

Ongo Homes Limited

(formerly North Lincolnshire Homes Limited)

Report and Financial Statements

Year Ended

31 March 2016

Company Number 5439434 (England and Wales)

Charity Number 1117952

HCA Registration Number L4486

Ongo Homes Limited

Report and financial statements for the year ended 31 March 2016

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Ongo Homes Limited

Report and financial statements for the year ended 31 March 2016

Board Members

The following members have held office during the year and to the date of this report unless otherwise stated:

Independent Members:

| | | |
|-------------|---|------------|
| C Leaning | (resigned 14 th September 2015) | R Wells |
| H Lennon | (appointed 6 th May 2015) | R Pometsey |
| A Lightfoot | (resigned 14 th September 2015) | M Kenyon |
| G Dixon | (appointed 6 th May 2015) | M Spittles |
| K Smith | appointed 6 th May 2015, resigned 28 th May 2015) | |
| S Bird | (appointed 6 th May 2015) | |
| T Clark | (appointed 6 th May 2015) | |
| L Cook | (appointed 21 st October 2015) | |

Tenant Representatives:

C Barker (appointed 1st July, resigned 7th December 2015) A Bairstow

Council Member:

R Waltham (resigned 10th May 2016)

Directors:

| | |
|---|------------|
| Chief Executive | A Orrey |
| Director of Operations | S Hepworth |
| Director of Resources | E Stoddart |
| Director of Regeneration and Investment | P Stones |

Secretary and registered office:

E Stoddart

Meridian House, Normanby Road, Scunthorpe, North Lincolnshire DN15 8QZ

Company Number 5439434

Auditors

BDO LLP
1 Bridgewater Place
Water Lane
Leeds LS11 5RU

Bankers:

Barclays Bank plc
One Snowhill
Snowhill Queensway
Birmingham B4 6GB

Solicitors:

Bond Dickinson LLP
St Ann's Wharf
112 Quayside
Newcastle upon Tyne
NE1 3DX

Forbes Solicitors
Rutherford House
4 Wellington Street (St John)
Blackburn, Lancashire
BB1 8DD

Wilkin Chapman LLP
New Oxford House
Town Hall Square
Grimsby
DN31 1HE

Trowers and Hamlins
Heron House
Albert Square
Manchester
M2 5HD

Ongo Homes Limited

Report of the Board of Management for the year ended 31 March 2016

Nature of Business

Ongo Homes Limited (formerly North Lincolnshire Homes Limited) is a company limited by guarantee, a registered charity and a Registered Provider of social housing regulated by the Homes and Communities Agency.

It is a wholly-owned subsidiary of the Ongo Partnership Ltd which is not a Registered Provider with the HCA. The corporate structure of the Ongo Partnership group is clearly defined and the relationship between this Company, the parent and its other subsidiaries is set out in Intra-Group agreements which were considered and approved by each of their Boards.

The primary role of the Company is to provide social housing in North Lincolnshire having taken over the ownership and management of North Lincolnshire Council's 9,950 homes on 26 February 2007.

Board and Executive Directors

The Board Members and Executive Management Team serving during the period and up to the date of signing the Financial Statements are listed in page 3. None of the Board Members and Executive Management Team holds any interests in the capital of this company, or of Ongo Partnership Limited.

Executive Management Team members act as executives within the authority delegated by the Board. The Company's insurance policies indemnify Board Members and officers against liability when acting on its behalf.

The Chief Executive is appointed on a permanent contract with a six month notice period. Other Executive Directors have a three months notice period, but are otherwise employed on the same terms as other staff.

The Executive Directors are all members of the East Riding Pension Fund, a final salary pension scheme. They contribute on the same terms as all other eligible staff and the Company contributes to the scheme on behalf of its employees.

Ongo Homes Limited

Report of the Board of Management for the year ended 31 March 2016 (continued)

Financial Statements

The Board present their report and audited Financial Statements of the Company for the year ended 31 March 2016.

Results

The Company made an operating surplus of £13.2m for the year (*Restated Surplus of £11.1m in 2014/15 after incorporating adjustments required under FRS102*). The result, after allowing for the expensed cost of environmental works and the past service pension credit, exceeded the business plan upon which the original transfer from the council was based and the Directors consider this to be an acceptable standard of performance.

Reserves

Revenue reserves total £56.9m at the year-end and the business plan dictates that this will be utilised for future investment in the provision of social housing.

External Factors

Prior to the UK Government's latest Budget in March 2016 we had already undertaken comprehensive stress testing of the business plan and developed with the board an approved recovery plan should a doomsday scenario arise. Therefore we have been able to quickly prepare a plan to address the impact of budget changes on the organisation, with the financial forecasts showing that we will remain in a financially strong position and remain well within our loan covenants.

Going Concern

The Financial Statements are prepared on a going concern basis, as the Board is satisfied that the Company has sufficient resources to continue its activities for the foreseeable future. In making this assessment the Board has considered a wide range of information relating to present and future conditions, including future business plan projections allied to expected grant funding income and currently available banking facilities.

Governance

Last year saw our financial viability rating rise from V2 to V1 but also saw our governance rating downgraded from G1 to G2 due to the Homes and Community Agency's (HCA) main concern around the skills, experience and composition of the Board. This concern was addressed with an action plan that was shared with the HCA with the aim of returning to G1 status at the earliest opportunity. A return to G1 status was obtained in July 2016.

Statement of the Board's Responsibilities in Respect of the Accounts

The Board is responsible for preparing the Board Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Board to prepare financial statements for each financial year. Under that law the Board has elected to prepare the financial statements in accordance with United Kingdom Accounting Standards and applicable law. Under company law the Board must not approve the financial statements unless it is satisfied that they give a true and fair view of the state of affairs of the Company and of the surplus or deficit of the Company for that period. In preparing those financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Ongo Homes Limited

Report of the Board of Management for the year ended 31 March 2016 (continued)

Statement of the Board's Responsibilities in Respect of the Accounts (continued)

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable it to ensure that the financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination 2006. It is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Assessment of the effectiveness of Ongo Home's system of internal control

The Board is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness.

The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk and provide reasonable assurance that key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of Company assets and interests.

The Board has adopted a risk-based approach to internal controls, which are embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the Company is exposed and is consistent with good practice and regulatory requirements.

The main area in which this is evidenced is as follows:

Identification and evaluation of key risks

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and ongoing process of management review in each area of the Company's activities. Reports on significant risks facing the Company, and any changes to the Risk Map are reported to the Group Audit & Risk Committee which monitors the risk management arrangements. The Executive Team is responsible for regularly reviewing the risks of the Company and for monitoring mitigation plans against those risks.

A scoring system has been developed that attempts to quantify the original risk before any mitigation and then again after the identified mitigation plans have been completed. Completion of mitigation plans is routinely reviewed by the Audit & Risk Committee.

The Board reviews key strategic risks at least annually to ensure activity remains focussed on the correct areas and adequately take account of changes to the organisation's circumstances. The output from this work forms a part of the basis for focussing the internal audit programme.

Risk management is embedded into service areas through training and by inclusion in team and individual plans.

Business plans are stress tested and mitigation plans are put in place to cover any adverse crystallising of risks.

Ongo Homes Limited

Report of the Board of Management for the year ended 31 March 2016 (continued)

Statement of the Board's Responsibilities in Respect of the Accounts (continued)

Internal Audit

Independent resources are used to undertake detailed audits on specific internal controls. An annual plan is agreed and each report is summarised for review by the Group Audit & Risk Committee. At each meeting of this group the outstanding audit issues are reviewed to ensure actions are progressing satisfactorily, particularly if higher priority risks are identified by the audits.

The Committee has included focus on fraud prevention, detection and deterrence to those internal audits where risk is perceived to be greatest.

A fraud register is maintained and reviewed at each Committee meeting.

The internal auditors have an opportunity at every Committee meeting to discuss matters without the presence of executives.

External Audit

In so far as the Board is aware, all of the current board members have taken all the steps that they ought to have taken to make themselves aware of any information needed by the association's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

The External Auditors have an annual meeting with the Committee without the presence of executives.

Fraud

An annual review of the policy is undertaken by the Group Audit & Risk Committee covering prevention, detection recovery and reporting.

The Fraud Register is updated as necessary for all actual and potential frauds committed or attempted to be committed against the Company and comes to every meeting of the Audit & Risk Committee.

Reporting, review and corrective action

A process of regular management reporting on control issues provides assurance to the Executive Management Team and to the Board. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those that may have a material impact on the financial statements and the delivery and fulfilment of our services.

Ongo Homes Limited

Report of the Board of Management for the year ended 31 March 2016 (continued)

Statement of the Board's Responsibilities in Respect of the Accounts (continued)

The Group Audit & 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 process. This Committee makes an annual report on this matter to the Board. The Board has received this report and has included it within the Financial Statements.

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

Employment and Equal Opportunities

Employee information is set out in Note 7 of the Financial Statements.

The Company is committed to the principles of equal opportunities.

Auditors

BDO LLP has expressed their willingness to continue. A resolution for the re-appointment of BDO LLP as auditors of the Association is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board

M Spittles
Director

Date:

Ongo Homes Limited

Audit and Risk Committee report for the year ended 31 March 2016

From 1 April 2015 to 31 March 2016 there were five meetings held on

- 1 June 2015
- 10 August 2015
- 28 September 2015
- 30 November 2015
- 3 February 2016

These meetings were attended by:

| | Meetings Eligible to Attend | Meetings Attended |
|------------------------|-----------------------------|-------------------|
| Edgar Patchett (Chair) | 5 | 5 |
| David Stewart | 5 | 5 |
| Andy Colls | 5 | 5 |
| Avril Bairstow | 5 | 3 |
| Melvin Kenyon | 5 | 4 |
| Richard Wells | 4 | 4 |

The key responsibilities of the Group Audit & Risk Committee which enable it to assist the Board in fulfilling its oversight responsibilities are:

- Reviewing the effectiveness of the Company's financial reporting and internal control policies.
- Reviewing procedures for the identification, assessment and reporting of risk and the effectiveness of risk management.
- Monitoring the integrity of the Company's Financial Statements.
- Monitoring compliance with applicable legal and regulatory requirements.
- Agreeing the scope of the Internal Auditors annual audit plan.
- Agreeing the scope of the External Auditors annual audit plan.
- Monitoring the qualifications, expertise, resources, independence, performance and effectiveness of both the Internal and External Auditors.
- Making recommendations to the Board on the reappointment or otherwise of both the External and Internal Auditors and keeping their fees, terms of engagement and independence under review.

The minutes of each and every Group Audit & Risk Committee meetings are made available at the Ongo Partnership Board meeting that follows it. A verbal update is given at the Ongo Homes Board.

Edgar Patchett, who is a Chartered Accountant by profession, has been the chair since the Group Audit and Risk Committee was established in October 2012. Prior to that date and since October 2009, he was chair of the Audit and Risk Committee of Ongo Homes.

The Committee has asked that the Chief Executive and Director of Resources attend its meetings. Other members of the Executive Management Team and members of the larger management pool may be asked to attend as and when required.

Members of the Committee have the opportunity to meet alone and / or to meet with both the Internal and External Auditors, or both, without the presence of the Company's executives. In addition both Internal and External Auditors have direct access to the Chair of the Committee.

The Chair of the Committee also met with members of the Executive Management Team during the year on a number of occasions to gain a deeper insight into areas relevant to the Committee's work and to provide an opportunity to discuss specific areas of interest. The Chair also receives the monthly management accounts for all companies in the group.

The Committee, may at Ongo Partnership's expense, obtain independent professional advice on any matters covered by its terms of reference.

The Committee accepts certain work of a non audit nature is best undertaken by the External Auditors. The Committee reviews the amount of non audit work they perform on an annual basis.

Ongo Homes Limited

Audit and Risk Committee report (continued) for the year ended 31 March 2016

On an annual basis the Committee's effectiveness is reviewed as part of the Board's overall evaluation process.

The principal activities undertaken by the Committee in the period under review were as follows:

Internal controls and risks

- Considered reports from both the Internal and External Auditors on work undertaken in reviewing and auditing the control environment, to assess the effectiveness of the internal control system.
- Assessed the effectiveness of the internal controls of the company and the group and reviewed the related disclosures in the Financial Statements.
- Reviewed the completed Asset and Liability Register.
- Monitored the Data Protection Action Plan
- Monitored the progress of the New Finance System due to go live December 2016.

Financial reporting

- Reviewed the monthly management accounts and financial statements of the Company and as part of this process the significant financial judgments contained therein.
- Reviewed the assumption regarding the preparation of the Financial Statements on a going concern basis, including the supporting information and disclosures contained therein.

Internal audit

- Agreed the internal audit plan for the period aimed at assessing the effectiveness of policies and processes relating to the key areas of operational and financial risk.
- Received, reviewed and considered the reports from the Internal Auditors with respect to the work they had done with regards to their agreed audit plan.
- Monitored the progress the Company and the Group had made to implement any recommendations made by the Internal Auditors.

Agreed the fees for the internal audit.

- Considered, evaluated and agreed the fees of Mazars LLP as the Internal Auditors of Ongo Homes Ltd to the year ended 31st March 2016.

External audit

- Agreed the approach and scope of the audit work to be undertaken by the External Auditors.
- Received, reviewed and considered the interim and final management reports of the External Auditors.
- Monitored the progress the Company and the group had made to implement any recommendations made by the External Auditors.
- Received confirmation from the External Auditors regarding their independence.
- Agreed the fees for the External Audit.
- Considered, evaluated and agreed the appointment of BDO LLP as the External Auditors of Ongo Homes Ltd to the year ended 31st March 2016.

AUDIT & RISK COMMITTEE CHAIR
Edgar Patchett

DATE:

Ongo Homes Limited

Strategic report
for the year ended 31 March 2016

VISION

“To create truly vibrant and sustainable communities.”

CORPORATE OBJECTIVES

To enable the Company to realise this vision its strategy is based on the successful completion of its four key

Corporate Objectives:

- Do the basics well.
- Improve lives.
- Be strong financially.
- Grow the business

The Board has been revising the Corporate Plan and Objectives which will be implemented in 2016. The board has reiterated its commitment to build more homes.

Nature of business

The Company was formed on 28 April 2006. It became operational with the transfer of the housing stock of North Lincolnshire Council on 26 February 2007 and is located in the main town of Scunthorpe.

The Company's housing stock at 31st March 2016, which is centred in and around the Scunthorpe area, consisted of 9,030 units for General Needs, Intermediate Rent 6 units, Affordable Rent 196 units and 488 units for Supported Housing/housing for older people. This stock includes 53 units within General needs put aside for remodelling and/or awaiting demolition. The Company therefore has a high exposure to the risks associated with a large number of General Needs housing in a concentrated area.

The condition of the stock was reviewed as part of the Stock Transfer, and became the platform on which the Company built its refurbishment and improvement programme for the following 5 years. This was designed to exceed Decent Homes Standard and was successfully completed in March 2012 and continues to be attained now.

Corporate Governance

We are pleased to report that the Company complies with the principal recommendations of the NHF Code of Governance. The Board assesses this and its compliance against the regulatory code annually. Ongo Homes complies with the regulatory code.

The Company is governed by a Board of Management currently comprised of up to twelve non-executive members. The current list of members is included on page 3 of these financial statements. The Company strives to ensure it is able to recruit members from a diverse background to bring together the necessary skills and expertise required to lead a successful and high performing organisation. All Board Members are subject to individual annual assessment by an independent body, which shares its findings with the Board. Apart from incidental travel expenses, Board Members do not receive any remuneration for their services.

The Board delegates the day to day running of the Company to an Executive Management Team, headed by a Chief Executive and supported by Directors of Resource, Operations and Regeneration & Investment. Members of the Executive Management Team also attend the Board meetings.

Ongo Homes Limited

Strategic report (continued)
for the year ended 31 March 2016

Last year saw our financial viability rating rise from V2 to V1 but also saw our governance rating downgraded from G1 to G2 due to the Homes and Community Agency's (HCA) main concern around the skills, experience and composition of the Ongo board. This concern is being addressed with an action plan in place that has been shared with the HCA and our aim was to return to G1 status as soon as possible. G1 status was obtained in July 2016.

Employees

The Company recognises that fulfilment of its Corporate Objectives is underpinned by the quality and contributions of its Board and all the people it employs across the organisation. The Company is committed to investing in its employees and through its annual performance and development process it is able to identify and build upon each and every employee's development needs to equip them with the necessary skills and experience they require.

The Company shares information on its objectives, progress and activities through a series of meetings involving executive directors, the senior management team and its employees, and by means of the intranet and other social media sites. It also participates in a Joint Consultative Committee with elected employee representatives and meets regularly to discuss issues relevant to them.

The Company has achieved the Investors in People Gold award that recognises our commitment to staff development, engagement and wellbeing.

The Company was awarded a prestigious 2 Star in the Sunday Times Best Companies annual awards and placed 23rd in the top 100 not for profit organisations. The Company considers the results from this survey to be an important barometer on the employees' relationship with the Company.

As an equal opportunity employer, the Company is committed to the equality and diversity agenda regardless of age, race, religion, belief or ability. As such it invites interests from all of its stakeholders and believes that this commitment is fundamental across its organisation and integral in what it seeks to achieve.

Business planning

The business planning process is centred on achieving the Company's key Corporate Objectives. This includes an assessment of strengths and weaknesses, opportunities and threats related to these objectives. These are discussed annually between the Executive Management Team and the Board and appropriate measures are included within the business plan.

OPERATIONAL HIGHLIGHTS

Investment in the future

Our main highlights in 2015/16 were:

- Delivered £3.8m of revenue and £1m of capital savings to mitigate the 1% year on year rent cut
- Successfully implemented a project management system for empty homes management which has reduced costs and shortened re-let times
- Successfully completed the outsourcing of the stores facility
- Moved operational responsibility for policies and monitoring from the Board to tenants through Community Voice
- Procured a new finance system for the organisation which will be delivered December 2016

New Business

Through working in partnership with the HCA and North Lincolnshire Council, 48 new properties were completed during 2015/16.

Ongo Homes Limited

Strategic report (continued)
for the year ended 31 March 2016

OPERATIONAL HIGHLIGHTS (continued)

Improving what we do

External accreditation is used to measure our performance and effectiveness, especially in front-facing services such as resident involvement or customer services.

By putting ourselves through external scrutiny, the company has the opportunity to benchmark not just within the sector but against other industries too.

2015/16 saw the hard work of staff at Ongo being recognised locally and nationally at a number of different award ceremonies. Here's a selection

- Home Ownership – secured HQN Leasehold reaccreditation
- Customer service team – Contact Centre of the year award
- Leaders in diversity – stage 3 award
- Number 23 in Times Top 100 not for profit organisations

FINANCIAL REVIEW

The principal aim of this section is to explain the Company's financial performance during the last year and how this is linked and influenced by its:

- capital structure,
- treasury policy,
- sources of liquidity and
- investment plans.

Financial Performance

The Company's turnover increased to almost £45.9m (2015:£44.4m) largely as a result of the annual rent increase associated with CPI indexation and the Company's move towards charging target rents.

Rent losses from voids and bad debt (expressed as void and bad debt as a percentage of income from lettings) was 2% (2015: 2.0%). The Board considers void management to be a key performance measurement and, in addition to bad debt and void losses, continually reviews the percentage of void stock in management and void turnaround (re-let) time. This reduction is an excellent result given the economic background we are operating in.

The percentage of income lost from voids (expressed as income lost from voids in management divided by gross rent) was targeted to be 3% in the last financial year. It is very pleasing to report that at 31 March 2016 this figure was well below target (2015: 0.6%).

Overall rent arrears at the end of the year (expressed as arrears divided by gross rent) were 3.4% (2015: 3.4%). In a year that has seen continued difficulties in the general economic environment, to be able to report such a low figure is a credit to the efforts of our employees and the work they carry out with our other specialist partners to address tenants monetary and other financial inclusion issues.

The net movement in housing stock saw an increase to 9,724 (2015:9,658). During the year 42 tenants exercised their right to buy their home (RTB) and no properties were acquired through mortgage rescue. The surplus on the sale of properties was £1.11m (2015:£0.96m).

All RTB receipts are retained within Ongo Homes benefitting from additional income in the year of £106k that would otherwise have been reclaimed by the council.

Ongo Homes Limited
Strategic report (continued)
for the year ended 31 March 2016

FINANCIAL REVIEW (continued)

Financial Performance (continued)

The operating surplus before interest and right to buy has increased by 19% to £13.2m (2015: £11.1m), with operating margin improving from 25% (2015) to 28.6% (2016).

The surplus on ordinary activities for the year increased by £2m to £11.08m, after the actuarial gain of £10.5m (2015 loss of £6.6m) this leaves a recognised gain to reserves of £21.6m compared to £2.4m in the previous year.

Capital Structure and Treasury Policy

The Company borrowed no new funds during the year, but continued to refurbish and improve its housing stock.

Borrowings at the period end remained at £71m and unused available facilities total an additional £30.9m. This debt is borrowed wholly from a UK bank using a mixture of fixed interest and variable rate loans. All loans are repayable after more than 5 years, with the first repayment in 2022/23.

The treasury strategy is set annually and approved by Ongo Partnership board. Normal policy is to maintain between 60% and 80% of borrowings at fixed rates of interest. At the end of the financial year 85% of the Company's borrowings were at fixed rates of interest.

The Company does not use hedging instruments other than to fix variable rate debt at the time of drawdown.

The fixed rates of interest range from 4.8 % to 5.1%. This compares to a range of 1% to 1.4% for shorter term variable rate borrowings that are priced with reference to the LIBOR rate at the time.

The Company does not expect its borrowing to change significantly in the next financial year and borrows only in sterling to avoid any currency risk.

The Bank's lending agreement requires compliance with a number of covenants. Ongo Home's position is monitored on an on-going basis and reported to the Board. Recent reports confirmed that the Company was in compliance with all its loan covenants throughout the year under review and the Board expects to remain compliant in the foreseeable future.

Surplus funds are invested in approved UK institutions and monitored by the Ongo parent board and the newly formed Treasury Committee.

The Company's principal credit risk relates to tenant arrears. This risk is actively managed by providing support and advice to those tenants who are eligible for housing benefit and to closely monitor the arrears of those tenants who are able to self fund some or all of their rent. Recent and proposed changes to the benefits system have been identified as one of the Company's key risks.

Cash flows

Cash inflows and outflows for the period under review are set out in the statement of cash flows. It details:

- net cash inflows from operating activities which are from the management of housing stock;
- returns on investment and servicing of finance due to interest income and interest charges; and
- the net movement on financing.

Ongo Homes Limited

Strategic report (continued) for the year ended 31 March 2016

FINANCIAL REVIEW (continued)

Current liquidity

Cash and bank balances at the year-end were £18.5m. Net current assets were £15.9m. Ongo Housing has facilities and security in place to borrow a further £30.9m.

The Board does not consider there to be any seasonal effects on borrowing requirements. The main factor influencing the amount and timing of borrowings is the pace of the improvement programme. Cash flow forecasts are monitored closely to ensure sufficient funds are available to meet liabilities when they fall due, whilst not incurring unnecessary finance costs, by only drawing on loan facilities when required.

PRINCIPAL RISKS

The principal key risks facing the Company are:

- Operational: effective management of both existing housing stock and of new development programmes
- Financial: welfare reform (income loss); housing stock loss through right to buy and replacing stock; future funding availability
- Compliance: having key business skills on the board,; compliance with all HCA regulatory standards
- Strategic: changes in housing policy; new developments

FUTURE PLANS

We want to grow by:

- Securing funding to build new homes
- Maintaining the number of homes we manage by making sure we build more homes than we lose through Right to Buy and regeneration or demolition
- Being alert to opportunities to merge with other associations where that merger adds net value to both organisations

We want to diversify to:

- Reduce the overall risk profile & our reliance on localised home rental income
- Increase our income streams through offering new products & services e.g. roofing, training and employment, maintenance externally.
- Increase our local influence by becoming a key provider or enabler of complimentary housing related services to our tenants and their communities
- Strengthen the bonds between Ongo and existing customers by increasing the range of services offered to help them sustain their tenancies

STATEMENT OF COMPLIANCE

The Board confirms that the Strategic Report has been prepared in accordance with the principles set out in the SORP for Registered Providers and the Companies Act.

Ongo Homes Limited

Independent auditor's report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ONGO HOMES LIMITED

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

This report is made solely to the association's members, as a body, in accordance with the Housing and Regeneration Act 2008 and Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the board and auditors

As explained more fully in the statement of board member responsibilities, the board members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 March 2016 and of the association's surplus 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 Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing in England 2015.

Opinion on other matters prescribed by the Companies Act 2006

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

Ongo Homes Limited

Independent auditor's report (continued)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the association, or returns adequate for our audit have not been received from branches not visited by us; or
- the association financial statements are not in agreement with the accounting records and returns; or
- a satisfactory system of control has not been maintained over transactions; or
- certain disclosures of board member and or directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

*Linda Cooper (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Leeds
United Kingdom
Date*

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

Ongo Homes Limited

Statement of comprehensive income for the year ended 31 March 2016

| | Note | Continuing operations 2016 £'000 | Continuing operations 2015 £'000 |
|--|------|---|---|
| Turnover | 3 | 45,917 | 44,394 |
| Operating costs | | 32,759 | 33,279 |
| Operating surplus | | 13,158 | 11,115 |
| Surplus on sale of properties not developed for outright sale | | 1,109 | 958 |
| Other interest receivable and similar income | | 64 | 28 |
| Interest payable and similar charges | 9 | (2,879) | (2,839) |
| Other finance costs | 10 | (419) | (278) |
| Gift Aid | | 47 | 20 |
| Surplus on ordinary activities before taxation | | 11,080 | 9,004 |
| Taxation on surplus on ordinary activities | 11 | (45) | (0) |
| Surplus for the financial year | | 11,035 | 9,004 |
| Actuarial gain/(losses) on defined benefit pension scheme | | 10,518 | (6,581) |
| Total comprehensive income for year | | 21,553 | 2,423 |

The notes on pages 23 to 41 form part of these financial statements.

Ongo Homes Limited

Balance sheet at 31 March 2016

| Company Number 5439434 | Note | 2016 £'000 | 2016 £'000 | 2015 £'000 | 2015 £'000 |
|--|-------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Fixed assets | | | | | |
| Tangible fixed assets: | | | | | |
| Housing properties | | | 156,880 | | 157,020 |
| Other | | | 170 | | 205 |
| | | | | | |
| | 12 | | 157,050 | | 157,225 |
| Current assets | | | | | |
| Debtors | 13 | 2,521 | | 1,749 | |
| Cash at bank and in hand | | 18,539 | | 8,953 | |
| | | | | | |
| | | 21,060 | | 10,702 | |
| Creditors: amounts falling due within one year | 14 | (5,118) | | (5,259) | |
| | | | | | |
| Net current assets | | | 15,942 | | 5,443 |
| Total assets less current liabilities | | | | | |
| | | | 172,992 | | 162,668 |
| Creditors: amounts falling due after more than one year | 15 | | (113,073) | | (114,099) |
| Provisions for liabilities | 17 | | (60) | | (0) |
| | | | | | |
| Net assets excluding pension liability | | | 59,859 | | 48,569 |
| Pension liability | 18 | | (2,904) | | (13,167) |
| | | | | | |
| Net assets | | | 56,955 | | 35,402 |
| | | | | | |
| Capital and reserves | | | | | |
| Revenue reserves | | | 56,955 | | 35,402 |
| | | | | | |

The financial statements were approved by the Board of Directors and authorised for issue on 17th August 2016

M Spittles
Director

Andrew Orrey
Chief Executive

The notes on pages 23 to 41 form part of these financial statements.

Ongo Homes Limited

Statement of changes in equity For the year ended 31 March 2016

| | Revenue Reserve £'000 | Total Equity £'000 |
|--|-----------------------------|--------------------------|
| 1 April 2015 | 35,402 | 35,402 |
| Comprehensive income for the year | | |
| Surplus for the year | 11,035 | 11,035 |
| | ----- | ----- |
| Actuarial gains on pension scheme | 10,518 | 10,518 |
| | ----- | ----- |
| Other comprehensive income for the year | 10,518 | 10,518 |
| | ----- | ----- |
| Total comprehensive income for the year | 21,553 | 21,553 |
| | ----- | ----- |
| 31 March 2016 | 56,955 | 56,955 |
| | ===== | ===== |

Statement of changes in equity (*continued*) For the year ended 31 March 2015

| | Revenue Reserve £'000 | Total Equity £'000 |
|--|-----------------------------|--------------------------|
| 1 April 2014 | 32,979 | 32,979 |
| Comprehensive income for the year | | |
| Surplus for the year | 9,004 | 9,004 |
| | ----- | ----- |
| Actuarial gains/(losses) on pension scheme | (6,581) | (6,581) |
| | ----- | ----- |
| Other comprehensive income for the year | (6,581) | (6,581) |
| | ----- | ----- |
| Total comprehensive income for the year | 2,423 | 2,423 |
| | ----- | ----- |
| 31 March 2015 | 35,402 | 35,402 |
| | ===== | ===== |

The notes on pages 23 to 41 form part of these financial statements.

Ongo Homes Limited
Statement of cash flows
for the year ended 31 March 2016

| | Note | 2016 £'000 | 2015 £'000 |
|--|------|----------------|---------------|
| Cash flows from operating activities | | | |
| Profit for the financial year | | 11,035 | 9,004 |
| Adjustments for: | | | |
| Depreciation of fixed assets – housing properties | 12 | 8,903 | 9,223 |
| Depreciation and amortisation of other fixed assets | | 334 | 755 |
| Amortisation of grants | 15 | (2,310) | (2,349) |
| Net fair value losses/(gains) recognised in profit or loss | 6 | (1,110) | (958) |
| Net interest payable/(receivable) | | 3,234 | 3,089 |
| Taxation expense | 11 | 45 | - |
| Difference between net pension expense and cash contribution | | 255 | (4) |
| Decrease/(increase) in trade and other debtors | | (812) | 1,051 |
| Decrease/(increase) in stocks | | - | 63 |
| Increase/(decrease) in trade and other creditors | | (115) | (662) |
| Cash from operations | | 19,459 | 19,212 |
| Interest paid | | (3,298) | (3,123) |
| Taxation paid | | - | - |
| Net cash generated from operating activities | | 16,161 | 16,089 |
| Cash flows from investing activities | | | |
| Proceeds from sale of tangible fixed assets | 6 | 1,625 | 1,400 |
| Purchases of tangible fixed assets | 12 | (9,535) | (14,494) |
| Purchases of intangible assets | | - | (110) |
| Receipt of government grant | 15 | 1,240 | 1,905 |
| Interest received | | 54 | 28 |
| Investment loan repayment | | 40 | 31 |
| Investment in associated undertaking | | - | (184) |
| Net cash from investing activities | | (6,576) | (11,424) |
| Cash flows from financing activities | | | |
| | | - | - |
| Net increase/(decrease) in cash and cash equivalents | | 9,585 | 4,665 |
| Cash and cash equivalents at beginning of year | | 8,947 | 4,282 |
| Cash and cash equivalents at end of year | | 18,532 | 8,947 |
| Cash and cash equivalents comprise: | | | |
| Cash at bank and in hand | | 18,538 | 8,953 |
| Bank overdrafts | 14 | (6) | (6) |
| | | 18,532 | 8,947 |

The notes on page 23 to 41 form part of these financial statements.

Ongo Homes Limited
Notes forming part of the financial statements
for the year ended 31 March 2016

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Ongo Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2016

1 Significant Accounting policies

Ongo Homes Limited is a company incorporated in England & Wales under the Companies Act 2006 and is registered with the Tenant Services Authority (TSA) and the Homes and Community Agency (HCA) as a Registered Provider. The address of the registered office is given on the contents page and the nature of the company's operations and its principal activities are set out in the strategic report.

The financial statements have been prepared in accordance with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice) which for Ongo Homes Limited includes the Housing and Regeneration Act 2008, the Accounting Directions for Registered Providers of Social Housing in England 2015, FRS 102 "the Financial reporting Standard applicable in the United Kingdom and the Republic of Ireland" and the Statement of Recommended Practice (SORP) for Registered Social Housing providers 2014 "Accounting by registered social housing providers" 2014

These financial statements are the first financial statements prepared under FRS 102 and information on the impact of first-time adoption of FRS 102 is given in note 23.

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

Turnover

Turnover comprises rental, service charge and support charge income receivable in the year and other income and revenue grants receivable in the year.

Rental Income is recognised from the point where properties are formally let.

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The association adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the association. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Ongo Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2016 (continued)

1 Significant Accounting policies (continued)

Depreciation

Land is not depreciated.

Housing properties are split between the structure and the major components which require periodic replacement. The costs of replacement or restoration of these components are capitalised and depreciated over the determined average useful economic life as follows:

| Description | Economic useful life (years) |
|----------------------------|------------------------------|
| Housing improvements | 5 - 60 |
| Structure | 125 |
| Kitchen | 20 |
| Bathroom | 30 |
| Roofs (pitched) | 70 |
| Roofs (flat) | 20 |
| External doors | 30 |
| Boiler | 15 |
| Electrics | 40 |
| External windows | 40 |
| Mechanical systems | 20 |
| Communal (including Lifts) | 20 |

Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

| | | |
|---|---|---------------|
| Plant, machinery and vehicles | - | 2 - 100 years |
| Fixtures, fittings, tools and equipment | - | 4 - 20 years |
| Computers | - | 2 - 3 years |

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

Computers are included within fixtures, fittings, tools and equipment.

Works to existing housing properties

The association capitalises expenditure on housing properties which increases the net rental stream over the life of the property. An increase in the net rental stream may arise through an increase in the rental income, a reduction in future maintenance costs, or a significant extension of the life of the property.

Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

Ongo Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2016 (*continued*)

1 Significant Accounting policies (*continued*)

Government grants

Grants are accounted for under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the profit and loss account at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in 'turnover' within profit or loss in the same period as the related expenditure.

The association has not directly benefited from any other forms of government assistance.

Financial assets

Financial assets, other than investments and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Classification of loans as basic

The association has a significant portfolio of fixed rate loans, all of which have both the break gain and a broadly "symmetrical" clause in relation to break costs which may arise if a decision is made by the Board for an early repayment of the loan. The fixed rate loans are all embedded and there are no provisions whereby the fixed rate can be separated from the loan.

On a prepayment scenario with a break gain, the loan agreement provides for repayment of the capital at par. Any break gain payable by a lender would be in relation to future interest periods only. Therefore whilst it is possible that a lender could suffer a loss, the loss would not be attributable to either the current or prior periods.

It is important to note that no cash payments or receipts arise for the association in relation to the break clause.

Management has considered the terms of the loan agreement and concluded that all loans meet the classification of basic financial instruments.

Ongo Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2016 (*continued*)

1 Significant Accounting policies (*continued*)

Current and deferred taxation

The tax expense for the period comprises only current, and not, deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company's subsidiaries operate and generate taxable income.

Deferred balances are not recognised in respect of any timing differences that have originated but not reversed by the balance sheet date.

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

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

Value Added Tax

The Company is registered for VAT and reclaims VAT on most inputs using the standard partial exemption method. The majority of the association income is derived from rental income which is "exempt output" for VAT purposes and restricts our ability to reclaim VAT input tax in full.

Leases

All leases are treated as operating leases. Their annual rentals are credited to profit or loss on a straight-line basis over the term of the lease.

Pension costs

Contributions to the group's defined contribution pension scheme are charged to profit or loss in the year in which they become payable.

The association participates in the multi employer Local Government Pension Scheme 'East Riding Pension Fund', a group defined benefit pension plan. There is a stated policy for charging the net defined benefit scheme between those group companies that are a party to the scheme and hence a proportion of the defined benefit scheme assets, liabilities, income and costs are recognised by individual group companies in accordance with that policy.

The difference between the fair value of the assets held in the Association's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the association's balance sheet as a pension asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the association is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

Holiday pay accrual

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

Ongo Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2016 (*continued*)

1 Significant Accounting policies (*continued*)

Service charge sinking funds

Service charge sinking funds are dealt with as creditors due within one year.

Support income and costs including Supporting People income and costs

Supporting People (SP) contract income received from Administering Authorities is accounted for as "Support Charges" in the turnover note 4. The related support costs are matched against this income in the same note.

If the charges to individuals are not dealt with as part of rent, the income and related costs are also shown as "Support Charges" within Social Housing Activities.

Support charges included in the rent charge are included in the "Rents" within "Social Housing Activities" in the same note and are matched against the relevant costs.

2 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Determine whether there are indicators of impairment of the company's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- The critical underlying assumptions in relation to the estimate of the pension defined benefit scheme obligation, such as standard rates of inflation, mortality, discount rates and anticipated future salary increases. Variations in these assumptions have the ability to significantly influence the value of the liability recorded and annual defined benefit expense.

Other key sources of estimation uncertainty

- *Tangible fixed assets (see note 11)*

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as 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.

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

- Rental and other trade Receivables (see note 13)

The estimate for receivables relates to the recoverability of balances outstanding at year end, with provisions for doubtful debt made in accordance with agreed policy.

Ongo Homes Limited

Notes forming part of the financial statements
for the year ended 31 March 2016 (*continued*)

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

| | Turnover | Operating Costs | Operating surplus (deficit) |
|--|---------------|-----------------|-----------------------------|
| | 2016 £'000 | 2016 £'000 | 2016 £'000 |
| Social housing lettings (Note 4) | 41,062 | (31,214) | 9,848 |
| Other Social Housing Activities | | | |
| Charges for support services | 641 | (471) | 170 |
| Supporting people | 363 | (921) | (558) |
| Other | 153 | (153) | - |
| Amortised grant | 2,310 | | 2,310 |
| | 44,529 | (32,759) | 11,770 |
| Activities other than Social Housing Activities | | | |
| Lettings | 399 | | 399 |
| Other | 989 | | 989 |
| | 1,388 | | 1,388 |
| | 45,917 | (32,759) | 13,158 |

| | Turnover | Operating Costs | Operating surplus (deficit) |
|--|---------------|-----------------|-----------------------------|
| | 2015 £'000 | 2015 £'000 | 2015 £'000 |
| Social housing lettings (Note 4) | 40,001 | (31,380) | 8,621 |
| Other Social Housing Activities | | | |
| Charges for support services | 612 | (498) | 114 |
| Supporting people | 519 | (1,196) | (677) |
| Other | 205 | (205) | - |
| Amortised grant | 2,349 | | 2,349 |
| | 43,686 | (33,279) | 10,407 |
| Activities other than Social Housing Activities | | | |
| Lettings | 201 | | 201 |
| Other | 507 | | 507 |
| | 708 | | 708 |
| | 44,394 | (33,279) | 11,115 |

Ongo Homes Limited

Notes forming part of the financial statements
for the year ended 31 March 2016 (*continued*)

4 Income and expenditure from social housing lettings

| | General Needs £'000 | Older & Supported £'000 | Affordable £'000 | Total 2016 £'000 | Total 2015 £'000 |
|---|---------------------------|-------------------------------|---------------------|------------------------|------------------------|
| Income | | | | | |
| Rents net of identifiable service charges | 38,172 | 2,062 | 828 | 41,062 | 40,001 |
| Service charge income | 596 | 32 | 13 | 641 | 612 |
| Support charges | | 363 | | 363 | 519 |
| Amortised government grants | 2,148 | 116 | 46 | 2,310 | 2,349 |
| Tenant recharges | 153 | | | 153 | 205 |
| Turnover from social housing lettings | 41,069 | 2,573 | 887 | 44,529 | 43,686 |
| Expenditure | | | | | |
| Management | 5,751 | 306 | 123 | 6,180 | 6,153 |
| Service charge costs | 438 | 24 | 9 | 471 | 498 |
| Routine maintenance | 6,499 | | | 6,499 | 7,389 |
| Planned maintenance | 1,449 | | | 1,449 | 1,056 |
| Major repairs expenditure | 2,734 | 148 | 59 | 2,941 | 2,085 |
| Bad debts | 423 | | | 423 | 504 |
| Depreciation of housing properties | 8,277 | 447 | 179 | 8,903 | 9,224 |
| Support charges | | 921 | | 921 | 1,197 |
| Group recharges | 4,622 | 250 | 100 | 4,972 | 5,173 |
| Operating expenditure on social housing lettings | 30,193 | 2,096 | 470 | 32,759 | 33,279 |
| Operating surplus/(deficit) on social housing lettings | 10,876 | 477 | 416 | 11,770 | 10,407 |
| Void losses | 405 | 22 | 9 | 436 | 520 |

Ongo Homes Limited

Notes forming part of the financial statements
for the year ended 31 March 2016 (continued)

5 Operating surplus

| | 2016 £'000 | 2015 £'000 |
|--|-------------------|-------------------|
| This is arrived at after charging/(crediting): | | |
| Depreciation of tangible fixed assets | 8,937 | 9,319 |
| Impairment of tangible fixed assets | - | 150 |
| Operating lease expense | 306 | 407 |
| Fees payable to the company's auditor and its associates for other services to the company: Taxation compliance services | 18 | 40 |
| | <u> </u> | <u> </u> |
| All fees for the audit of the company's annual accounts are paid by the ultimate parent company of the Group | | |

6 Other operating income - Sale of Properties not Developed for Outright Sale

| | 2015/16 | | |
|--------------------|-----------------------|---------------------------|----------------|
| | RTB Sales £'000 | Cost of Sales £'000 | Total £'000 |
| Proceeds of Sales | 1,644 | (515) | 1,129 |
| Disposal costs | (19) | | (19) |
| Surplus | <u>1,625</u> | <u>(515)</u> | <u>1,110</u> |
| | 2014/15 | | |
| | RTB Sales £'000 | Cost of Sales £'000 | Total £'000 |
| Proceeds of Sales | 1,419 | (442) | 977 |
| Less Costs of Sale | (20) | | (20) |
| Surplus | <u>1,399</u> | <u>(442)</u> | <u>957</u> |

7 Employees

| | 2016 £'000 | 2015 £'000 |
|---|---------------|---------------|
| Staff costs (excluding directors who are paid by the group) consist of: | | |
| Wages and salaries | 5,976 | 6,518 |
| Social security costs | 473 | 527 |
| Cost of defined benefit scheme (see note 18 7) | 1,754 | 1,484 |
| Cost of defined contribution scheme | 100 | 101 |
| | <u>8,303</u> | <u>8,630</u> |

Ongo Homes Limited
Notes forming part of the financial statements
for the year ended 31 March 2016 (continued)

7 Employees (continued)

The average number of employees (excluding directors) during the year was as follows:

| | 2016 Number | 2015 Number |
|----------------------------------|------------------------|------------------------|
| Wardens, caretakers and cleaners | 35 | 40 |
| Craft | 57 | 59 |
| Administration | 153 | 163 |
| | 245 | 262 |

A defined contribution pension scheme is operated by Ongo Homes on behalf of the employees of all the Ongo group subsidiary undertakings. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension charge represents contributions payable by the group to the fund and amounted to £100k (2015 - £101k). Contributions amounting to £0 (2015 - £0) were payable to the fund at year end and are included in creditors.

The remuneration paid to staff (including executive management) earning over £60,000 upwards is as follows:

| Full time equivalents of staff paid from £60,000. | 2016 FTE | 2015 FTE |
|--|---------------------|---------------------|
| Banding | | |
| £60,000-£69,999 | 1.00 | 1.00 |
| £70,000-£79,999 | 0.00 | 0.00 |
| £80,000-£89,999 | 0.00 | 0.00 |
| £90,000-£99,999 | 0.00 | 0.00 |
| £100,000-£109,999 | 0.00 | 0.00 |
| £110,000-£119,999 | 0.00 | 0.00 |
| £120,000-£129,999 | 0.00 | 0.00 |
| £130,000-£139,999 | 0.00 | 0.00 |

8 Directors' remuneration

| | 2016 £'000 | 2015 £'000 |
|--|-----------------------|-----------------------|
| Directors' emoluments (Paid by Ongo Partnership Limited) | 577,496 | 561,090 |
| Company contributions to money purchase pension schemes | 111,938 | 113,240 |
| Amounts paid to Ongo Partnership in respect of directors' services | 620,808 | 603,172 |

Directors' costs are paid by Ongo Partnership Limited and the relevant portion is recharged to Ongo Homes (with a mark-up) through their management fee.

There were no directors in the group's defined contribution pension scheme (2015 - 0). All four directors accrued benefits under the group's defined benefit pension scheme during the year (2015 - 4).

Emoluments of the Chief Executive, who was also the highest paid director, were £144,571 (2015 - £139,231). Company pension contributions of £30,823 (2015 - £29,684) were made to a defined benefit scheme on his behalf. As a member of the LGPS pension scheme, the pension entitlement of the Chief Executive is identical to that of other members with no enhanced or special terms applying.

Ongo Homes Limited
Notes forming part of the financial statements
for the year ended 31 March 2016 (continued)

| | | | | |
|----------|---|-------------------|--|-------------------|
| 9 | Interest payable and similar charges | 2016 | | 2015 |
| | | £'000 | | £'000 |
| | Interest on bank loans and overdrafts | 2,879 | | 2,839 |
| | | <u> </u> | | <u> </u> |

| | | | | |
|-----------|---|-------------------|--|-------------------|
| 10 | Other finance costs | 2016 | | 2015 |
| | | £'000 | | £'000 |
| | Net interest on net defined benefit pension liability | 419 | | 278 |
| | | <u> </u> | | <u> </u> |

11 Taxation on profit on ordinary activities

Ongo Homes Limited is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore meets the definition of a charitable company for UK corporation tax purposes. Accordingly, this company has 'charitable status' and is potentially exempt from taxation in respect of income and capital gains arising from certain categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Deferred tax balances are not recognised.

| | | | | |
|--|---|-------------------|--|-------------------|
| | <i>UK corporation tax</i> | 2016 | | 2015 |
| | | £'000 | | £'000 |
| | Current tax on profits of the year | 17 | | - |
| | Adjustment in respect of previous periods | 28 | | - |
| | | <u> </u> | | <u> </u> |
| | Total current tax | 45 | | - |
| | | <u> </u> | | <u> </u> |
| | Taxation on profit on ordinary activities | 45 | | - |
| | | <u> </u> | | <u> </u> |

The tax assessed for the year is lower than the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

| | | | | |
|--|--|-------------------|--|-------------------|
| | | 2016 | | 2015 |
| | | £'000 | | £'000 |
| | Profits on ordinary activities liable to tax | 11,315 | | 9,111 |
| | | <u> </u> | | <u> </u> |
| | Profit on ordinary activities at the standard rate of corporation tax in the UK of 20 % (2015 - 21%) | 2,263 | | 1,989 |
| | Effects of: | | | |
| | Income not taxable | (2,246) | | (1,989) |
| | Adjustment to tax charge in respect of previous period | 28 | | - |
| | | <u> </u> | | <u> </u> |
| | Total tax charge for period | 45 | | - |
| | | <u> </u> | | <u> </u> |

Ongo Homes Limited

Notes forming part of the financial statements
for the year ended 31 March 2016 (continued)

12 Tangible fixed assets

| | Freehold Housing Land and buildings £'000 | Plant, machinery and vehicles £'000 | Fixtures, fittings, tools and equipment £'000 | Total £'000 |
|--------------------------|---|---|---|-----------------|
| <i>Cost or valuation</i> | | | | |
| At 1 April 2015 | 197,999 | 1,936 | 481 | 200,416 |
| Additions | 9,537 | | | 9,537 |
| Disposals | (1,026) | | | (1,026) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 March 2016 | 206,510 | 1,936 | 481 | 208,927 |
| <i>Depreciation</i> | | | | |
| At 1 April 2015 | (40,981) | (1,929) | (283) | (43,193) |
| Provision for year | (8,903) | (3) | (31) | (8,937) |
| Disposals | 254 | | | 254 |
| Impairment | - | | | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 March 2016 | (49,630) | (1,932) | (314) | (51,876) |
| <i>Net book value</i> | | | | |
| At 31 March 2016 | 156,880 | 4 | 167 | 157,051 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 March 2015 | 157,018 | 7 | 198 | 157,223 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

The impairment loss recognised on tangible fixed assets in the period was £0 (2015 - £150,000) and is included in note 4 in the operating surplus. It mostly arose as a result of a reorganisation where tangible fixed assets have been written down to their recoverable amount being the higher of their fair value less costs to sell and value in use.

A summary of the unit mix of freehold housing is as follows:

Accommodation in Management at 31 March

| | 2016 | 2015 |
|--|--------------|--------------|
| | Units | Units |
| General needs | 8,977 | 8,998 |
| Supported Housing / Housing for older people | 488 | 500 |
| Affordable rent | 196 | 139 |
| Intermediate Rent | 6 | 66 |
| Empty (awaiting demolition or redevelopment) | 53 | 13 |
| | <hr/> | <hr/> |
| | 9,720 | 9,716 |
| | <hr/> | <hr/> |

Ongo Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2016 (continued)

12 Tangible fixed assets (continued)

The net book value of the housing stock may be further analysed as follows:

| Cost | Complete Housing for letting £'000 | Property under construction £'000 | Total £'000 |
|-----------------------------------|---|--|------------------------|
| At start of the period | 192,448 | 5,552 | 198,000 |
| Additions | 8,880 | 655 | 9,535 |
| Disposals | (1,026) | | (1,026) |
| Transfer between categories | - | - | - |
| | <u>200,302</u> | <u>6,207</u> | <u>206,509</u> |
| Depreciation | | | |
| At start of the period | (40,767) | (213) | (40,980) |
| Additions | (8,840) | (63) | (8,903) |
| Disposals | 254 | | (254) |
| | <u>(49,353)</u> | <u>(276)</u> | <u>(49,629)</u> |
| Net Book Value at end of period | <u>150,949</u> | <u>5,931</u> | <u>156,880</u> |
| Net Book Value at start of period | <u>151,681</u> | <u>5,339</u> | <u>157,020</u> |

13 Debtors

| | 2016 £'000 | 2015 £'000 |
|------------------------------------|-----------------------|-----------------------|
| Trade debtors | 3,054 | 2,640 |
| Provision for bad & doubtful debts | (1,693) | (1,650) |
| Amounts owed by group undertakings | 168 | 146 |
| Other debtors | 126 | 29 |
| Prepayments and accrued income | 866 | 584 |
| | <u>2,521</u> | <u>1,749</u> |

All amounts shown under debtors fall due for payment within one year.

The impairment loss recognised in the association's profit or loss for the period in respect of bad and doubtful trade debtors was £422,442 (2015 - £503,671)

Ongo Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2016 (continued)

14 Creditors: amounts falling due within one year

| | 2016 £'000 | 2015 £'000 |
|------------------------------|---------------|---------------|
| Bank overdrafts (secured) | 6 | 6 |
| Payments received on account | 738 | 427 |
| Trade creditors | 185 | 49 |
| Corporation tax | 45 | 0 |
| Taxation and social security | 149 | 181 |
| Accruals and deferred income | 3,625 | 3,859 |
| Other creditors | 370 | 737 |
| | <u>5,118</u> | <u>5,259</u> |

The bank overdrafts are secured by a floating charge over the assets of the association.

15 Creditors: amounts falling due after more than one year

| | 2016 £'000 | 2015 £'000 |
|---|----------------|----------------|
| Bank Loans | 71,000 | 71,000 |
| Less: Loan Issue Costs | (919) | (963) |
| | <u>70,081</u> | <u>70,038</u> |
| Bank loans | 70,081 | 70,038 |
| Deferred Capital Grants | 42,992 | 44,061 |
| | <u>113,073</u> | <u>114,099</u> |
| Deferred Capital Grants are summarised below: | | |
| At start of the year | 44,061 | 44,505 |
| Grants received during the year | 1,240 | 1,905 |
| Released to income during the year | (2,309) | (2,349) |
| | <u>42,992</u> | <u>44,061</u> |

The maturity of sources of debt finance is as follows:

| | Bank Loans and Overdrafts 2016 £'000 | Bank Loans and Overdrafts 2015 £'000 |
|---|--|--|
| In one year or less, or on demand | 6 | 6 |
| In more than one year but not more than two years | 0 | 0 |
| In more than two years but not more than five years | 0 | 0 |
| In more than five years | 70,075 | 70,032 |
| | <u>70,081</u> | <u>70,038</u> |

The bank loans are secured by specific charges over the association's housing properties and floating charges on all of the association's assets and are repayable at varying rates of interest.

Ongo Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2016 (continued)

16 Financial instruments

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

| | 2016 £'000 | 2015 £'000 |
|---|-------------------|-------------------|
| Financial assets | | |
| Financial assets that are debt instruments measured at amortised cost | 1,655 | 1,166 |
| | <u> </u> | <u> </u> |
| Financial liabilities | | |
| Financial liabilities measured at amortised cost | 74,464 | 74,871 |
| | <u> </u> | <u> </u> |

Financial assets measured at amortised cost comprise cash, trade debtors and other debtors.

Financial liabilities measured at amortised cost comprise bank loans and overdrafts, trade creditors, other creditors and accruals.

Information regarding the group's exposure to and management of credit risk, liquidity risk, market risk, cash flow interest rate risk, and foreign exchange risk is included in the Directors' report.

17 Provisions for liabilities

| | Dilapidations £'000 | Total £'000 |
|---------------------------------------|------------------------|-------------------|
| At 1 April 2015 | | |
| Charged to profit or loss | 60 | 60 |
| Charged to other comprehensive income | | |
| | <u> </u> | <u> </u> |
| At 31 March 2016 | 60 | 60 |
| | <u> </u> | <u> </u> |

Dilapidations provisions relate to re-instating office premises to their original condition at the end of the operating lease. The lease currently has in excess of 5 years to completion and early termination is not currently expected.

Ongo Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2016 (*continued*)

18 Pensions

Two pension schemes are operated by the association.

Defined contribution pension scheme (Aviva)

This scheme, which commenced in 2012 is open to all staff employed by the association. The assets are held independently in a separately administered fund. The pension cost for this scheme, which reflects contributions payable at rates specified in the rules of the plan, was £100,689. Of this amount, £7,710 was rechargeable to other group entities.

Defined benefit pension scheme (LGPS)

The association participates in the multi employer Local Government Pension Scheme, 'East Riding Pension Fund', a final salary scheme, which was established under an irrevocable Deed of Trust. The Deed determines the appointment of trustees to the fund. The scheme is managed by a corporate trustee accountable to the pension scheme members. The trustees of the fund are required to act in the best interests of the beneficiaries.

On 31 March 2016 there were 210 employees of the association in the LGPS. This scheme is only offered to new employees who are already members of the scheme through previous other employment.

Pension benefits depend upon age, length of service and salary level.

A full actuarial valuation of the defined benefit scheme was carried out at 31 December 2012 and updated to 31 March 2016 and 2015 by a qualified independent actuary. Contributions to the scheme are made by the company based on the advice of the actuary and with the aim of making good any deficit over the remaining working life of the employees.

There were no changes to the scheme during the year and no amounts owing to the scheme at the year end.

| | 2016 | 2015 |
|--|-----------------|--------------|
| | £'000 | £'000 |
| <i>Reconciliation of present value of plan liabilities</i> | | |
| At the beginning of the year | 47,128 | 35,683 |
| Current service cost | 1,742 | 1,484 |
| Interest cost | 1,531 | 1,561 |
| Actuarial gains | | |
| Benefits paid | (737) | (690) |
| Participant contributions | 416 | 441 |
| Changes in financial assumptions | (10,872) | 9,321 |
| Other experience | (364) | (672) |
| Past service costs | 12 | - |
| | <hr/> | <hr/> |
| At the end of the year | 38,856 | 47,128 |
| | <hr/> <hr/> | <hr/> <hr/> |

Ongo Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2016 (continued)

| 18 Pensions (continued) | 2016 | 2015 |
|---|--------------|--------------|
| | £'000 | £'000 |
| <i>Reconciliation of fair value of plan assets</i> | | |
| At the beginning of the year | 33,961 | 29,093 |
| Interest income on plan assets | 1,112 | 1,283 |
| Contributions by group | 2,334 | 2,207 |
| Return on assets (excluding amounts included in net interest) | (718) | 2,068 |
| Benefits paid | (737) | (690) |
| | <hr/> | <hr/> |
| At the end of the year | 35,952 | 33,961 |
| | <hr/> | <hr/> |
| Net pension scheme liability | 2,904 | 13,167 |
| | <hr/> | <hr/> |
| <i>Amounts recognised in the profit and loss amount are as follows:</i> | | |
| <i>Included in administrative expenses:</i> | | |
| Current service cost | 1,742 | 1,484 |
| Past service cost | 12 | 0 |
| | <hr/> | <hr/> |
| | 1,754 | 1,484 |
| | <hr/> | <hr/> |
| <i>Amounts included in other finance costs</i> | | |
| Net interest cost | 419 | 278 |
| | <hr/> | <hr/> |
| <i>Analysis of actuarial (gain)/loss recognised in other comprehensive income</i> | | |
| Actual return less interest income included in net interest income | 718 | (2,068) |
| Experience gains and losses arising on the scheme liabilities | (364) | (672) |
| Changes in assumptions underlying the present value of the scheme liabilities | (10,872) | 9,321 |
| | <hr/> | <hr/> |
| | (10,518) | 6,581 |
| | <hr/> | <hr/> |
| | 2016 | 2015 |
| <i>Composition of plan assets</i> | £'000 | £'000 |
| European equities | 26,964 | 26,829 |
| European bonds | 3,595 | 3,396 |
| Property | 4,314 | 2,717 |
| Cash | 1,079 | 1,019 |
| | <hr/> | <hr/> |
| Total plan assets | 35,952 | 33,961 |
| | <hr/> | <hr/> |
| Actual return on plan assets | 2,334 | 2,207 |
| | <hr/> | <hr/> |

Ongo Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2016 (continued)

18 Pensions (continued)

| | 2016 % | 2015 % |
|---|-----------|-----------|
| <i>Principal actuarial assumptions used at the balance sheet date</i> | | |
| Discount rates | 3.5 | 3.2 |
| Future salary increases | 1.9 | 3.5 |
| Future pension increases | | |
| Proportion of employees opting for early retirement | | |
| Inflation assumption | 2.2 | 2.4 |
| Mortality rates | | |
| - for a male aged 65 now | 22yrs | 22yrs |
| - at 65 for a male member aged 45 now | 22yrs | 22yrs |
| - for a female aged 65 now | 24yrs | 24yrs |
| - at 65 for a female member aged 45 now | 24yrs | 24yrs |

19 Share capital

The Company is limited by Guarantee and does not issue shares.

20 Commitments under operating leases

Lessee The association had minimum lease payments under non-cancellable operating leases as set out below:

| | | | | 2016 | 2015 |
|------------------|---------------------|-----------|------------|------------|------------|
| | Land & buildings | Equipment | Vehicles | Total | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| In 1 year | 38 | 5 | 166 | 209 | 193 |
| In 2 years | 38 | 1 | 108 | 147 | 114 |
| In years 3 to 5 | 114 | - | 121 | 235 | 140 |
| After five years | 137 | - | - | 137 | 175 |
| | 327 | 6 | 395 | 728 | 622 |

21 Related party disclosures

The ultimate controlling party is Ongo Partnership Limited and its consolidated accounts are available to the public from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

Other than transactions with the group parent and other group subsidiaries, the association does not believe it has any 'Related Parties' and therefore no Sales were made during the year to related parties. One Board member of Ongo Homes Limited is a Council Member of North Lincolnshire Council, a local authority having nomination rights over tenancies of certain properties. All transactions with North Lincolnshire Council are on normal commercial terms and Councillors are unable to use their position to their advantage.

Another Board member is a tenant of the association. Tenant Board Members have a standard tenancy agreement and they are required to fulfil the same obligations and receive the same benefits as other residents. They cannot use their position to their advantage.

Ongo Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2016 (continued)

22 Capital commitments

| | 2016 £'000 | 2015 £'000 |
|--|---------------|---------------|
| Contracted but not provided for | 4,616 | 14,572 |
| Authorised but not contracted for | 15,578 | 9,657 |
| The Company Expects these commitments to be financed with: | | |
| Grants | 2,719 | 2,880 |
| Internal Funding | 17,475 | 21,349 |
| | <u>20,914</u> | <u>24,229</u> |

23 First time adoption of FRS 102

| | Note | Equity as at 1 April 2014 £'000 | Total comprehensive income for the year ended 31 March 2015 £'000 | Equity as at 31 March 2015 £'000 |
|--|------|--|---|---|
| As previously stated under former UK GAAP | | 27,474 | 3,000 | 30,474 |
| Transitional adjustments: | | | | |
| Holiday pay accrual | a | (70) | | (70) |
| Amortised social housing grant | b | 14,721 | 2,588 | 17,309 |
| Increased depreciation provision | c | (9,146) | (3,165) | (12,311) |
| As stated in accordance with FRS 102 | | <u>32,979</u> | <u>2,423</u> | <u>35,402</u> |

Explanation of changes to previously reported income and equity

- a. The association has recognised for the first time an accrual in respect of holiday pay due to employees at the year end. The effect of this was to charge reserves with £70k and increase creditors at 1 April 2014 by the same amount.
- b. Social Housing Grant can no longer be offset against housing property within fixed assets, the related social housing grant will be recognised initially under the performance model with subsequent grants measured using the 'accrual model' with the grant amortised over the life of the structure and components of the property.
- c. Finally, as a result of the net cost of the housing assets having increased by removing the associated grant, we were required to increase our depreciation provision.

Grants relating to revenue are recognised in profit and loss over the same period as the expenditure to which they relate once performance related conditions have been met.

Grants due from government organisations or received in advance are included as current assets or liabilities.

Ongo Homes Limited

Notes forming part of the financial statements for the year ended 31 March 2016 (*continued*)

23 First time adoption of FRS 102 (continued)

The effect on the 1 April 2014 balance sheet is the movement of £59,227k social housing grant (relating to assets held at historic cost) to long term creditors. £14,721 was then amortised from those social housing grants, the effect of which was to reduce the newly created long term creditor and increase reserves.