grant Fund	25	(4,647)	(3,484)
- Disposal Proceeds Fund	24	(4,007)	(4,373)
		(956,745)	(874,324)
(b) Derivative financial instruments designated as hedges of variable interest rate risk		-	-
(c) Financial liabilities measured at fair value through profit or loss		-	-
(d) Loan commitments measured at cost less impairment		-	-

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

35. SEGMENTAL REPORTING

	Group 2018			
	General Needs & Supported Housing	Shared Ownership	All Other Segments	2018 Total
	£'000	£'000	£'000	£'000
Gross Segmental Income	138,910	4,325	6,348	149,583
Segmental Operating Surplus	37,331	3,157	1,709	42,197
Interest receivable	302	9	-	311
Interest and financing costs	(26,029)	(810)	-	(26,839)
Loan breakage costs	(65,828)	(2,050)	-	(67,878)
Movement in fair value of financial instruments	4	-	-	4
Surplus/(Deficit) before Tax	(54,220)	306	1,709	(52,205)
Taxation	-	-	48	48
Surplus/(Deficit) for the Year	(54,220)	306	1,757	(52,157)
Depreciation of fixed assets	23,306	484	2,168	25,958
Amortisation of Government Grants	3,618	282	-	3,900
Impairment of fixed assets	3,650	-	-	3,650
Additions to fixed assets	36,338	2,909	789	40,036

WM HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

35. SEGMENTAL REPORTING (Continued)

	Group 2017			
	General Needs & Supported Housing	Shared Ownership	All Other Segments	2017 Total
	£'000	£'000	£'000	£'000
Gross Segmental Income	137,926	7,789	5,443	151,158
Segmental Operating Surplus	38,534	3,042	953	42,529
Interest receivable	374	21	-	395
Interest and financing costs	(26,404)	(1,491)	-	(27,895)
Movement in fair value of financial instruments	32	-	-	32
Surplus before Tax	12,536	1,572	953	15,061
Taxation	-	-	(3)	(3)
Surplus for the Year	12,536	1,572	950	15,058
Depreciation of fixed assets	21,849	396	2,401	24,646
Amortisation of Government Grants	3,567	325	-	3,892
Impairment of fixed assets	3,062	28	-	3,090
Additions to fixed assets	38,098	1,931	1,116	41,145