

**ARAWAK WALTON
HOUSING ASSOCIATION LIMITED
(A Charitable Co-operative and Community Benefit Society)**

FINANCIAL STATEMENTS

For the Year Ended 31 March 2015

ARAWAK WALTON HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

For the Year Ended 31 March 2015

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ARAWAK WALTON HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

For the Year Ended 31 March 2015

ASSOCIATION DETAILS

Board of Management	Ms Evelyn Asante-Mensah (Chair) Mr Mike Cartwright Ms. Gill Darling, ACA, AMCT Mr. Sylvester During, BSc., MSc., DMS., MCMI. (Resigned 10 th September 2014) Mrs Jayne Gouldthorpe, BSc (Hons), MSc, DMS. (Resigned 10 th September 2014) Ms Lorri Holding Mr Andrei Szatkowski (Resigned 10 th September 2014) Ms Susan Taylor Mr Charles Jarvis Ms Anita Patel Mr David Brown (Appointed 6 th November 2014) Ms Nadia Fortune-Nesbit (Appointed 28 th January 2015)
Secretary	Ms. C. D'Souza, A.C.A.
Executive Officers	Ms. C. D'Souza, A.C.A. (Chief Executive) Mr. C Page, BA (Hons, MSc), MCIH, DipHSM (Operations Director) Mr D Watmough, BA (Hons), MA, MPhil, ACMA (Finance Director)
Bankers	Royal Bank of Scotland Plc. 934 Stockport Road Levenshulme Manchester M19 3AA
Solicitors	Croftons The Lexicon Mount Street Manchester M2 5FA
Auditors	Beever and Struthers Chartered Accountants St. George's House 215-219 Chester Road Manchester M15 4JE
Registered office	Margaret House 23 Manor Street Ardwick Manchester M12 6HE
Registration Number	L3713 - Homes and Communities Agency 25160R - Co-operative and Community Benefit Societies Act 2014

ARAWAK WALTON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT For the Year Ended 31 March 2015

The Board presents its report and audited financial statements for the year ended 31 March 2015.

Principal activities

The Association's principal activities are the acquisition and management of social housing primarily for the Black and Minority Ethnic communities in the North West.

Legal status

The Association is registered under the Co-operative and Community Benefit Societies Act 2014 and is a Registered Provider with charitable status.

Review of the year

The financial year 2014/15 saw our stock of homes increasing by an additional 4 units. Turnover increased to £5.1 million compared to £4.8 million in 2014. The annual surplus of £1,096,637 (before transfer to designated reserves) has taken total reserves to £7,720,581. These reserves have been re invested and helped to fund the acquisitions of new properties costing £420,374, replacing components such as bathrooms and boilers in our existing stock costing £485,570 and in refurbishing Sycamore Court at a cost of £526,122.

The Association now has £18.9 million of loan facilities in place at 31st March 2015, of which £14.5 million has been utilised. There were 1008 units in management by the end of March 2015, of which 950 were owned by the Association at 31st March 2015.

The Association was again successful in achieving the Customer Service Excellence Standard in 2015. This standard replaces the Charter Mark award which has been held since 2000. It is a mark of excellent customer service and continuous improvement in service provision. It also denotes that services that are provided are effective and represent VFM.

At 31st March the Association's cash balance (£1.44m) was significantly higher than last year. The balance was the result of a £900K loan drawdown shortly before year end to finance the refurbishment of properties (£200k) and the acquisition of new ones (£781k).

Designated reserves

Our total designated reserves are £190,047. These are reserves that have been set aside to replace scheme equipment.

Future developments

The Association intends to continue with its programme of modest growth. Growth will be through partnerships with other Housing Associations, local authorities and from acquisitions from the open market.

Changes in fixed assets

Details of the movements in fixed assets are set out in note 8 to the accounts.

Board of Management and Executive Officers

The Board of Management and Executive Officers of the Association are listed on page 1.

Each member of the Board of Management holds one fully paid share of £1 in the Association. The Executive Officers of the Association hold no interest in the Association's share capital and, although not having legal status of Directors, they act as Executives within the Authority delegated to them by the Board of Management.

ARAWAK WALTON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT

For the Year Ended 31 March 2015

Financial risk management objectives and policies

The Association uses conventional forms of working capital to finance its day to day activities and as such the figures appearing in the accounts reflect the absolute value of amounts recoverable and payable. The Board receives regular reports on these figures in order to manage the Association's requirements.

Employees

The strength of the Association lies in the quality and commitment of its employees. The Association operates an appraisal system and provides training programmes focused on quality and customer service and seeks employees' views on how to improve systems and on matters of concern.

Details of employees are set out in note 4 of the accounts.

Auditors

A resolution to reappoint Beever and Struthers as auditors will be proposed at the Annual General Meeting.

Statement of the Board's responsibilities in respect of the accounts

The Co-operative and Community Benefit Societies Act require the Board to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus of the Association for that period. In preparing these accounts the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on a going concern basis unless it is inappropriate.

The Board is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Association and to enable it to ensure that the accounts comply with the Co-operative and Community Benefit Societies Act and the Housing Acts. It is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities, by establishing and maintaining a satisfactory system of control over the Association's accounting records, cash holdings and all its receipts and remittances.

In so far as the Board of Management is aware:-

- there is no relevant audit information of which the Association's auditor is unaware, and;
- the Board has taken all steps that it ought to have taken to make itself aware of any relevant audit information and to establish that the auditor is aware of that information.

REPORT OF THE BOARD OF MANAGEMENT

For the Year Ended 31 March 2015

Statement of the Board of Management on internal controls

The Board is ultimately responsible for the Association's system of internal control and for reviewing its effectiveness. However such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement of loss.

Following the principles of the good practice contained within Circular 07/07, the Board confirms there is an ongoing process for identifying, evaluating, and managing the significant risks faced by the Association, that has been in place for the year under review and up to the date of approval of the annual report and accounts, and that this process is regularly reviewed by the Board and in accordance with the principles of the Circular.

The Board has reviewed the effectiveness of the system of internal control. In particular, it has reviewed and updated the process for identifying and evaluating the significant risks affecting the business and the policies and procedures by which these risks are managed.

The executive officers are responsible for the identification and evaluation of significant risks applicable to their areas of business together with the design and operation of suitable internal controls. These risks are assessed on a continual basis and may be associated with a variety of internal or external sources including control breakdowns, disruption in information systems, competition, natural catastrophe and regulatory requirements.

A control self-assessment and hierarchical reporting has been established which provides for a documented and auditable trail of accountability. These procedures are relevant across all operations and provide for successive assurances to be given at increasingly higher levels of management and finally to the Board. This process is facilitated by internal audit that also provide a degree of assurance as to the operation and validity of the system of internal control. Planned corrective actions are independently monitored for timely completion.

The executive officers report regularly on their review of risk and how they are managed to the Finance and Risk Committee whose main role is to review on behalf of the Board the key risks inherent in the business and the system of control necessary to manage such risks and to present their finding to the Board. Internal audit independently review the risk identification procedures and control process implemented by the executive officers and report to the Finance and Risk Committee on a quarterly basis. The Finance and Risk Committee reviews the assurance procedures, ensuring that an appropriate mix of techniques is used to obtain the level of assurance required by the Board. The Finance and Risk Committee presents its findings to the Board on a regular basis.

The Chief Executive also reports to the Board on behalf of the Executive officers on significant changes in the business and the external environment, which affect significant risks. The Finance Director provides the Board with regular financial information, which includes key performance and risk indicators. Where areas for improvement in the system are identified, the Board considered the recommendations made by the Finance and Risk Committee.

Value For Money (VFM) Self Assessment 2014/15

1. Introduction and background

Arawak Walton was born out of the black and minority ethnic community needing to have access to good quality homes which were not being provided by mainstream organisations. Our mission has not changed. The Association has spent 25 years working in inner city, multicultural areas where good quality homes were and continue to be scarce and where the communities face high levels of deprivation. We work in entry areas where inward migration is on the increase. Over 70% of our 2014/15 lettings were to BME tenants and we tailor our services to meet the needs of diverse BME communities. As well as providing access to housing we also provide employment and training opportunities. Our strategy is to procure from the local community where possible and help alleviate levels of deprivation in areas where we work through reinvesting in the local economy.

Working in areas with high levels of deprivation is often expensive, but our management costs demonstrate our ability to do this at a lower cost than many Associations providing generic services. Our repairs costs include the provision of alarms, security lighting and other features in our properties to maximise the security of our tenants, who suffer from discrimination and racist behaviour.

Our success relies on providing a personal and holistic service that is valued by our customers and stakeholders at a cost-effective offer.

REPORT OF THE BOARD OF MANAGEMENT

For the Year Ended 31 March 2015

2. The Arawak Walton Delivery Model

Key to the generation of value by the Association is our focus on our two core products: general needs and sheltered housing. This allows us to operate within streamlined processes and procedures whilst providing a responsive service to our diverse tenants.

The delivery of services is achieved by having a well trained and qualified core staff team, supported by external advisors most of whom have had a long relationship with the Association and understand both our mission and vision and our aspirations. This enables us to access skills and expertise in a flexible manner without the need to retain an expensive staff infrastructure.

As a smaller housing Association, we work in partnership with others when this is to our mutual benefit. Procurement good practice is shared amongst the members of Community Housing Associations North West Group. Much of our growth has been achieved by working closely with other housing Associations.

The relative simplicity of our delivery model enables us to minimise staffing and other overheads borne by the Association, which is reflected in our comparative costs.

3. VFM Strategy

The Board has overall responsibility for the Association's VFM strategy. The Board places operational responsibility for ensuring VFM on individual managers. The Finance Director has reporting responsibility for VFM issues in the Association.

The Association regards continuous improvement as a key element of its VFM approach. An annual programme of service reviews is designed to address current priorities as well as ensure most areas of the Association's activities are reviewed on a periodic basis. Service reviews ensure that the needs of the Association's customers are effectively and efficiently met and that VFM principles are enshrined in their design.

Specific elements of our approach to VFM are:

- an annual review of our customer profile in terms of housing and geographical location aspirations to ensure it delivers housing opportunities where our customers want to live
- a thorough budgeting and business planning process
- an annually updated Asset Management Strategy which sets out our plans for sustaining and enhancing the value of our asset base
- a feasibility model that incorporates not only funding but also housing management and long term maintenance issues to ensure the financial soundness of potential new development acquisitions
- a Treasury Strategy and Annual Treasury Plan which maps out treasury activities for the coming year balancing VFM and mitigating risks to the Association
- consideration of the VFM implications of new initiatives at Senior Management Team (SMT) and Board level
- the requirement to tender certain procurements and obtain quotes for others to ensure market prices are paid
- attendance at a range of procurement, VFM and function specific best practice events, sharing good practice and contributing to some of our procurement efficiencies
- participation in formal and informal benchmarking activities to identify areas where our performance does not meet that of our peers
- our business plan recognises that following the introduction of the proposed new rent regime from the 2015/16 financial year it will become imperative to manage our routine activities within the Consumer Price Index measure of inflation which will require a sustained focus on efficiency to achieve VFM.
- setting specific VFM projects or objectives as part of the VFM statement on an annual basis

REPORT OF THE BOARD OF MANAGEMENT

For the Year Ended 31 March 2015

Key elements of our process for monitoring VFM are:

- annual scrutiny by the Board and Finance and Risk Committee of the Business Plan and Budget
- a quarterly review by both the Board and the Finance and Risk Committee of the Association's financial performance through the management accounts
- a quarterly review by Board of key operational and other performance through the balanced scorecard
- a monthly review of key areas of financial performance against budget by the senior management team
- a monthly review of key operational performance indicators by senior management team
- review of the "ease" of allocations and lettings in new areas of operation
- Tenant Quality Panel (TQP) review of the appropriateness of services provided
- assessment of potential development opportunities by senior management team
- reporting on potential acquisitions at each meeting of Board
- annual strategic review sessions for SMT, Board and staff to ensure the Association's mission and vision remain relevant and that both are delivered in the most appropriate way
- consideration by Board of the annual VFM statement

Our approach to VFM has enabled us to grow without new social housing grant over the course of the last half decade. We have achieved this by working in partnership with housing providers through their stock rationalisation plans in areas in which we want to grow, and by being able to secure highly competitive funding deals. The age profile of our stock means that our asset management strategy identifies the need for investment in existing homes over the course of the next few years. We recognise and have estimated the additional costs of collecting rents from tenants who don't have experience of paying us directly, as Universal Credit is rolled out. Sustaining VFM practices will be crucial in enabling us to achieve these objectives.

Achieving our VFM objectives enable us to:

- sustain our ongoing investment in the homes we own to ensure they remain desirable to the communities we serve and have a long term future
- acquire or develop new properties in or close to our current areas of operation in order to help meet the needs of some of the thousands of people aspiring to live in the areas in which we operate

Assessing VFM involves balancing the needs of our current tenants against the needs of potential future tenants. An integral part of the Association's VFM strategy is that resourcing the needs of existing tenants will be met before resources will be made available for potential future tenants.

4. Assets and the Provision of Homes

The table below shows the increase in the number of homes managed by the Association over the course of the last five years.

	2010	2011	2012	2013	2014	2015
Properties in Management	857	927	947	953	1004	1008

Table 1. Properties in Management, 2010-2015

Over the course of the last five years, the Association has grown by 151 homes, representing 17% growth. The Association owns 947 of these homes. The remainder are managed for others.

The table below shows that the growth has resulted in a slight increase in the average cost per property together with a slight reduction in Social Housing Grant per property. The Association has grown with no new social housing grant since 2006, although the Association has taken transfer of properties with grant from other associations, and has recycled grant on sold properties. Growth has been achieved through taking transfer of properties from other housing Associations. Many of these properties would have been sold on the open market had they not been bought by the Association, so the Association has retained these in the sector for social housing purposes. In addition, our partner Associations will have used the receipt from the sale of properties to Arawak Walton HA to help fund their provision of new build affordable homes.

REPORT OF THE BOARD OF MANAGEMENT
For the Year Ended 31 March 2015

	2015	2014	2013	2012	2011	2010
£ per property	53,989	53,486	52,290	51,261	49,631	51,985
SHG per property	31,666	31,763	32,948	32,601	31,554	33,359
Grant rate	59%	59%	63%	64%	64%	64%
Debt per unit	15,246	14,484	14,110	14,309	14,222	14,221
Equity Per property	7,077	7,238	5,232	4,351	3,854	4,406

Table 2. Cost, Grant, Debt and Equity Per Property, 2010-2015

During the course of the year, the Association trialled a new approach to growth which moved away from the previous approach which allowed a small net present value subsidy for each property considered for development or acquisition. The new approach is based on assessing the Association's development capacity and growing by "sweating our assets", whilst ensuring our long term sustainability and delivering on our commitments to our lenders and other stakeholders.

The Association has undertaken an initial analysis to review the costs and income of each property in management over the next 30 years to arrive at the net present value of each property and the annual contribution (to overheads and financing costs). The analysis has been undertaken at a segmented level separately identifying General Needs properties from Sheltered Housing properties.

The analysis shows the following:

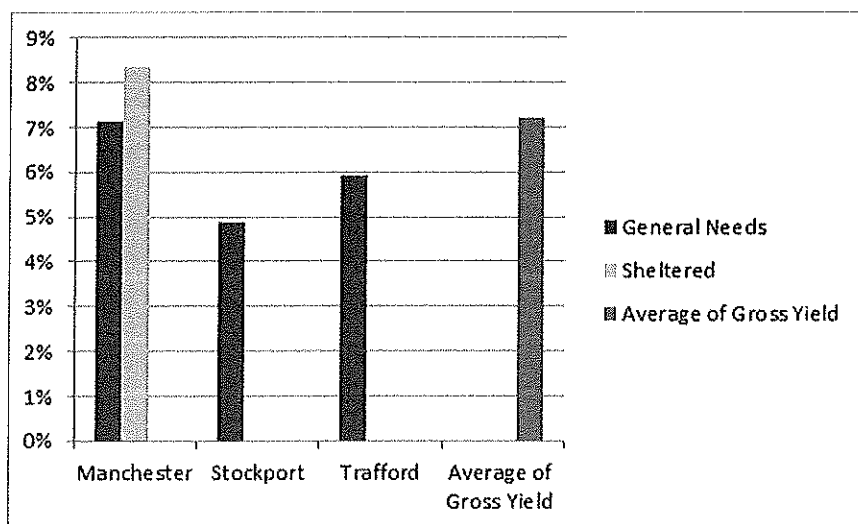


Table 3. Gross Yield by property type and local authority

The analysis shows the gross yield (rent as a percentage of valuation) of our general needs and sheltered properties. Sheltered properties have a low valuation in comparison to general needs properties. The rent charged on sheltered properties is lower than the rent charged on our general needs properties but because of the low market valuation the yield stays high. General needs properties in Stockport and Trafford have the lowest gross yield due to their high valuations.

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For the Year Ended 31 March 2015

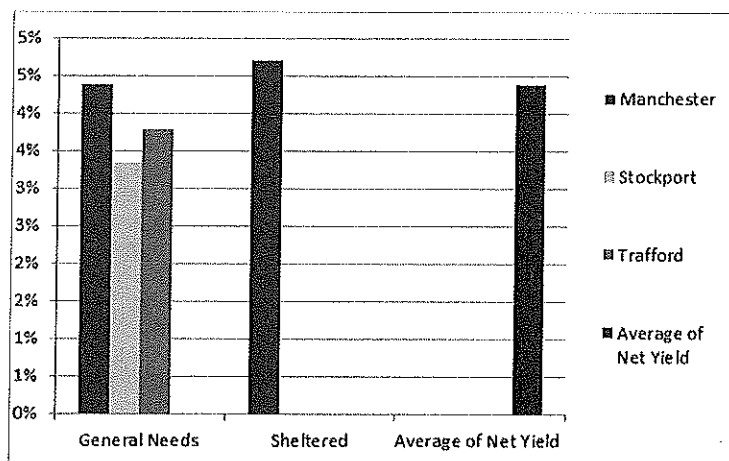


Table 4. Net Yield by property type and local authority

The analysis shows the net yield (rent less direct costs divided by valuation) of sheltered and general needs properties. Properties in Trafford and Stockport do generally contribute more than properties in Manchester, due to higher rents being charged and lower maintenance costs than properties in Manchester. The valuations of the properties are significantly higher than properties in Manchester.

The acquisitions made over the course of the last few years, without social housing grant, have been of the higher yielding Sheltered properties, or lower valuation General Needs street properties in Manchester.

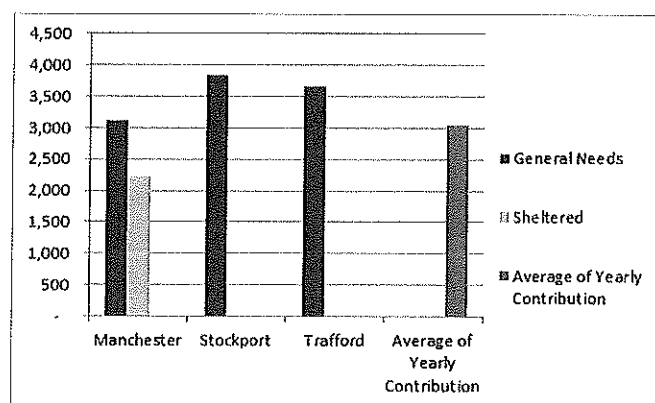


Table 5. Average Contribution per property, in £s, by local authority and type

The analysis shows that the average contribution per property is largely driven by the level of rents, with lower rent Sheltered properties generating the lowest average contribution and higher rent properties in Stockport and Trafford generating the highest.

At an Association-wide level, the contribution is expressed as the margin between income and costs and the table below shows the gross margin over the last few years.

	2015	2014	2013	2012	2011	2010
AWHA Turnover	4,765	4,461	4,262	4,082	3,642	3,575
Operating Costs	3,416	3,103	2,754	2,574	2,440	2,451
Surplus	1,349	1,358	1,508	1,508	1,202	1,124
%age	28%	30%	35%	37%	33%	31%

Table 6. AWHA Gross Margin, 2010-2015

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Changes in accounting practices have had an impact on the margin, but the 30% gross margin compares well to the 26% for traditional housing associations shown in the 2014 Global Accounts.

5. Asset Management Strategy

The condition of the stock is measured through a database that flags up when a component reaches the end of its predicted life cycle. However, many variables contribute to the actual life span of a component. We are therefore taking a more dynamic approach to replacements that can allow for failing components to be replaced earlier (and thus not wasting money on regular patching up works) and components to be replaced later where they are in good condition. This is achieved by surveying components before they go into the plan and including an amount to fund accelerated replacements of those failing components through the year.

The Association regards considered investment in its stock as crucial to ensuring the long term marketability of its homes. During the refurbishment of a sheltered scheme during the course of 2014/15, ground floor flats were opened up with patio doors, giving them a much more appealing and contemporary feel. We also installed Wi-Fi throughout the scheme, recognising the changing expectations of our current and future customers.

In acknowledgement of the amount of resources taken with completing multiple tender exercises every year the strategy allows for one VFM exercise (formal tender) to be completed in a twelve month period for each component type. As each tranche of components is then released the price will be negotiated if the negotiated price is the same or less than the tendered price for the works to be awarded.

The Association also recognises that there are savings to be made by having purchasing agreements directly with suppliers and awarding works to contractors on a "Fit Only" basis. This avoids paying the margin that the contractor includes for supplying the parts.

Rewires are becoming a feature of the programme from 2022 onwards however the Association is taking a relatively long replacement cycle of 30 years. Undertaking a rewire at a property involves considerable disruption to the tenants and the Association is therefore taking the opportunity to rewire the property when it becomes void if the wiring is 23 or more years old.

The Association has a large stock of ageing wooden sheds, which were previously included as a requirement for former Housing Corporation grants. These are increasingly expensive to maintain. This is to be addressed by replacing the flimsy wooden sheds with a more robust plastic and metal ones and gifting these to the tenants to remove the long term maintenance responsibility from the Association.

6. Operations

Every year the Homes and Communities Agency publishes The Global Accounts of Housing Associations, based on the previous year's annual accounts. In comparing AWhA's management and maintenance costs against those of other Associations in 2013/14, AWhA was £89,000 less expensive than the average of other traditional housing Associations. Comparing all social housing costs between AWhA and all other Associations demonstrates that the Association operates on a significantly lower cost base than those of other Associations. This equates AWhA's cost per home being £88 cheaper than the average.

	Global £000s	AWhA £000s	Diff per unit £s	Overall £s
Management	990	920	70	70,873
Maintenance	1,234	1,216	18	17,779
Combined	2,224	2,136	88	88,652

Table 7. Management and Maintenance Costs, AWhA v Global Accounts

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For the Year Ended 31 March 2015

The trend in management and maintenance costs, per unit, over the course of the last five years is shown in the table below.

price per unit	2015	2014	2013	2012	2011	2010
Management	983	916	872	839	808	878
Maintenance	1,309	1,211	1,064	1,029	1,025	1,424
Bad Debt	74	79	97	83	43	63

Table 8. A WHA Management and Maintenance Costs, 2010-2015

The increase in management costs between 2014/15 and 2010/11 was only 12%, slightly in excess of the retail price index inflation increase of 9.7%. The figures for maintenance are not directly comparable because of accounting changes, but the underlying increase between 2014/15 and 2010/11 is approximately 9.2%. This increase in part reflects the age profile of our stock and our expectation is that our maintenance costs will increasingly be comparable to those of other traditional housing Associations in the future. In 2014/15 we increased the maintenance team resources by employing a second maintenance officer and the 2015/16 Asset Management Strategy commits more resource to the long term maintenance of our homes to ensure the continued demand for these into the future.

	2015	2014	2013	2012	2011
Staff Costs £000s	1,031	943	829	791	752
Units	1008	1004	953	947	927
per unit £s	1,023	940	870	836	811
% change	8.9%	8.0%	4.1%	3.1%	

Table 9. Staff Costs, 2011-2015

The change in staff costs over the course of the last five years partly reflects a staffing “catch up” from the low base from which the Association started as well as normal inflationary increases. .

Th “saving” in management and maintenance costs compared to the average enables us to invest in capital works to our properties and also helps us fund the acquisition of new homes for social rent in the communities in which we work. During 2014/15 we completed an investment programme of £1.3m in acquiring and refurbishing new properties, including a 40 home sheltered scheme. We invested £507k in component replacements to 200 homes (a fifth of our stock), in line with our long term strategy.

At the end of 2014-15, £31.9m had been invested by the government in Social Housing Grant in the Association. In 2014-15 this generated a saving for taxpayers and tenants of £1.86m as a result of our rents being lower than in the private sector. Of that saving, approximately £642k will go directly to tenants and £1,220k will go to the taxpayer as a result of lower housing benefit payments. This equates to an annual return on the SHG investment to the taxpayer of 3.8%. This saving is shown by each of the local authority areas in which we work in the table below, comparing our rents with the Local Housing Allowance (LHA) maximum, and the number of tenants paid by housing benefit:

	LHA	Rent	Difference	Homes	HB Tenant saving	HB saving	Total
Manchester	121.15	83.63	37.51	904	598	596,910	1,763,419
Trafford	121.15	101.95	19.20	81	45	35,933	80,849
Stockport	126.92	97.97	28.96	12	6	9,034	18,068
				997	649		
Totals						641,877	1,220,460
							1,862,337

Table 9. Savings to Taxpayer and Tenants of SHG-Funded Rent Subsidy

REPORT OF THE BOARD OF MANAGEMENT
For the Year Ended 31 March 2015

7. Key Performance Indicators

We have compared our performance against that of other North Western Associations which are members of Housemark.

	Measure	Direction of Travel	2014/15		2013/14		2012/13	
			Arawak Walton	Quartile	Arawak Walton	Quartile	Arawak Walton	Quartile
Satisfaction - overall services - GN *	%age						91	1
Ave time taken to answer inbound phone calls	seconds	↓	4.5	1	4.1	1	7.8	1
% void losses - GN	%age	↓	0.84	2	0.74	3		
Ave re-let time - GN	days	↓	24	2	28	3	32	4
Ave re-let time - HIOP	days	↓	16	2	30	3		
Ave days lost due to sickness absence	days	↓	10.9	3	7	3		
% of lettings to BME households	%age	↓	71	1	68	1	70	1
% rent collected - GN & HIOP	%age	↓	100.8	1	98.4	3	98.33	4
Current tenant arrears - GN & HIOP	%age	↓	5	3	5.93	4	6.11	4
Former tenant arrears - GN & HIOP	%age	↓	1.8	4	1.31	3	0.99	2
% Rent written off - GN & HIOP	%age	↓	0.57	3	0.62	4	1.38	4
Satisfaction - listens to views and acts	%age				78	2	78	1
Percentage of tenants satisfied with repairs and maintenance based on repairs completion advice	%age	↑	96		95	4		
% repairs completed within target time	%age		100	1	100	1		
% emergency repairs completed within target	%age		100	1	100	1	100	1
% urgent repairs completed within target	%age	↓	99.8	1	100	1	98.6	2
% routine repairs completed within target	%age		100	1	100	1	99.02	2
Number of responsive repairs completed in the period	number	↑	5501		4968		5137	
% dwellings with a valid gas safety cert	%age		100	1	100	1	100	1

* This measure of satisfaction is made every three years using a STATUS survey.

Table 10. AWhA Operational performance and Quartile Ranking 2012-2015

The table shows AWhA's performance for the last three years together with the Housemark North West actuals for the period. The Quartile column indicates the performance quartile AWhA is located in, i.e. quartile 1 shows that AWhA's performance was in the top 25% of the Housemark sample. Our performance figures are not currently externally validated by Housemark.

We have focussed on ensuring repair works are completed in a timely fashion and are delighted that we have improved the number of repairs that are completed within the target time scale over the last 3 years.

We make customer service a top priority at the Association and we are delighted that we are top quartile for the speed we answer tenants enquiries. It should be noted also that in a sample of 158 Associations on Housemark the top quartile is 13 seconds a full 9 seconds worse than Arawak Walton in fact if our tenants were serviced by another Association they would spend approximately an extra 250 hours per year waiting for us to answer their call.

We continue to make significant progress in improving the speed at which we re-let our properties and we have now reached the second quartile from being in the bottom quartile 2 years ago. This has been achieved by all staff members involved analysing every step of the letting process and eradicating unnecessary delays and by contractors completing repair works on weekends.

REPORT OF THE BOARD OF MANAGEMENT

For the Year Ended 31 March 2015

The current tenants arrears have moved from the bottom to the third quartile and is however a continuing focus of our work. In the past 6 months we have changed how we work to enable a more focussed targeting of problem cases and extended the number of staff involved in rent arrears to ensure a consistent level of service delivery and we are optimistic of improving on this position in 2015/6.

We undertook a review of future pensions provision and closed existing final salary schemes to new members of staff in 2013/14. The new provision costs the Association 50% of the previous scheme. The Association's recruitment experience during the course of 2014/15 shows that this has not reduced our ability to appoint staff with the appropriate skills and experience.

The Association has employed a number of apprentices and trainees during the year and this has created additional resource to deliver a number of projects in a significantly more cost effective way than employing consultants, whilst adding valuable "real world" work experience for the trainees. These projects include: the automation of texting for tenants, the development of the Association's Contribution Model, parts of the Asset and Liability Register and the implementation of parts of the new arrears process.

The Association has not explored the potential of Social Return on Investment approaches, partly because the application of the methodology is in its infancy in the social housing sector and partly because of the resource demands the use of this approach would require. This will be kept under constant review, especially as the methodology develops and becomes more widespread in the sector.

8. Procurement

As we work in some of the most deprived areas of Manchester and our procurements fall below OJEU thresholds, one of our objectives is to support local businesses and local employment. To that end we try to use local contractors to undertake repairs to our properties. During 2014/15, 91% of our repairs, by cost, were undertaken by north west based contractors. This retained over £1.4m in the local economy. Significantly, our maintenance costs when compared to the sector's global accounts remain lower than average.

Over the course of the 2014/15 financial year the Association has:

The cost of individual kitchen installations has increased by 4%. In response to customer feedback the Association increased the specification of the kitchens it installs. These are expected to both better meet the needs of our customers and also to be more durable and have a longer lifespan resulting in an overall reduction in costs over a 30 year period.

Secured considerable cost savings in the procurement and installation of components such as boilers by negotiating directly with suppliers. The average cost of a boiler installation has fallen by 23% over the course of the last three years, saving £42,000 in the 2014/15 financial year. The average cost of a bathroom installation over the same period has fallen by 25%, saving £23,000 in the 2014/15 financial year.

Our boiler replacements programme also saved our tenants an estimated £109,000 in fuel costs in 2014/15 and over the course of the last five years has saved them over £352,000. In addition it has reduced carbon dioxide emissions from our properties by 1.22 million kilograms.

Our process of tendering has ensured that our contractors offer good prices for their work.

Our membership of the North West Community Housing Association's Asset Manager's Group enabled us to reduce the cost of asbestos surveys from £220 to £120 per survey.

REPORT OF THE BOARD OF MANAGEMENT

For the Year Ended 31 March 2015

9. Treasury

During the course of the year we have invested time and resource in the negotiation of a loan to fund our Business Plan for the coming two years.

By fixing loans at favourable rates of interest for numbers of years, during 2014/15 we fixed a further £1.7m of loans (over 10% of our loan book) at an average rate of 3.66%.

The table below shows the changes in our loans and cost of capital over the course of the last six years. The average cost of capital has fallen by 153 basis points during that period, representing interest savings amounting to £215,000 during 2014/15. The average cost of capital for traditional housing Associations in the 2012/13 Global Accounts was 5.3%, showing that the AWhA's size has not had an adverse effect on the finance deals it has been able to secure. The interest rate difference equates to a saving in 2014/15 of £182,000.

	2015	2014	2013	2012	2011	2010
Average Loan £000s	14,755	13,995	13,499	13,367	12,686	12,359
Interest £000s	599	646	683	729	664	691
Cost of capital	4.06%	4.62%	5.06%	5.45%	5.23%	5.59%

Table 11. Loans, Interest and Cost of Capital, 2010-2015

The table below shows changes in our gearing ratio over the course of the last five years. It shows that our gearing remains significantly below our covenant of 55% and that the Association retains significant borrowing capacity which it can utilise to meet the future demand for social homes.

	2015	2014	2013	2012	2011	2010
Gearing	38%	38%	36%	38%	40%	37%

Table 12. Gearing Ratio 2010-2015

How did we perform against our plans?

In last year's VFM Statement we set out a number of plans for the period 2014-2016. We identified 17 activities in the Statement, of which 11 have been completed, 2 have been partially completed and 4 will be completed during the 2015-16 year. The plans which will be completed next financial year are: more formal cost benchmarking, development of a procurement plan and procurement training and undertake a customer satisfaction survey.

Many of the initiatives we took were done towards the end of the financial year and we are not yet in a position to evaluate their success or the VFM gains they will give rise to, but these will be monitored over the course of the coming year.

What are our plans for the future?

AWhA is committed to ensuring VFM in its work. During the course of the coming two years, the Association will:

Overall

- review additional opportunities to benchmark cost and quality measures with other Associations, and use this information to help prioritise future VFM activity
- work to increase customer satisfaction measures and measure these using a number of methods including a triennial STAR survey (2015)
- deliver our Continuous Improvement Programme activity to help control our cost base, ensure processes are streamlined and efficient and continue to meet the needs of our customers

REPORT OF THE BOARD OF MANAGEMENT

For the Year Ended 31 March 2015

Assets

- continue to develop our understanding of the property assets on which our business is based together with our analytical tools to inform our asset management strategy and stock profiling and integrate the property element of the Asset and Liability register in this process

Operations

- drive an ambitious programme of improvement to reduce current tenant arrears by 2% (£100,000)
- invest in the delivery of our ICT Strategy which will help operational staff better meet the needs of our customers in a cost-effective way into the future
- develop a plan to ensure the costs of the direct payment of tenants, as the result of welfare reform, are controlled and minimised.

Procurement

- develop a Procurement Plan to optimise VFM and specifically to help maintain the Association's core costs within the increase in CPI

Treasury

- continue to fix loans at current favourable rates of interest where this is appropriate.
- appoint a treasury advisor to help ensure the next funding round gives the Association the best possible funding deal

How will we use VFM gains?

VFM gains which generate a cash saving will be used to reduce the cost of borrowing to develop new homes and continue our programme of investment in existing homes.

During the course of the transition to the new Welfare reform regime, it is expected that significant additional resource will be required to collect and process rents. VFM gains will also be used to fund this work. Time savings generated by the delivery of the ICT strategy will be crucial in this regard.

Continue our support for the local economy by using local contractors where possible.

REPORT OF THE BOARD OF MANAGEMENT
For the Year Ended 31 March 2015

Summary of Value Generation 2014/15

The table below shows the value generated by the different activities detailed in the text of the assessment, together with the immediate recipient of the benefit. The savings attributed to AWHHA are recycled to help achieve the Association's objectives.

Item	AWHA	Tenants	Taxpayer	Total
£000s				
Rent Subsidy (SHG)		642	1,220	1,862
Delivery Model	88			88
Boiler Programme	42	109		151
Kitchen Programme	23			23
Interest Savings	182			182
Total	335	751	1,220	2,306

Table 13. Summary of Value Generation 2014/15

Conclusion

Arawak Walton Housing Association complies with the requirements of the VFM standard.

A copy of this statement is available on the Association's website at www.arawakwalton.com

By order of the Board of Management the report was approved on 22nd July 2015 and signed on its behalf by:



C. D'Souza

Secretary

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ARAWAK WALTON HOUSING ASSOCIATION LIMITED

We have audited the financial statements of Arawak Walton Housing Association Limited for the year ended 31 March 2015 on pages 17 to 31. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Board and the Auditor

As explained more fully in the Statement of Board's Responsibilities set out on page 3, the Board is responsible for the preparation of the financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Board Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2015 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012.

Matters on which we are required to report by exception

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

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



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

Date: 22nd July 2015

ARAWAK WALTON HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT

For the Year Ended 31 March 2015

	Note	2015 £	2014 £
Turnover	2	5,102,832	4,799,029
Operating costs	2	<u>(3,416,435)</u>	<u>(3,102,622)</u>
Operating surplus	2	1,686,397	1,696,407
Surplus on sale of fixed assets		7,642	-
Interest receivable and similar income	5	1,707	1,676
Interest payable and similar charges	6	<u>(599,109)</u>	<u>(646,258)</u>
Surplus on ordinary activities for the year	7	<u>1,096,637</u>	<u>1,051,825</u>

All amounts relate to continuing activities.

The above surpluses are historical cost surpluses.

All recognised gains and losses are included in this statement.

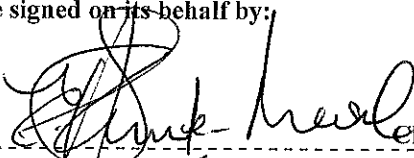
The notes on pages 20 to 31 form part of these accounts.


ARAWAK WALTON HOUSING ASSOCIATION LIMITED


BALANCE SHEET As at 31 March 2015

	Note	2015 £	2014 £
Tangible fixed assets			
Housing properties at cost less depreciation	8(a)	54,421,295	53,699,710
Less: Social Housing Grant	8(a)	<u>(31,919,514)</u>	<u>(31,890,514)</u>
Net Book Value of housing properties	8(a)	22,501,781	21,809,196
Other fixed assets	8(b)	<u>200,000</u>	<u>225,481</u>
Total fixed assets		<u>22,701,781</u>	<u>22,034,677</u>
Current assets			
Debtors	9	422,308	354,365
Cash at bank and in hand		<u>1,444,204</u>	<u>569,829</u>
		1,866,512	924,194
Creditors: amounts falling due within one year	10	<u>1,953,244</u>	<u>1,719,572</u>
Net current liabilities		<u>(86,732)</u>	<u>(795,378)</u>
Total assets less current liabilities		<u>22,615,049</u>	<u>21,239,299</u>
Creditors: amounts falling due after more than one year			
	11	14,894,441	14,615,330
Capital and reserves			
Share capital	12	27	25
Designated reserves	13	190,047	168,415
Revenue reserves	13	<u>7,530,534</u>	<u>6,455,529</u>
		<u>22,615,049</u>	<u>21,239,299</u>

The financial statements on pages 17 to 31 were approved by the Board of Management on 22nd July 2015 and were signed on its behalf by:


Chairperson


Secretary


Board Member

ARAWAK WALTON HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT

For the year ended 31 March 2015

	Notes	2015 £	2014 £
Net cash inflow from operating activities	15	1,943,602	3,535,479
Returns on investments and servicing of finance	15	(597,402)	(644,582)
Capital expenditure			
Acquisition and construction of housing properties		(1,432,065)	(4,378,170)
Net Social housing grant		29,000	491,158
Purchase of other fixed assets		-	(22,183)
Sale of housing properties		105,201	-
Financing	15	<u>826,039</u>	<u>1,095,382</u>
Increase in cash		<u>874,375</u>	<u>77,084</u>
Note of reconciliation of net cash flow to movement in net debt			
Increase in cash in the period		874,375	77,084
Increase in debt and lease finance		<u>(826,037)</u>	<u>(1,095,378)</u>
		48,338	(1,018,294)
Net debt at start	15	<u>(13,972,416)</u>	<u>(12,954,122)</u>
Net debt at end	15	<u>(13,924,078)</u>	<u>(13,972,416)</u>

ARAWAK WALTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2015

1. Principal accounting policies

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Homes and Communities Agency (HCA) as a Registered Provider of social housing.

Basis of accounting

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards and statements of recommended practice. The accounts comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2012 and the Statement of Recommended Practice 2010 published by the National Housing Federation. The accounts are prepared on the historical cost basis of accounting.

Turnover

Turnover represents rental income receivable, grants from local authorities and the Homes and Communities Agency, income from the sale of shared ownership and other income.

Fixed assets and depreciation

Tangible fixed assets costing more than £1,000, except housing properties, are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates:

Fixtures and fittings	15% on cost	Office equipment	15% on cost
Computer equipment	25% on cost	Office improvements (minor)	33% on cost
Office building	Based upon 60 year life		

Housing properties

Housing properties with the exception of freehold land are stated at cost less accumulated depreciation and capital grant. They are analysed by major component. Depreciation is charged on a straight line basis over the following expected economic useful life of those properties and associated components:

Housing properties - new build	100 years	Housing properties – rehab	60 years
Kitchens	15 years	Bathrooms	25 years
Boilers	15 years	Rewire	30 years
Windows	35 years	Lifts	25 years

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

Where housing properties have suffered a permanent diminution in value, the fall in value is recognised after taking account of any related Social Housing Grant.

Social Housing Grant

Where developments have been financed wholly or partly by Social Housing Grant, the cost of those developments has been reduced by the amount of grant received.

Social Housing Grant received for items of cost written off in the Income and Expenditure Account is matched against those costs as part of turnover.

Social Housing Grant is repayable in the following circumstances:

- (a) if a property is sold;
- (b) if the development of a property is not completed.

The net of Social Housing Grant received and not spent is included in current liabilities, taking into account all properties under construction.

Social Housing Grant is a subordinated unsecured repayable debt.

ARAWAK WALTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS **For the Year Ended 31 March 2015**

1. Principal accounting policies (Continued)

Capitalisation of administration costs

Administration costs relating to development activities are capitalised based on an apportionment of the management time spent on this activity. In accordance with the 2010 Statement of Recommended Practice (S.O.R.P.) for Registered Social Landlords the Association only capitalises directly attributable costs.

Leased assets

Where assets are financed by leasing arrangements that give rights approximating to ownership, they are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term, this is generally equivalent to the original cost of the assets. The corresponding leasing commitments are shown as obligations to the lessor. Lease payments are treated as consisting of capital and interest elements and the interest is charged to the Income and Expenditure Account.

Rentals paid under operating leases are charged to the Income and Expenditure Account.

Pension costs

The cost of providing retirement pensions and related benefits is charged to management expenses over the periods benefiting from the employees' services. The Association operates a defined benefit pension scheme. The assets of the scheme are separate from the Association, and are administered independently of the Association's finances. The Association has fully adopted the provisions of FRS 17 'Retirement Benefits' in preparing these accounts as set out in note 20.

Disposal proceeds fund

Voluntary Purchase Grant net disposal proceeds are credited to this fund which appears as a creditor until spent.

Recycled capital Grant Fund

Where Social Housing Grant is recycled, as described above, the SHG is credited to a fund, which appears as a creditor until spent.

Value Added Tax

The Association is not registered for VAT. All amounts disclosed in the accounts are inclusive of VAT.

Support income and costs including Supporting People income and costs

Support charges included in the rent are included in the income and expenditure from social housing lettings note 2 and matched against the relevant costs.

Designations

The Association designates those reserves which have been set aside for designated uses which prevent them, in the judgement of the Board, from being regarded as part of the free reserves of the Association.

Major repairs designation

The Association has decided not to designate reserves set aside for future major repairs on all of its housing properties as the cost of major components is now capitalised.

Equipment replacement designation

The Association designates those reserves set aside out of service charge income to replace scheme equipment.

Cyclical repairs and maintenance

Due to the number of properties held and the establishment of regular programmes of repairs and maintenance, the Association does not make provision for future works but charges actual costs incurred to the income and expenditure account.

ARAWAK WALTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2015

1. Principal accounting policies (continued)

Improvements to property

The Association capitalises expenditure on housing properties which increases the net rental stream. An increase in the net rental stream may arise through an increase in the rental income, a reduction in future maintenance cost or a significant extension of the lives of properties.

Properties managed on behalf of others

Where the Association carries the substantive financial risk on such property, all the income and expenditure arising from the property is included in the Income and Expenditure Account.

When the Association does not carry the financial risk, the Income and Expenditure Account only includes that income and corresponding expenditure which relates to the Association. In general these will be classified as management fees.

Properties for sale

Properties developed for outright sale are included in Turnover and Cost of Sales.

Properties developed for outright sale are included in current assets as they are intended to be sold.

Loan issue costs

Issue costs incurred in relation to initial loan finance are capitalised. Refinancing costs are charged to the income and expenditure account in the year incurred.

2. Turnover, operating costs and operating surplus

	Notes	2015		
		Turnover	Operating Costs	Operating Surplus
		£	£	£
SOCIAL HOUSING LETTINGS				
Social Housing Accommodation	2(a)	5,040,758	3,379,651	1,661,107
OTHER SOCIAL HOUSING ACTIVITIES				
Managed properties		47,938	36,784	11,154
NON-SOCIAL HOUSING ACTIVITIES				
Other		14,136	-	14,136
Total		5,102,832	3,416,435	1,686,397

	Notes	2014		
		Turnover	Operating Costs	Operating Surplus
		£	£	£
SOCIAL HOUSING LETTINGS				
Social Housing Accommodation	2(a)	4,724,271	3,064,596	1,659,675
OTHER SOCIAL HOUSING ACTIVITIES				
Managed properties		44,568	38,026	6,542
NON-SOCIAL HOUSING ACTIVITIES				
Other		30,190	-	30,190
Total		4,799,029	3,102,622	1,696,407

ARAWAK WALTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2015

2(a) Particulars of income and expenditure from lettings

	2015 £	2014 £
Turnover from social housing lettings		
Rents receivable	4,251,210	4,017,794
Release of rent restructuring grant	338,205	338,207
Service charges receivable	412,664	325,909
Charges for Support Services	<u>38,679</u>	<u>42,361</u>
Rents and service charges	5,040,758	4,724,271
Operating costs from lettings		
Housing accommodation		
Services	420,523	371,312
Management	990,980	919,557
Routine maintenance	872,360	864,236
Planned maintenance	97,929	125,981
Major Repairs	348,886	225,777
Property depreciation	612,921	511,231
Rent losses from bad debts	<u>36,052</u>	<u>46,502</u>
Total expenditure on lettings	<u>3,379,651</u>	<u>3,064,596</u>
Surplus on Social Housing Lettings	<u>1,661,107</u>	<u>1,659,675</u>
Void Losses	<u>38,674</u>	<u>32,524</u>

3. Officers' and senior executives' emoluments

The Association is controlled by a voluntary Board of Management, members of which are entitled to claim a small allowance for non standard business which totalled £0 in 2015 (2014: £950). In addition the Chair received remuneration of £3,996 in 2015 (2014: £4,490).

	2015 £	2014 £
The aggregate emoluments paid to or receivable by non-executive Directors and former Directors.	<u>3,996</u>	<u>5,440</u>
The aggregate emoluments paid to or receivable by executive Directors and former Directors	<u>220,127</u>	<u>210,613</u>
The emoluments paid to the highest paid Director excluding pension contributions:	<u>90,746</u>	<u>86,420</u>
The aggregate amount of any compensation paid to Directors or former Directors during the period of account.	<u>-</u>	<u>-</u>
The aggregate amount of Directors or past Directors' pensions, excluding amounts payable under a properly funded pension scheme.	<u>-</u>	<u>-</u>
The aggregate amount of any consideration payable to or receivable by third parties for making available the services of a Director.	<u>-</u>	<u>-</u>

ARAWAK WALTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2015

3. Officers' and senior executives' emoluments (continued)

	2015 Number	2014 Number
The number of full time equivalent staff whose remuneration payable fell within bands of:		
£60,000 to £69,999		-
£70,000 to £79,999	-	-
£80,000 to £89,999	-	1
£90,000 to £99,999	1	-

The Chief Executive is an ordinary member of the pension scheme. The pension scheme is a final salary scheme funded by annual contributions by the employer and employee. No enhanced or special terms apply. There are no additional pension arrangements. A contribution by the Association of £6,655 (2014: £6,536) was paid in addition to the personal contributions of the Chief Executive.

Directors are defined as the members of the Board, the Chief Executive and any other person who is a member of the Senior Management Team or its equivalent.

4. Employee information

	2015 No.	2014 No.
The average number of persons employed during the year expressed in full time equivalents (35 hours per week) was:	<u>29</u>	<u>27</u>
Office staff	24	22
Wardens, caretakers and cleaners	3	3
Repairs and Gardening staff	<u>2</u>	<u>2</u>
	<u>29</u>	<u>27</u>
	£	£
Staff costs		
Wages and salaries	817,010	756,455
Social security costs	75,881	69,434
Other pension costs	104,268	101,184
Temporary support staff	<u>33,957</u>	<u>16,216</u>
	<u>1,031,116</u>	<u>943,289</u>

5. Interest receivable and similar income

	£	£
Interest receivable and similar income	1,963	1,877
Less: Notional Interest to DPF	<u>(256)</u>	<u>(201)</u>
	<u>1,707</u>	<u>1,676</u>

6. Net interest payable and similar charges

	£	£
Interest on loans repayable in more than five years:		
- by instalments	557,796	598,772
- Property leasing charges in year	<u>41,313</u>	<u>47,486</u>
	<u>599,109</u>	<u>646,258</u>

ARAWAK WALTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2015

	2015 £	2014 £
7. Surplus for the year		
Is stated after charging:		
Auditors remuneration (excluding VAT):		
- in respect of audit services	4,800	4,800
- in respect of other services	-	-
Operating lease payments	6,699	12,103
Depreciation - Housing Properties	597,366	495,775
- Other Fixed Assets	25,481	36,183
- Finance Lease	15,555	15,458

8(a) Fixed assets-housing land and buildings

	Total £
Cost	
At 1 April 2014	57,496,223
Additions to existing and new properties	420,374
Replacement of components	1,011,691
Disposals	(363,861)
At 31 March 2015	<u>58,564,427</u>
Depreciation	
At 1 April 2014	3,796,513
Disposals	(266,302)
Charge for the year	612,921
At 31 March 2015	<u>4,143,132</u>
Cost less depreciation	
At 31 March 2015	<u>54,421,295</u>
At 31 March 2014	<u>53,699,710</u>
Social Housing Grant	
At 1 April 2014	31,890,514
Additions	102,000
Disposals	(73,000)
At 31 March 2015	<u>31,919,514</u>

ARAWAK WALTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2015

8(a) Fixed Assets - housing land and buildings (continued)

Housing land and buildings (net of grant)

	Total £
At 1 April 2014	21,809,196
Net additions / (transfers) during the year	<u>692,585</u>
At 31 March 2015	<u>22,501,781</u>

Housing properties comprise:

	2015 £
Freeholds	
Short leaseholds	58,564,427

Accumulated SHG – Capital	£31,919,514
Accumulated SHG – Revenue	£NIL

Works to existing properties comprise £446,816 expensed in the year and £1,011,691 component additions.

The net book value of tangible fixed assets – housing land and buildings includes £1,152,268 (2014:£1,167,823) in respect of assets under finance leases. Depreciation charged in the year on these assets amounted to £15,555 (2014: £15,458).

8(b) Other fixed assets

	Office Improvements £	Fixtures & Fittings £	Office Equipment £	Computer Equipment £	Office Buildings £	Total £
Cost						
At 1 April 2014	126,865	49,624	33,417	134,764	242,004	586,674
Additions	-	-	-	-	-	-
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>(29,140)</u>	<u>-</u>	<u>(29,140)</u>
At 31 March 2015	<u>126,865</u>	<u>49,624</u>	<u>33,417</u>	<u>105,624</u>	<u>242,004</u>	<u>557,534</u>
Depreciation						
At 1 April 2014	120,015	38,583	31,192	118,270	53,133	361,193
Charge for the year	3,425	4,620	1,802	11,601	4,033	25,481
On disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>(29,140)</u>	<u>-</u>	<u>(29,140)</u>
At 31 March 2015	<u>123,440</u>	<u>43,203</u>	<u>32,994</u>	<u>100,731</u>	<u>57,166</u>	<u>357,534</u>
Net book value						
At 31 March 2015	<u>3,425</u>	<u>6,421</u>	<u>423</u>	<u>4,893</u>	<u>184,838</u>	<u>200,000</u>
Net book value						
At 1 April 2014	<u>6,850</u>	<u>11,041</u>	<u>2,225</u>	<u>16,494</u>	<u>188,871</u>	<u>225,481</u>

A loan with a balance outstanding of £17,071 (2014 - £29,580) is secured against the office building.

ARAWAK WALTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2015

	2015 £	2014 £
9. Debtors due within one year		
Arrears of rent	284,380	320,897
* Less: Provision for bad and doubtful debts	<u>(99,485)</u>	<u>(92,762)</u>
	184,895	228,135
Other debtors	11,847	8,898
Prepayments and accrued income	<u>225,566</u>	<u>117,332</u>
	<u>422,308</u>	<u>354,365</u>
Employee loans of £1,350 (2014 - £4,464) are due after 1 year		
* Provision for bad and doubtful debts	£	£
At the beginning of the year	92,762	87,563
Add: Increase in provision for the year	36,052	46,502
Less bad debts written off in the year	<u>(29,329)</u>	<u>(41,303)</u>
At the end of the year	<u>99,485</u>	<u>92,762</u>
10. Creditors: amounts falling within one year	£	£
Loan repayments in one year or less	884,546	603,328
Rent and service charges received in advance	76,351	64,685
Other taxation and social security	21,186	18,246
Other creditors	17,228	2,523
Accruals and deferred income	936,148	931,859
Retentions: Capital schemes	17,785	18,150
Disposal Proceeds Fund	-	80,781
	<u>1,953,244</u>	<u>1,719,572</u>
At the year end, the Association had £4.25m of loan facilities immediately available to draw on when required.		
11. Creditors: amounts falling due after more than one year	£	£
Disposal Proceeds Fund	34,659	-
Deferred income	376,046	676,413
St Gregory's Lease	859,744	898,323
Bank and Building Society loans	14,508,538	13,643,922
Less amounts falling due within one year (Note 10)	<u>(884,546)</u>	<u>(603,328)</u>
Amounts falling due after more than one year	<u>14,894,441</u>	<u>14,615,330</u>
Loans repayable by instalments falling due as follows:	£	£
Between 1 - 2 years	1,424,310	829,655
Between 2 - 5 years	2,336,790	2,806,495
Over 5 years	<u>10,722,636</u>	<u>10,302,767</u>
	14,483,736	13,938,917
Amount falling due within 1 year	<u>884,546</u>	<u>603,328</u>
Total loans	<u>15,368,282</u>	<u>14,542,245</u>

The building society and bank loans are repayable over terms of 15, 25, 30 and 35 years with fixed and variable interest rates.

ARAWAK WALTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2015

12. Non-equity share capital	2015 £	2014 £
At the beginning of the year	25	21
Surrendered during the year	-	-
Issued during the year	<u>2</u>	<u>4</u>
Shares at the end of the year	<u>27</u>	<u>25</u>

The Association's shares are not transferable or redeemable. Payment of dividends or other benefits to members are prohibited by the Association's rules.

13. Reserves	Designated Reserves £	Revenue Reserves £	Total £
At 1 April	168,415	6,455,529	6,623,944
Surplus for the year	-	1,096,637	1,096,637
Transfers for the year	43,880	(43,880)	-
Utilised in the year	<u>(22,248)</u>	<u>22,248</u>	<u>-</u>
At 31 March	<u>190,047</u>	<u>7,530,534</u>	<u>7,720,581</u>

14. Capital commitments	2015 £	2014 £
Expenditure contracted for but not yet provided for	1,170,374	1,519,836
Expenditure authorised but not yet contracted for	<u>-</u>	<u>-</u>
	<u>1,170,374</u>	<u>1,519,836</u>
The Association expects to finance the expenditure above by:		
Social housing grant receivable	268,105	95,000
Loan funding	<u>902,269</u>	<u>1,424,836</u>
	<u>1,170,374</u>	<u>1,519,836</u>

Of the total Capital Commitments identified, the net cost to the Association which is expected to fall within the next 12 months, is £902,269.

ARAWAK WALTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 March 2015

15. Reconciliation of operating surplus to net cash flow from operating activities

	2015 £	2014 £	
Operating surplus	1,686,397	1,696,407	
Depreciation of other tangible fixed assets	25,481	36,183	
Depreciation of housing properties	612,921	511,233	
Working Capital Movements			
Debtors	(67,943)	119,466	
Creditors	<u>(313,254)</u>	<u>1,172,190</u>	
Net cash inflow from operating activities	<u>1,943,602</u>	<u>3,535,479</u>	
Returns on investment and servicing of finance			
Interest received	1,707	1,676	
Interest paid	<u>(599,109)</u>	<u>(646,258)</u>	
Generated in the year	<u>597,402</u>	<u>(644,582)</u>	
Financing	£	£	
Issue/(surrender) of ordinary shares	2	4	
Loans drawn	<u>826,037</u>	<u>1,095,378</u>	
	<u>826,039</u>	<u>1,095,382</u>	
Change in net debt	At start £	Cash flows £	At end £
Cash in hand, at bank	569,829	874,375	1,444,204
Debt due within one year	(603,328)	(281,218)	(884,546)
Debt due after more than one year	<u>(13,938,917)</u>	<u>(544,819)</u>	<u>(14,483,736)</u>
	<u>(13,972,416)</u>	<u>48,338</u>	<u>13,924,078</u>

ARAWAK WALTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2015

16. Disposal Proceeds Fund

	DPF £
At 1 April	80,781
Additions	55,622
Grants recycled	(102,000)
Interest accrued	<u>256</u>
At 31 March	<u><u>34,659</u></u>

17. Operating leases

The Association holds certain office equipment under non-cancellable operating leases.
At 31 March the Association had commitments under these leases as follows:

	2015 £	2014 £
Leases expiring within the next year	1,655	1,492
Leases expiring in the second to fifth year	6,200	6,200
Leases expiring in more than five years	<u>-</u>	<u>-</u>

18. Units in management

	No.	No.
Under management at end of year		
Rented units	949	943
Low cost home ownership	16	16
Managed for others	42	44
Staff units	<u>1</u>	<u>1</u>
	<u><u>1,008</u></u>	<u><u>1,004</u></u>

19. Legislative provision

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014.

ARAWAK WALTON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2015

20. Pension Obligations

Arawak Walton participates in the Social Housing Pension Scheme (SHPS). The Scheme is funded and is contracted-out of the State Pension scheme.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the Scheme is a multi-employer scheme where the Scheme assets are co-mingled for investment purposes, and benefits are paid from total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to address the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The last formal valuation of the Scheme was performed as at 30 September 2011 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £2,062 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035 million, equivalent to a past service funding level of 67%.

The Scheme Actuary is currently finalising the 2014 valuation but key provisional results have been confirmed. As at 30 September 2014, the market value of the Scheme's assets was £3,123 million. There was a shortfall of assets compared with the value of liabilities of £1,323 million, equivalent to a past service funding level of 70%.

Arawak Walton's share of the SHPS cessation debt liability was £3,200,806 as at 30th September 2014.

21. Taxation

The Association has charitable status and hence is exempt from paying Corporation Tax.

