PROGRESS HOUSING GROUP
Annual Accounts 2017

Consolidated Financial Statements
for the year ended 31 March 2017

Members of the Board of Management and Executive Officers

Members of the Board of Management

M Barton	** retired 5 September 2016
S Bridgen	#
M Clarke	# appointed 1 April 2016
G Furlong	* appointed 1 April 2016
A Greenhill	# appointed 1 April 2016
J Hale	(appointed Chair 5 September 2016)
P Hodgett	appointed 1 April 2016
S Horrill	* appointed 5 September 2016
G Sarkar	# appointed 1 April 2016, resigned 6 December 2016
W Staines	retired 5 September 2016
P Whitworth	Chair # retired 5 September 2016
V Willder	appointed 1 April 2016, retired 5 September 2016
I Wilson	

Member of Remuneration & Governance Committee
Chair of Remuneration & Governance Committee
* Member of Audit & Risk Committee
** Chair of Audit & Risk Committee

Details on individual Board member attendance can be obtained from the Group's website.

The following serve as independent members of the Group's Committees and are not Directors of any Registered Provider within the Group:

A Hindle	* retired 5 September 2016
N Gower	* appointed 1 April 2016, resigned 31 March 2017
D Shackleton	* appointed 1 April 2016
K Grogan	## appointed 1 April 2016
B Ricketts	** appointed 5 September 2016

Secretary

M Stevenson

Registered Office

Sumner House
21 King St, Leyland
PR25 2LW

Executive Officers

J M De-Rose BSc MCIH	Group Chief Executive
A Speer MBA, ACMA, BA (Hons)	Executive Director (Finance & Resources)
E Tamanis BA (Hons) ACMA Resigned 30 June 2017	Executive Director (Development)
B Keenan BA (Hons), MCIH	Executive Director (Services & Growth)
M Stevenson LLB (Hons)	Executive Director (Legal & Governance)

Auditors

KPMG LLP 1 St Peter's Square, Manchester M2 3AE

Five year financial highlights

For the financial years ended	FRS 102 2017 £'000	FRS 102 2016 £'000	FRS 102 Restated# 2015 £'000	OLD UK GAAP 2014 £'000	OLD UK GAAP Restated## 2013 £'000
Statement of Comprehensive Income					
Turnover	74,513	72,386	71,411	68,842	64,084
Depreciation	9,036	8,667	8,337	5,696	5,228
Impairment (see below) ##	349	1,839	1,461	288	408
Operating surplus	21,847	18,523	20,781	23,000	20,843
Interest and financing costs	(11,409)	(11,707)	(12,317)	(11,716)	(11,561)
Surplus after tax	9,706	7,214	8,020	11,144	9,346
Impairment on historic cost basis	48	232	664	288	408
Impairment on previously revalued amounts	300	1,607	797	-	-
Total Impairment in the Statement of Comprehensive Income	348	1,839	1,461	288	408
Statement of Cashflows					
Cash flow from operating activities	30,541	31,528	28,135	27,926	27,880
Cash flow from investing activities	(6,301)	(12,788)	(16,098)	(22,905)	(22,602)
Cash flow from financing activities	(23,818)	(18,536)	(13,688)	(11,579)	(11,353)
Net debt ###	(246,007)	(259,154)	(266,511)	(261,986)	(254,942)
Statement of Financial Position					
Tangible Fixed Assets	511,973	514,694	511,208	502,996	478,180
Net Current Assets/(Liabilities)	1,362	(2,212)	(2,057)	(808)	710
Debt due after more than one year	251,454	260,843	266,206	264,930	258,732
Pension liabilities	12,374	8,586	10,933	6,171	9,241
Revaluation reserve	160,548	162,569	165,876	171,546	152,366
Other reserves	77,483	70,750	57,121	56,761	42,701
Key Ratios and Indicators					
Operating margin	29%	26%	29%	33%	33%
Social housing operating margin	27%	25%	28%	33%	32%
Headline social housing cost per unit	3,543	3,613	3,238	3,214	3,050
EBITDA as a % of interest (£000's)	241%	204%	206%	210%	193%
Interest cover	271%	232%	236%	245%	226%
Net surplus as a % of turnover	13%	10%	11%	16%	15%
Gearing	51%	52%	53%	54%	57%

# Denotes restatement for FRS 102 which replaced the old UK generally accepted accounting practice (GAAP). Therefore 2014 and 2013 are not directly comparable with the years 2015 onwards.
Total Impairment is on a deemed cost basis in the years 2015 onwards under FRS 102 and under a revaluation basis for the years prior under old UK GAAP.
Gearing has been calculated on Net debt. Net debt is cash in hand, at bank and overdrafts, current asset investments, housing loans and finance leases.

Report of the Board

The Board presents its report and the audited consolidated financial statements of the Group and its subsidiary undertakings for the year ended 31 March 2017.

Strategic Report

Strategy and objectives

The Group's vision is to have a positive impact on people and communities by providing high quality homes, supporting independence and creating opportunities. The Group's Business Plan is for the period 2017 to 2020 and its primary focus is the delivery of a well-housed population and high standards of customer service.

The plan sets out a series of strategic aims and priorities, each of which will help us to deliver service enhancements and achieve high levels of customer satisfaction within a financially sustainable business model. These aims are backed up by clear performance measures and will be delivered by a dedicated team. Within this plan there are a number of critical success factors. We believe achievement of these critical success factors will enable us to deliver on our Business Plan promises. In the current political and operating environment, we are facing a period of great change and uncertainty, which will bring both opportunities and threats. The plan aims to minimise the threats and make the most of the opportunities.

This Business Plan sets out six strategic aims and relevant objectives, each of which will help to deliver service enhancements and achieve high levels of customer satisfaction within a financially sustainable business model. Our Non-Executive Directors will monitor progress towards our aims and priorities and will undertake an annual review of the plan.
In addition, the organisation will continue to monitor changes in our operating environment in order to manage risk and capitalise on opportunities that fit with the Group's direction. All of the Group's activities are underpinned by our strong belief in equality and diversity.

The first three strategic aims are more outward looking and are drawn directly from our vision:

- Providing more and better homes
- Supporting individuals and communities to encourage independence
- Creating opportunities.

The final three strategic aims are more inward looking and are geared towards ensuring that we have a solid foundation on which to build our success:

- Working as one team
- Developing a stronger organisation
- Putting customers at the heart of what we do.

Report of the Board

The Business Plan sets out the priorities and outcomes and there are a number of measures the Board will use to monitor achievement of these priorities. These priorities are a combination of short, medium and long-term requirements of our business and can be seen in the table below:

Strategic Aim	Critical Success Factors
Providing more and better homes	◆ To deliver our Development Strategy and agreed programme in order to increase the number of new homes available for rent and for sale ◆ To deliver our maintenance plan which will ensure we offer homes of a high standard to meet customer expectations ◆ To develop our Active Asset Management Strategy and approach to remodel, divest or improve our poorer performing stock and ensure our homes continue to be in demand and fit for purpose
Support individuals and communities to support independence	◆ To grow our support offer to people through Technology Enabled Care and Support services (TECS) in order to target services effectively and support vulnerable and older people to live independently ◆ To ensure the services provided by Key Unlocking Futures are sustained and viable ◆ To develop our health and wellbeing service and continue accessing health and public funding, e.g. lifting services, social alarms, grant, 'Teleserve' offer ◆ To provide specialist support to people who are homeless or threatened with homelessness, and determine how services will be funded in future years
Create opportunities	◆ To expand our Progress Futures programme, our homeless services and our work through Key Unlocking Futures ◆ To develop a comprehensive Community Investment Plan and bring our 'opportunities' work together in order to maximise outputs and impact ◆ To work in partnership with others to increase outputs, e.g. procurement arrangements ◆ To support the creation of the Youth Zone in Chorley ◆ To develop early intervention and preventative support through Key to support families and individuals in crisis and those who are vulnerable
Working as one team	◆ To create a strong vision for the future of the organisation and our work as a social housing provider ◆ To drive excellence throughout our governance, executive and staff teams. Ensuring expected behaviour and application of skills are clearly stated and consistently applied ◆ To ensure an engaging leadership approach is embedded throughout the organisation; with emphasis on open communication and a creative, supportive and accountable environment

Developing a stronger organisation	◆ To deliver our key performance indicators, with particular emphasis on arrears, voids, financial indicators and customer satisfaction ◆ To continue to drive efficiency, productivity and value for money in all aspects of the business ◆ To manage the current and potential risks and ensure our risk appetites are clear and appropriate ◆ To ensure our efforts, energy and resources are spent on achieving our critical success factors and achieving our Business Plan objectives
Putting customers at the heart of what we do	◆ To gain good quality customer insight to understand the requirements and expectations of current and future customers and make informed decisions ◆ To ensure that customers are involved and engaged in scrutinising the services we deliver and develop ◆ To offer a Digital First service to all customers

Business Model

Progress Housing Group Limited believes that everyone has the right to a decent place to live and the core objective is to further this principle by playing our part in ensuring that everyone has a good quality home in a welcoming and safe community with excellent services. Our charitable subsidiaries comprise New Progress Housing Association Limited, Progress Care Housing Association Limited, New Fylde Housing Limited which are Community Benefit Societies and Key Unlocking Futures Limited which is a charity registered with the Charity Commission.

We operate within the housing market and offer a wide range of accommodation and services to a diverse customer base, as detailed below. The Group owns and manages over 10,000 tenancies across England and Scotland. We also provide social alarm services to our own internal customers and to external organisations.

Our range of accommodation types and customers across the Group include:

General needs

We own and manage over 4,600 social and affordable homes to rent so that more people have the opportunity to rent a home for themselves and their family. We mainly operate within South Ribble and Fylde area of the North West of England but also include Cumbria, Accrington, Chorley and Blackpool. Our customer base mainly comprises single person households and families. We know that over 59% of these customers are in receipt of Housing Benefit and 30% have at least one member of the household over 60 years of age. In addition also 13% have at least one member of the household with an impairment.

Supported living

We are the largest provider of specialist supported housing in England primarily providing accommodation for people with a learning disability or mental health need. Our reputation for delivering and supporting the aims of local authority commissioners and NHS Trusts has contributed to our continued growth.

We currently provide over 3,200 units of specialist accommodation in 102 local authority areas. Care and support is provided to our tenants by more than 100 different support agencies appointed by local authority or NHS Trust commissioners. We have a number of models of accommodation including shared houses, flats and bungalows which make up around 82% of our supported housing stock as well as self-contained accommodation and shared ownership. Our strategy is to increase the amount of self-contained accommodation we provide to meet the needs and aspirations of our tenants.

Our focus for new developments continues in our core areas of the North West, Yorkshire, Midlands, Buckinghamshire and East Anglia.

Progress Care Housing Association holds a one third share in a joint venture company, Leeds Independent Living Accommodation Company Limited. This is a private finance initiative with Leeds City Council to provide 315 units of supported living accommodation to customers with a range of needs across multiple sites around Leeds. This joint venture has two other partners in the consortium, Jack Lunn (Properties) Limited and Civic PFI Investments. The PFI continues to perform well.

Independent living

We provide affordable and easy to manage homes for people over the age of 55 who want to live independently but without the responsibility of owning their own home. These are services provided over and above general needs housing including support from a scheme manager, inbuilt social alarms and usually a communal space for social activities. We have 31 schemes providing over 1,300 properties in the Fylde and South Ribble areas of Lancashire. Our model will change in the future and we are gradually moving towards a revised model to provide care and support to older people including more personalised and targeted support plans. We will seek to increase the provision of extra care and advanced technology services.

Supported housing

Supported housing provides short-term accommodation and support to vulnerable client groups such as homeless people, young people at risk of homelessness and women and their children escaping domestic abuse. We have three schemes providing 40 units of this type of accommodation in the South Ribble, Preston and Chorley areas. These schemes were commissioned in partnership with the local authority to meet demand in the areas and contribute to homeless and community safety strategies. We also manage two schemes with 11 units of accommodation on behalf of other registered providers. The average length of stay in supported housing is three months but can be as short as a few days or up to two years. Support is funded by grant from Lancashire County Council. There is high demand for this service with high levels of customer satisfaction.

Market rented

We currently have a small number of private market rent properties in Lancaster and South Ribble which are mainly one and two bedroom apartments purchased between 2004 and 2006. Our current focus as part of our Active Asset Management Strategy is to continue to dispose of these properties to re-invest the proceeds into funding home ownership.

Shared ownership

The Group provides accommodation where customers can purchase at least 50% of their home and rent the remaining equity from the Group. We have 107 shared ownership properties with 25 for supported living customers. These properties have a value of £6 million and have been developed since 2006. The Group has not been financially reliant on shared ownership sales to achieve a surplus. Our future strategy includes further development of this property type.

Key worker accommodation

Progress Care Housing Association entered into a Private Public Partnership in 2006 with United Lincolnshire NHS Trust to provide the 573 units of key worker accommodation at three hospitals in Grantham, Lincoln and Boston. Provision of accommodation within hospitals for key worker staff provides further diversity within the Group's portfolio and is not social housing but it is in furtherance of charitable objects.

Key Unlocking Futures Limited

Key Unlocking Futures Limited is a charity which joined the Group in 2014, with the mission to help people build better lives. The charity provides flexible person-centred services to a range of client groups, across parts of Lancashire. Over time this activity has expanded geographically and in the range of services delivered. The services include drop-ins for homeless young people, family conflict resolution, family support, tenancy support, pre-tenancy training, employment coaching and young victims support. Key shares the overall Group vision, but is not a registered landlord and has its own mission, values and business plan. Funding of the charity is received from a number of short-term contracts with local authorities.

Progress Lifeline and Technology Enabled Care and Support Services

Progress Lifeline (which provides Telecare and technology enabled care and support services) is celebrating after retaining the Telecare Services Association's (TSA) 'Platinum' Standard for a 10th year. In reaching the TSA Platinum Standard, Progress Lifeline became one of only 28 in the country to have reached the Telecare regulator's highest mark. The Progress Lifeline service has been running for over 25 years and is the lead provider for Telecare installation, monitoring and response in Lancashire. The service offers a wide range of Telecare sensors, as well as its popular Lifeline unit and pendant alarm. Progress Lifeline has a dedicated Control Centre based in Leyland, Lancashire, which is staffed 24 hours a day, 365 days a year. It provides around 18,000 customers across Lancashire with 24 hour emergency assistance and handles over 590,000 calls annually. In order to achieve this prestigious award, Progress Lifeline was audited on ten areas of its service including the installation of equipment, how it monitors and responds to calls, and how well the service is tailored to meet the needs of the customer.

We have continued to develop the Emergency Home Response service and we now provide a countywide service and continue to provide a lifting service. The team also exceeded growth projections and generated in excess of £2.6 million per annum in turnover for the Group in 2016/17. These services generate surpluses which help us to cross-subsidise and contribute to our future development of new homes.

Principal risks and uncertainties

In our 2020 Buiness Plan we have set out our critical success factors to achieve our priorities as mentioned above. As part of this, we consider business planning and risk assessment as complementary. It is vital the Board assesses the risks that affect the Group's ability to meet its key objectives. The increasing importance of housing in the political agenda exposes the organisation to political, statutory and regulatory risks. Our Board continuously monitors risks and how these will impact the financial position of the Group through its long-term financial plan modelling.

The Group has considered the tragic events at Grenfell Tower and as part of its regulatory engagement, has confirmed that the Group does not own or manage any buildings clad in Aluminium Composite Material (ACM), nor any building higher than 18 metres.

The Group's updated Risk Strategy has been operational for a full year now and was recently subject to an internal audit (and received positive feedback). An updated strategic risk register has been presented to the Board on a quarterly basis, and a strategic risk assurance map has been developed and presented to the Audit Committee - this will be subject to regular reviews and updates and will be presented to the Audit Committee as required. The Risk Governance Working Party met during the year to review the implementation of the updated strategy and undertook a lessons learnt exercise. This has led to minor amendments being made to the Risk Strategy and action plan, approved by Board in June 2017.

The table below details what current risks the Board considers we face and how we mitigate and control them.

Strategic Objective	Risk	Mitigation and Controls
Developing a stronger organisation	Uncertainty of income due to government controls on future rent levels post 2020 and the risk that costs increase faster than income due to inflation.	As some of the Group's rental income is dependent on government policy and inflation levels, there is a high degree of uncertainty on policy changes and inflation levels. Our long-term financial plans have been stress tested taking into account negative and low levels of inflation. We have incorporated prudent planning assumptions on inflationary levels from 2017 onwards. We have identified trigger points within the plans and undertake continuous reviews and monitoring of external factors which may influence our income levels. Our service areas reviews have completed with a clear emphasis on cost reduction. Generating income from other sources for example growing the Progress Lifeline and TECS.
Developing a stronger organisation	The ability for our supported living customers to pay their rent as a consequence of welfare reform changes. These include the impact of Universal Credit and application of the Local Housing Allowance for benefit payments.	The Group is keeping a watching brief on the Government's agenda. We have issued a response to the Government's consultation document regarding the proposals for the future funding of supported housing. We have revised our Development Strategy to respond to the changing external financial environment. This has included a gradual move towards customers with higher needs and to develop more self-contained accommodation.
Providing more and better homes	The ability to deliver a financially sustainable development programme as a result of reductions in subsidy grants/ income. If the Government's agenda continues to support home ownership rather than social housing, subsidy grants/income are likely to further reduce or cease effecting the Group's ability to deliver a sustainable development programme.	We have updated our appraisal criteria and continue to seek other forms of funding. We have established a Development Working Party in relation to outright sale, shared ownership, key worker accommodation, supported living and step down accommodation. The Development Strategy has been updated accordingly. We have taken the decision to dispose of our market rented portfolio to utilise the proceeds to reinvest into developing properties for outright sale. We are also recruiting and commissioning specialist skills within the Group to deliver these new initiatives. The Group has increased its affordable home ownership activity which is contributing to a sustainable development programme.

Support individuals and communities to achieve independence	Cuts to Supporting People Funding and Local Housing Allowance payments will result in a reduction in funding/income affecting the Group's ability to deliver an effective Supported housing service.	We have introduced improved access for payment methods for customers including any day direct debits. We identify and engage with residents at risk and our Financial Inclusion Team supports individual customers to manage their finances. Close working relationships with local authority Housing Benefit departments has enabled the effective exchange of information to target resources on those affected. We have been working closely with commissioners to assess the impact of the proposals. We are keeping up to date with new funding opportunities for supported housing schemes and a supported housing strategy will be developed.

Long-term financial planning

The Group's latest long-term financial plans show a slight deterioration of the Group's financial position over time when compared to the 2016 plan; this is primarily due to a change in assumptions arising from both the internal and external environment. The key strategy remains to ensure it is financially strong, respond to economic and political change and continue to deliver quality services to customers. As part of the Group further strengthening risk governance, we have performed detailed stress testing on its financial plans to identify potential financial impacts from a variety of changes. This stress testing has pushed the long-term plans to the point at which it breaks, either through solvency or liquidity problems. In response to this stress testing, a number of mitigating strategies have been identified and continuously developed to ensure the Group is resilient. From the review, it is clear that the Group is in a relatively strong position, and has a number of mitigating strategies in place.

Treasury Management

The Group's Treasury Management function is under the direction of the Executive Director (Finance and Resources). Advice is also received from the Group's financial and corporate advisers, David Tolson Partnership who review the Group Treasury Management Policy and Strategy annually. The primary objective of the Group's Treasury Management Strategy is the provision of financial resources necessary to achieve its purpose and the management of associated risks, financial and operational, that might threaten its ability to do so.

The Treasury Management function is not a profit centre however, it is committed to the principles of achieving value for money in Treasury Management, and to employ suitable measurement techniques, within the context of effective risk management.

The Group has sufficient liquidity in place to meet at least the next 18 months requirements. Progress Housing Group has a £287 million loan facility of which £32.5m is undrawn facilities fully secured. These facilities provide funds for at least the next three years.

Corporate Governance

The Group has adopted the National Housing Federation's Code of Governance (2015 version) and seeks at all times to comply with both and best practice with regards to corporate governance. Compliance against the code is reviewed on an annual basis and the outcome of that review is reported to the Group's Remuneration and Nominations Committee.

It is a requirement of the HCA's Governance Standard that the Group adopts an appropriate code and reports any variation on a 'comply or explain' basis. This statement is therefore part of the Group's regulatory compliance.

Following its review of compliance against the National Housing Federation 2015 Code of Governance the Group has concluded that it remains compliant with the provisions of the code.

Governance Structure

The Group operates on a singular registered provider (RP) Board structure with members being active across the different Boards. The Boards have overall responsibility for setting the strategic direction of the Group through the corporate Business Plan and maintain control of the Group's governance and compliance. The framework of control provides the structure of governance within the Group and this includes the Intra-Group Agreement, Standing Orders and Scheme of Delegation, Financial Regulations and via the Group's adopted policies and procedures.

Key Unlocking Futures Limited is a registered charity and is not a Registered Provider. It has a separate Board of Trustees to the Registered Providers. A Grouping Deed joins Key into the Group's governance structure.

The Group has a number of sub-committees which have delegated authority in a number of areas. Each sub-committee have terms of reference which are approved by the Parent. The composition of each sub-committee and a brief overview of its role is set out below.

Audit Committee

The committee membership is up to five members, with no more than two having independent status. The committee has responsibility for oversight of the financial reporting process, approval of accounting policies, the system of internal control, providing assurance to the Board over the design and operation of the risk management framework, and the internal and external audit process.

Remuneration & Nominations Committee

The committee membership is up to five members, with no more than two having independent status.The committee has responsibility for setting remuneration policy for staff and the Board and other policies as delegated by the Board. In addition, the committee oversees the appraisal of the Group Chief Executive, and recommends to the Parent Board the Chief Executive's remuneration for approval. The committee also oversees the process of Board appraisal and makes recommendations for appointments to Board.

Executive Board

The Board membership consists of the executive management team and meets on at least a quarterly basis.

The Board oversees a number of policies and procedures as delegated by the Parent Board, receives operational performance and management information, oversees operational risk management and compliance and acts as the development sub-committee for the Group.

Directors

The names of the Non-Executive Directors and the independent members who have served during the year are shown on page two and the Board would like to thank them all for their support and continued interest in the work of the Group.

Statement of Internal Control

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

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, and that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls, which are embedded within the normal management and governance processes. This approach includes the regular evaluation of the nature and extent of risks to which the Group is exposed and is consistent with best practice.

The key features of the Group's system of internal controls include:

- The Group has adopted the National Housing Federation's Code of Governance (Key Unlocking Futures operate to the Good Governance for the Voluntary and Community Sector code). A governance review was undertaken during 2015/16 and a new Board of Non-Executive Directors were appointed and have now taken up position. The Board have been working with Straight Forward Consultancy to design and implement a framework of self-assessment and performance management
- Rules, standing orders, intra-Group agreements and financial regulations were all reviewed in 2015/16 and continue to meet legal, regulatory and good practice requirements
- A structured systematic approach has been taken in response to the changing operating environment, which the Group has continued to closely monitor. For example, phase two service reviews have taken place during the year. These involve a full review of service delivery models, including the use of technology and staff resource requirements – essentially a process to 'future proof' the Group's services. No further service reviews are planned, however a commitment to continuous improvement has been adopted and future changes to staffing models have not been ruled out
- The compliance statement (which was introduced in June 2015 to identify areas of non-compliance in the areas of legal, regulation, finance, health and safety and policies) has continued to operate throughout the year. There have been no areas of non-compliance reported to Board. There are no trends or indications in the quarterly Board performance reporting which point to weaknesses in the control environment
- The Risk Governance Working Party has met 12 months after the Group's risk management framework was updated and rolled out. The Working Party reviewed the implementation of the framework and undertook a lessons learnt exercise, and as a result minor changes were made to the Group's Risk Management Strategy, which will be presented for Board approval in June 2017
- The Board confirms that there is an on-going process for identifying, evaluating and managing significant risks faced by the Group. This process has been in place throughout the year under review and has been specifically reviewed by the Risk Governance Working Party. An independent review has also been undertaken by Beever and Struthers (the Group's co-sourced internal auditors) who provided positive feedback over the design of the risk management framework and the implementation to date
- All decisions being made by the Board are supported with an analysis of the risks involved. An updated Board reporting template has been implemented and risk continues to be a mandatory field for completion
- The Group has updated their internal audit universe and associated assurance map, covering the Group's critical services, strategic risks, and other areas which contribute to the achievement of the Group's strategic objectives. This has enabled the production of a risk based internal audit plan, focusing on the areas of most importance to the Group
- The Audit Committee has delegated authority from the Board to approve and monitor the delivery of the internal risk based audit plan, consider any control weaknesses, approve management actions and review follow up work on implementation of audit recommendations. The Committee meets independently with internal and external auditors to seek additional assurance on the robustness of control systems
- The Audit Committee has received regular reports during the year with regard to any proposed significant changes to accounting policies and estimates affecting the accounts
- KPMG are the Group's external auditors. There were no matters arising within their external auditors management letter for the year ended March 2016 (which was presented to Board in August 2016)
- Financial reporting procedures include detailed budgets for the year ahead and forecasts for subsequent years. These are reviewed and approved by the Board. The Board reviews the management accounts each quarter which highlight and explain any significant budget variances. The Board also regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes

- The Group has in place a Raising Concerns at Work Policy, as well as a dedicated whistleblowing page on its website. Details of identified frauds are maintained in a fraud register which is reviewed annually by the Audit Committee on behalf of the Board, prior to being submitted to the HCA through the annual return process
- All staff are appointed on the basis of robust selection and recruitment processes, with comprehensive induction and training programmes
- The Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues including Treasury strategy and new investment projects. The Board has adopted and disseminated to all employees, the Group's Code of Governance. This sets out the Group's policies with regard to the quality, integrity and ethics of its employees. It is supported by a framework of policies and procedures with which employees must comply
- The Performance Review and Development Process (PRDP) has continued to guide and assist staff and managers on how to effectively manage performance. A whole business targets group continues to monitor compliance with the process.

The Group Chief Executive has reviewed the internal control and assurance arrangements by reference to the above and has reported to the Board that she is satisfied with the effectiveness of the control systems. The Audit Committee has also expressed its satisfaction with these arrangements in its review of the effectiveness of internal control systems (assisted by the Internal Audit Annual Assurance Statement). Through the work undertaken by the Committee, it can confirm that, to the best of their knowledge, there have been no significant weaknesses in controls resulting in material losses, contingencies or uncertainties, which would have required disclosure in the financial statements.

Environmental, Employee, Social and Community Matters

Environment

The Group has an Energy Management for Residents framework that sets out a commitment to tackling fuel poverty amongst its residents, improving domestic energy efficiency of properties and using renewable energy sources. The framework focuses on both people through the use of energy management, and property using a fabric first approach and supplementing this with renewable technologies where appropriate. A strategy is being developed to introduce a new 'Progress Warm Homes Standard' for new homes and a programme of refurbishment to achieve the Government's '2050 Pathway' of reducing carbon emissions of our homes by 80% in 2050 compared with 1990.

Employee Involvement

This year the Group launched its new intranet 'today@progress' which has been a huge success, we have seen the intranet grow each day, into what is now a thriving digital community and an essential part of every day at Progress. 425 items of news have been shared and 900 documents have been uploaded. There have been 230,000 visits to today@progress and 29,000 searches have been undertaken. Today@progress has become the platform for our regular employee communication. Engagement has been further enhanced by regular one-on-ones, team meetings, staff briefings and the annual staff conference.

In 2016, 85% of all staff reported having a year-end review with their line manager by the end of July. The Group's approach to people management and development is very much focused on valuing quality one-on-one conversations and so, despite not achieving 100% of year-end reviews, regular one-on-one discussions continue to take place across the Group.

The Group continued to work in partnership with its established Staff Forum which met four times during the year, welcoming the opportunity for dialogue and exchange of views between the senior management team and staff representatives on issues of mutual concern and interest. The openness of the statutory collective consultation was achieved by remaining true to our values. Details of agendas and minutes of the Staff Forum are shared on 'today@progress'.

Following feedback from staff and mindful of the challenges facing the sector, the 2016 staff conference was a very different event from previous years.

Following feedback from staff and mindful of the challenges facing the sector, the 2016 staff conference was a very different event from previous years. By scaling down the event to a half day business focused away day and reducing some of the associated costs of previous year's events, it enabled us to make a saving of 80% whilst still providing staff with the opportunity to come together as one team and celebrate and reflect on our achievements and the future ahead. Around 300 staff attended the event which included our annual celebration of achievements though our Progress Stars awards, which in 2016, reflected our strategic aims. All the awards were nominated by staff and we had over 100 nominations. The standard has been so high, that in some categories we had to choose two award winners.

The Group's People Strategy was approved in September 2016 and launched under the brand of Progress Together. Its three main strands of effort are defined as Leading the Organisation, Enabling Achievement and Strengthening the Organisation.

The Group has held Investors in People (IIP) accreditation since 1996 and has been reassessed every three years since then. Our 2017 assessment took place against the new sixth generation standard and was extended to include Key Unlocking Futures, for the first time. The review confirmed that the Group continues to meet the requirements of the IIP standard and our accreditation will continue for a further three years. The accreditation is subject to annual reviews in 2018 and 2019. The cascade of the results will focus on drawing out understanding and developing corporate and team actions aligned with embedding Progress Together.

A number of senior management briefings have been held during the year to inform employees of Business Plan updates and discuss the strategic direction of the Group. Such sessions also provide invaluable forums for giving and receiving first-hand feedback.

We remain committed to equal opportunities and, once again, a group of employees have participated in the Housing Diversity Network mentoring programme and two senior managers have been mentors on the same programme. The Group has registered with the Disability Confident scheme and continues to guarantee to interview all applicants with disabilities who meet the minimum criteria for a job vacancy and to consider them on their abilities. We have also introduced gender blind shortlisting to challenge any unconscious bias that may exist during recruitment processes.

Our benefits package is wide-ranging and includes everything from subsidised healthcare to an employee assistance programme and flexible working.

Customer Involvement

Putting customers at the heart of what we do to ensure our decisions are driven by customer needs and aspirations, is one of the Group's key strategic aims. We aim to ensure that everything we do delivers great results for customers and we have committed to ensuring that our customers influence service standards and business decisions. Our recent focus has therefore been on gaining a better insight into what matters most to our customers via our community engagement and scrutiny work. As part of the programme of service reviews, we reshaped our services to enable us to deliver more focused services; for example we have engaged in consultation with the community at Lower Lane to learn what youth provision is required in the local area. This information will be used to develop a programme of activities by working in partnership with other providers to ensure the needs of the community are met. The essence of customer involvement and the strategies managed by the team have not changed in terms of outcomes, but we have changed the way in which they are delivered.

Our Scrutiny Pool undertakes specific service reviews to understand the customer experience and focuses on improving customer satisfaction and strengthening VFM. Throughout the year we continued to support the capacity of the Scrutiny Pool and were shortlisted in the 2017 Tpas awards for Excellence in Scrutiny. The Scrutiny Pool is an open forum which any tenant can attend and on average seven customers from across the Group are involved at any one time. For the year there have been 33 mystery shopping calls, 50 void inspections and 28 green inspections carried out and reported on.

The Scrutiny Pool has carried out five service area reviews during 2016/17. These reviews have looked at:

- Progress Housing Group's website
- Repairs communication
- Independent living consultation
- Progress Connect call waiting times
- Stage one of the complaints process.

The reviews resulted in 28 recommendations being put forward by the Scrutiny Pool. A full update on the implementation of the recommendations is presented at the quarterly Scrutiny Pool meetings.

The Group aims to create opportunities for all our customers and to do this we use our Progress Futures initiative. This is a free to use service that helps many tenants and their family members to access training or education and to improve employment prospects. The team adopts a person-centred approach to work with each individual to help them achieve their own personal goal in terms of entering training, education, volunteering or employment. Progress Futures have worked with 74 customers, helping them to gain experience, qualifications and to access employment opportunities. A further 150 individuals have been assisted through a community-based job club. At the end of the financial year the waiting list stood at 35 customers. The Progress Futures Working Party have identified a number of key project areas which include a furniture upcycling/recycling project, a void clearance project and a 'digital passport' for Progress Futures customers to keep a record of their training and their progress in acquiring skills. All of these projects have clear aims to create opportunities and support customers of the Group.

Business Performance

Financial performance for the year

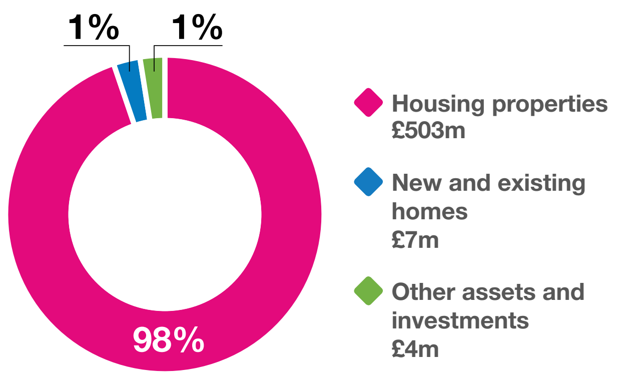
Our financial performance for the year continues to be strong in all areas. Turnover increased by £2 million or 3%, due to growth in Progress Lifeline and TECS services, reductions in rent were offset by some marginal rent and services increases. Operating costs decreased by £1.9 million or 3.5% and cost of sales increased by £0.7 million a direct result of shared ownership sales activity. Our operating surplus stood at £21.8 million compared to £18.5 million last year.

The surplus after tax increased by £2.5 millionto £9.7 million. The surplus on cash flow from operating activities was £30.5 million which financed loan repayments of £9.2 million made during the year and development and maintenance investment of £7.8 million. Development activity is lower than prior years following government rent reductions, delays to projects following changes in tenure to produce more affordable home ownership products and uncertainty about the future funding of specialist supported housing.

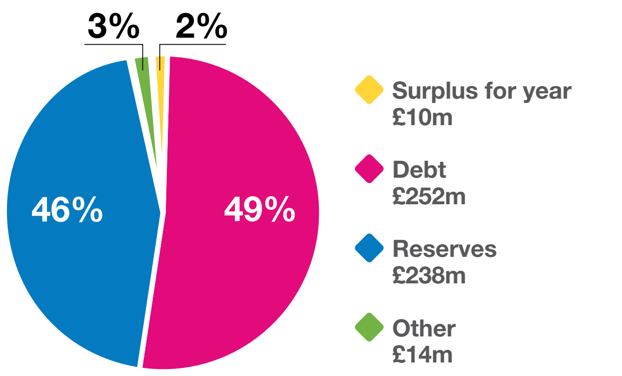
Net tangible fixed assets reduced slightly at £512 million reflecting asset growth offset by depreciation. The Group's share of the pension fund deficit for both LGPS and SHPS schemes is £13 million. Reserves increased by £5 million due to the surplus made in the year and movement in other provisions. The Group had £238 million net assets at the end of the year. Net debt reduced by £9 million arising from loan repayments.

The Group is not for profit, our entire surplus has been, or will be reinvested to run and improve our services. Our total comprehensive income has continued to grow in the year, meaning we can continue to invest in new homes, maintain existing homes and manage our liabilities. An overview of our financial picture showing total investment along with financing can be seen as:

Assets



Financed by



The charts above show that our annual surplus is one part of the financing of our properties. Surpluses from our social and non-social housing activities are used to service debt and strengthen reserves, which enables us to have capacity to develop more homes. Reductions in grant rates over the last few years have placed constraints on capacity but we have continued to increase our operating cash flows and reduce our gearing levels. Over the last three years, we have spent at least 50% of our operating cash surplus on new housing.

Key Performance Indicators

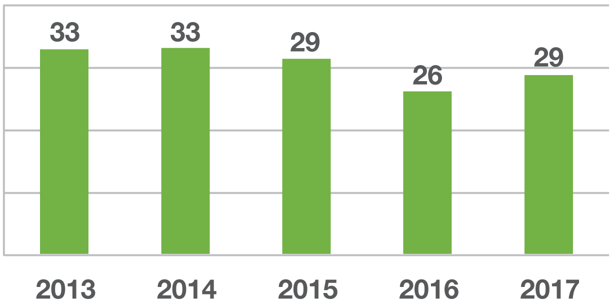
The Group has a performance management framework that underpins its vision and strategic aims identified within its Business Plan to 2020. This ensures that we have a robust process in place to capture and report on all elements of VFM within the business including cost, performance and effectiveness measures. We have built a balanced scorecard methodology which assesses performance against financial, customer and communities, learning and growth and operating process targets.

Our Group operational performance in the year remained strong on most of its performance indicators. The Group regularly monitors and reports on key indicators including rent arrears expressed a percentage of rent debit, void losses and repairs. Group year-end arrears performance has exceeded the end of year targets with gross current arrears at 3.5% below the target of 4.2%. Overall former tenant arrears performance stood at 1.1% and has exceeded the target by 0.2% with performance remaining stable over the previous four years. The main challenge we faced however was in our void performance with mixed performance across the three main indicators. The current level of voids stood at 4.2% which is better than the 5% target but rent loss due to voids was 3.9% against a target of 3.7%. Re-let times stood at 104 days against a target of 97 days. This has not been met for general needs and independent living, although independent living has significantly improved. We continue to focus our strategy on reviewing demand on accommodation types and looking at ways to improve the service and time taken to fill void property.

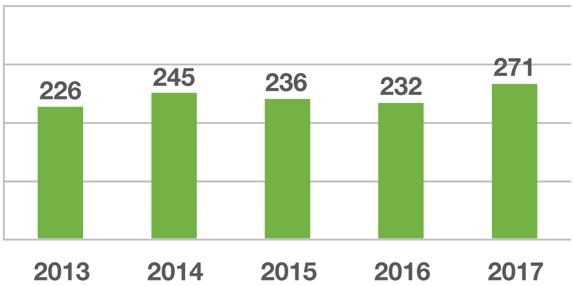
The Group monitors a number of key financial indicators. Four of them along with our performance trend over the last five years can be seen opposite.

From 2015 onwards the financial statements were prepared under FRS 102 therefore the years 2014 and 2013 are not directly comparable.

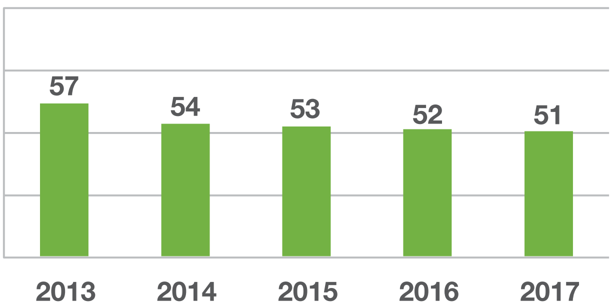
Operating Margin %



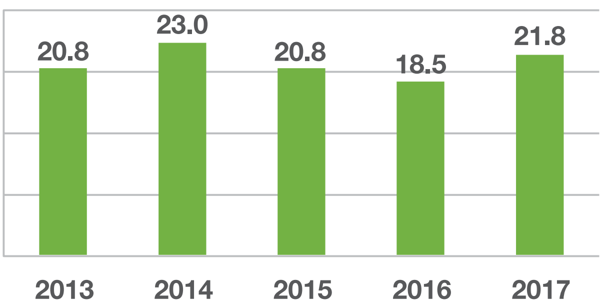
Interest Cover %



Gearing %



Operating Surplus £m



The Group's underlying financial performance is within target and demonstrates our financial strength and resilience. The loan covenant indicators including interest cover shows a strong position over time, we are compliant with all loan covenants. For a full list of our performance indicators and our current performance against target please visit the Group's website **www.progressgroup.org.uk**

Growth and development

Within 2016/17 a target of delivering 131 homes was set, against this target we achieved delivery of 93, which equates to 71%. This gross spend in 2016/17 was £5.1 million with grant received of £1 million. Of the 93 completed properties, 53 were HCA funded homes (37 for rent and 16 for affordable home ownership). The remaining 40 were a combination of Section 106 rented and shared ownership units, and 26 for supported living. The Group also has £20.2 million of capital commitments relating to Board approved capital expenditure of which £3.8 million has been contracted for as at March 2017.

The largest adverse impact on development has been caused by the linkage of Housing Benefit to Local Housing Allowance within the Spending Review and Autumn Statement 2015 risks as they apply to revenue funded supported living properties due to the Autumn Statement announcement. The Group had previously anticipated and considered the risks of welfare reform and introduced a Rent and Development Strategy for Supported Living Properties in 2014 (updated in May 2015 and is in the process of being updated currently) and is largely responsible for the reduced development programme.

The Group is continuing to grow its non-social housing activities and is proving to be successful in this area. Our Progress Lifeline and TECS service generates in excess of £2.4 million per annum in turnover for the Group. These services generate surpluses which help us to cross-subsidise and contribute to our future development of new homes. Total non-social housing income equates to 11% of our turnover in 2016/17.

Value for Money

Value for Money underpins the delivery of the Group's vision and our key strategic aims. A comprehensive assessment of VFM for the year has been undertaken by the Board and Executive Team in order to demonstrate to all our stakeholders a rounded picture of how we have performed against our VFM targets for 2016/17, how we have progressed since last year and how we intend to deliver VFM in the future. The Group is confident that it has complied with our regulator, the HCA's, VFM standard. The full detailed VFM self-assessment can be read on our website at **www.progressgroup.org.uk.**

We recognise how crucially important our work is to our customers who deserve our highest performance and quality of home possible. We also recognise that we must continue to play our part in delivering much needed new homes.

Our key VFM achievements in 2015/16 have been as follows:

- We have successfully reduced continuing operating costs by £1.7million against our target for the year of £1 million
- Our target of £1 million included £0.3 million for procurement activities, which we exceeded by £0.1 million and achieved £0.4m
- We completed our planned service review for Phase 1. These have achieved £1.3 million of savings before one-off restructuring costs
- We have continued with our £4 million investment programme in our IT infrastructure and systems since 2012. This is transforming the way that we work, improving productivity and quality, reducing costs and increasing engagement with our customers
- Our management cost per unit is lower than our target in 2016/17 of £1,051, with actual £995 (on an adjusted basis)
- Our performance results demonstrate some significant improvements including: a reduction in the level of arrears and outstanding number of voids and an improvement in customer satisfaction. There has been a worsening position within employee sickness and turnover which is showing a close relationship to the service reviews undertaken within the year

- Further work is ongoing to improve responsive repairs appointments kept by re-engineering the dynamic scheduling process to improve productivity and service delivery
- We have begun to dispose of our market rent properties in line with strategy, to apply the proceeds to invest in outright sale developments.

In addition to our VFM achievements above, we have also achieved the following:

- We have produced for the financial year, an overall Group surplus of £10 million against a target of £10 million
- We have revised and implemented a new Asset Management Strategy. Of the 243 properties identified as part of the financial performance assessment 16 properties had options appraisals carried out to determine the best possible use for the assets
- Within the year, following an options appraisal, we have successfully decanted and decommissioned an Independent Living Scheme which was not performing, including high levels of voids
- We have spent £5 million reinvesting in our existing stock and a further £12 million on repairs and maintenance
- We have generated sales proceeds of £1.9 million from the sale of shared ownership properties and outright property sales which have contributed towards investment in new developments
- We have continued to deliver community investment activities and have invested over £0.7 million since establishment a few years ago. This has supported a range of projects through newly established working parties. In demonstrating that we put our customers at the heart of what we do, our community involvement work has attracted 8,436 attendees.

The Board is committed to ensuring that VFM is embedded in both the culture and the decision making processes of the Group. The Board achieve this by:

- Setting the overall strategic direction and culture of the Group and recognising how essential the maximising of VFM is to the delivery of the strategic aims
- Approving the VFM Strategy and overseeing its implementation
- Considering VFM within relevant Board reports, including financial, performance monitoring and benchmarking information
- Scrutinising and approving major business proposals including cost/benefit/risk analysis arising from the proposal and how VFM and/or social value will be maximised
- Approving key strategies and ensuring that VFM has been considered throughout
- Ensuring that our people strategies are linked to our strategic aims
- Agreeing VFM efficiency targets within the Business Plan and budget setting processes
- Determining where VFM gains are reinvested
- Setting stretching performance targets and monitoring business performance closely. This is informed by benchmarking information of our peer group, which in turn enables the Board to challenge PHG to do more
- Reviewing progress against the Business Plan to ensure that the business is continuously improving and achieving more
- Publishing the annual VFM self-assessment by the deadline of 30 September.

The Board considers that, in completing this comprehensive VFM self-assessment, it has complied with the regulator's VFM Standard and has produced a full and honest assessment to enable our stakeholders to understand how we are performing currently against the targets we had set ourselves and what our forward- looking targets are in order to demonstrate our continuing commitment to VFM.

Regulation

As a Registered Provider, we are regulated by The Homes and Communities Agency. In November 2016 the HCA published its annual stability check and the Group has retained a V1/G1 viability rating.

The Group monitors its ongoing compliance with both the economic and consumer regulatory standards and compliance is reported to the Board on an annual basis with any changes or implications arising within the year being reported on an ad hoc basis. As at the reporting date the Board can confirm compliance with these standards.

Going concern

After making appropriate enquiries, and whilst recognising a changing policy world, the Board is satisfied that no significant risks or exposures exist other than those disclosed in the financial statements and we are well placed to understand and manage the challenges and business risks ahead. The Board also considers that the Group has adequate resources to continue operating for the foreseeable future. For these reasons, therefore, the Board continues to adopt the going concern basis in preparing the financial statements.

Statement of Compliance

This strategic report has been prepared in accordance with best practice guidance and the Board, in approving the financial statements, are also approving the strategic report.

Statement of Disclosure to the Auditors

At the time of approval of this report:

a) so far as the Non-Executive Directors are aware, there is no relevant audit information of which the Group's Auditor is unaware, and

b) the Non-Executive Directors have taken all steps that they ought to have taken as Non-Executive Directors in order to make themselves aware of any relevant audit information and to establish that the Group's Auditor is aware of that information.

Auditors

In line with the Group's financial regulations, the audit service has been re-tendered during summer 2017. BDO LLP were appointed as the Group's auditor's.

Annual General Meeting

The Annual General Meeting of the Association will be held at Sumner House, 21 King Street, Leyland, Lancashire on 4 September 2017.

Michelle Stevenson
Secretary
7 August 2017

Statement of Board´s Responsibilities

Statement of Board´s responsibilities in respect of the Board´s report and the financial statements

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

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Association and of the income and expenditure of the Group and the Association for that period.

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

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

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

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

Janet Hale
Board Member

Gwynne Furlong
Board Member

Report of the Independent Auditor

Independent auditor's report to Progress Housing Group Limited

We have audited the financial statements of Progress Housing Group Limited for the year ended 31 March 2017 set out on pages 22 to 55. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the Association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Association those matters we are required to state to it 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 as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and Auditor

As more fully explained in the Statement of Board's Responsibilities set out on page 20, the association's Board is responsible for the preparation of 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 Auditing Practices Board'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 Financial Reporting Council's website at **www.frc.org.uk/auditscopeukprivate**

Opinion on financial statements

In our opinion the financial statements:

- Give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the Group as at 31 March 2017 and of the income and expenditure of the Group and the Association for the year then ended
- Comply with the requirements of the Co-operative and Community Benefit Societies Act 2014, and
- Have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Matters on which we are required to report by exception

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

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

Hywel Jones
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
M2 3AE

Statement of Comprehensive Income

for the year ended 31 March 2017

	Notes	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Turnover	2	74,513	72,386	21,268	22,587
Operating expenditure	2	(51,853)	(53,708)	(19,352)	(21,902)
Cost of sales	2	(813)	(155)	-	-
Operating surplus		**21,847**	**18,523**	**1,916**	**685**
Loss on disposal of property, plant and equipment	6	(140)	(97)	(23)	(4)
Movement in fair value of investment properties	11	(441)	177	-	177
Interest receivable	7	260	252	1	5
Interest and financing costs	8	(11,409)	(11,707)	(240)	(298)
Donation to related charitable company		-	-	-	(500)
Share of Joint Venture profit and dividend		34	75	-	-
Surplus before tax		**10,150**	**7,222**	**1,654**	**65**
Tax on surplus on ordinary activities	9	(444)	(8)	(444)	(8)
Surplus after taxation	5	**9,706**	**7,214**	**1,210**	**57**
Actuarial (loss)/gain pension scheme		(4,702)	3,400	(3,815)	2,640
UK deferred tax attributable to actuarial loss / (gain)		657	(606)	657	(606)
Realisation of revaluation reserve in respect of impairment on housing property		300	1,607	-	-
Realisation of revaluation reserve in respect of depreciation on revalued housing property		1,332	1,318	17	-
Transfer to designated reserves		(6)	(31)	-	-
Realisation of revaluation reserve in respect of disposals of housing property		389	38	-	-
(Decrease) / Increase on Joint Venture hedge reserve	12	(951)	315	-	-
Total comprehensive income for the year		**6,726**	**13,599**	**(1,931)**	**2,091**

Statement of Financial Position

As at 31 March 2017

	Notes	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Tangible fixed assets		502,435	504,337	-	-
Housing properties at cost	10	9,539	10,357	6,508	6,853
Other tangible fixed assets	11	511,973	514,694	6,508	6,853
Current assets					
Stock		658	320	121	84
Debtors	13	5,093	4,364	1,272	1,420
Investments	14	8,990	5,800	-	-
Cash and cash equivalents	15	1,103	1,138	1	1
		15,844	11,622	1,394	1,505
Less: Creditors amounts falling due within one year	16	(14,482)	(13,834)	(2,909)	(4,770)
Net current assets / (liabilities)		1,362	(2,212)	(1,516)	(3,265)
Total assets less current liabilities		513,335	512,482	4,993	3,588
Creditors					
Amounts falling due after more than one year	19	(251,454)	(260,844)	(135)	(191)
Government grants	19	(8,389)	(7,594)	-	-
Provision for investment in Joint Venture	12	(3,088)	(2,138)	-	-
Pension liabilities	27	(12,374)	(8,586)	(8,700)	(5,291)
Net assets/(liabilities)		238,030	233,320	(3,842)	(1,894)
Reserves					
Share capital	20	-	-	-	-
Revaluation reserves		160,548	162,569	814	831
Designated reserves		148	142	-	-
Income and expenditure reserves		77,335	70,609	(4,656)	(2,725)
		238,030	233,320	(3,842)	(1,894)

The notes on pages 26 to 55 form an integral part of the financial statements.
The financial statements on pages 22 to 55 were approved by the Board of Management on 7 August 2017 and were signed on its behalf by:

Janet Hale
Board Member

Gwynne Furlong
Board Member

Michelle Stevenson
Secretary

Statement of Changes in Equity

for the year ended 31 March 2017

Group	Revaluation Reserves	Designated Reserves	Income & Expenditure Reserves	Total
	£'000	£'000	£'000	£'000
At 1 April 2016	**162,569**	**142**	**70,609**	**233,320**
Total comprehensive income for the year ended 31 March 2017:				
Surplus for the year as previously reported	-	-	9,706	9,706
Transfer from revenue reserves to designated reserve	-	6	(6)	-
Realisation of revaluation reserve in respect on impairment of revalued housing property	(300)	-	300	-
Realisation of revaluation reserve in respect of disposals of housing property	(389)	-	389	-
Realisation of revaluation reserve in respect of depreciation on revalued housing property	(1,332)	-	1,332	-
Decrease on Joint Venture hedge reserve	-	-	(951)	(951)
Actuarial loss on pension scheme	-	-	(4,045)	(4,045)
At 31 March 2015 as restated	**160,548**	**148**	**77,335**	**238,030**

Company	Revaluation Reserves	Income & Expenditure Reserves	Total
	£'000	£'000	£'000
At 1 April 2017	**831**	**(2,725)**	**(1,894)**
Total comprehensive income for the year ended 31 March 2017:			
Surplus for the year from statement of comprehensive income	-	1,210	1,210
Actuarial loss on pension scheme	-	(3,158)	(3,158)
Realisation of revaluation reserve in respect of depreciation on revalued housing property	**(17)**	17	-
As at 31 March 2017	**814**	**(4,656)**	**(3,842)**

Consolidated Statement of Cash Flows

for the year ended 31 March 2017

	Notes	Group 2017 £'000	Group 2016 £'000
Cash flow from operating activities (see below)		**30,541**	**31,528**
Purchase of Housing Properties		(4,312)	(10,792)
Purchase of Housing Property Components		(3,407)	(3,018)
Government Grants Received	19	919	1,103
Purchase of other Tangible Fixed Assets		(365)	(1,690)
Proceeds from Sale of Tangible Assets		838	1,587
Cashflow in Respect of Joint Venture		26	23
Cash flow from investing activities		**(6,301)**	**(12,788)**
Taxation Paid		(192)	(267)
Interest Received		260	252
Interest Paid		(11,402)	(11,667)
Repayments of Borrowings		(9,245)	(1,499)
Investments placed		(3,190)	(5,425)
Dividends Received from Joint Venture		7	70
Cash flow from financing activities		**(23,818)**	**(18,536)**
Net change in cash and cash equivalents		**422**	**204**
Cash and cash equivalents at 1 April		**(230)**	**(680)**
Cash and cash equivalents at 31 March		**192**	**(476)**
Adjustments for non-cash items			
Operating surplus		**21,847**	**18,523**
Increase in Stock		(338)	(107)
Depreciation of Tangible Fixed Assets	5	9,036	8,670
Impairment of Housing held at Valuation	5	348	1,839
Amortisation of Government Grants		(100)	(76)
Pension Costs less Contributions Paid		(351)	(203)
(Increase)/Decrease in Trade and Other Debtors		(398)	45
Increase/(Decrease) in Trade and Other Creditors		497	2,838
Cash flow from operating activities		**30,541**	**31,528**
Reconciliation of net cashflow to movement in net debt			
Increase/(Decrease) in cash in the period		422	204
Cash deposited / (withdrawn from) investments		3,190	5,425
Change in loans - cash repaid		9,245	1,499
Change in Loans - Re-measurement	8	287	275
Change in loans - Amortisation of borrowing costs		(52)	(46)
Cash used in repaying finance lease captial		56	-
Change in net debt		**13,147**	**7,357**
Net Debt at start of year		**(259,154)**	**(266,511)**
Net Debt at end of year	24	**(246,007)**	**(259,154)**

Notes to the Financial Statements

for the year ended 31 March 2017

Accounting Policies

(1) Basis of Accounting

Basis of Preparation

The financial statements of the Group are prepared in accordance with Financial Reporting Standard 102 (FRS 102) – the applicable financial reporting standard in the UK and Republic of Ireland and the Statement of Recommended Practice: Accounting by Registered Social Housing Providers Update 2014 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Group believes it has adequate resources to manage its business risks successfully and maintain a programme of capital investment. The Report of the Board details the Group's objectives, policies and processes for managing its financial risks. Therefore the going concern basis of accounting has been adopted in the preparing the financial statements. Also, the accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Basis of Consolidation

The consolidated accounts incorporate the financial statements of Progress Housing Group Limited and its wholly owned subsidiaries. Further details of the subsidiaries are disclosed in note 26. Intra-group transactions are eliminated on consolidation. All subsidiaries' financial statements are made up to 31 March.

Change in accounting policy

During the 2016/17 year the Group has changed its accounting policy with respect to housing property components which have been replaced before being fully depreciated. The Group now includes component write-offs within operating expenditure. Prior to this change in policy the Group included component write-offs within loss on disposal of property, plant and equipment.

The impact of this voluntary change in accounting policy on the financial statements is presentational only. This change did not result in a material impact on the current or prior year.

The Group believes the new policy reflects the write-off of a component as an operating activity as it is part of an ongoing programme of replacements.

Significant estimates and critical judgements

Judgements and estimates that management has made in applying the above accounting regulations are included in the relevant accounting policies.

(2) Turnover

Turnover comprises:

- Rental income receivable from tenants and leaseholders in the year
- Revenue grants receivable
- Income receivable from other services supplied in the year excluding VAT
- Income from sales of housing properties
- Grant amortisation;
- VAT recovered under partial exemption (note 11).

(3) Housing properties

Housing properties completed prior to 1st April 2014 are stated at 'Deemed cost' as permitted by the transitional arrangements of FRS102 para 35.10d and are accounted for under the cost model. The valuation in place at the transition date, 1st April 2014, was deemed cost. This value is then depreciated each year, and stated at net book value which is equivalent to cost less depreciation. All housing properties acquired after 1st April 2014 are accounted for at cost, and then subsequently depreciated.

Completed housing properties have been split between their land and structure costs and a specific set of major components that require periodic replacement, as set out below.

Housing properties leased between Group members are held at the present value of future cash flows.

A small number of staff flats included within property, plant and equipment are held at historic cost net book value as these units do not generate any rental cash flows.

Refurbishment or replacement of such a component is capitalised and then depreciated on a straight line basis over the estimated useful economic life of the component at the following rates:

Structure	shorter of 80 years or the remaining length of the lease
Kitchen	10-20 years
Bathrooms	15-30 years
Boilers	15 years
Heating system	30 years
Windows & doors	30 years
Lifts	25 years
Photo voltaic installations	25 years

Freehold land is not depreciated. Depreciation for the key worker accommodation properties is over the remaining period of the lease which is 42 years and commenced in 2006.

Housing properties in the course of construction are stated at cost and are transferred to housing properties held for letting when completed. Development costs which arise directly from the construction or acquisition of a property are capitalised to housing properties in the course of construction.

(4) Social Housing Grant and Other Capital Grants

SHG can be recycled by the Registered Provider under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by the Homes and Communities Agency. However, SHG may have to be repaid if certain conditions are not met.

The net SHG received and not spent is included in current liabilities, taking into account all properties under construction. SHG allocated to lease properties is included in current liabilities and amortised over the lease term.

In certain circumstances, SHG may be repayable, and, in that event, is a subordinated unsecured repayable debt. Other capital grants are also repayable under certain conditions and may be secured by first legal charge on the assets they financed.

Social Housing Grants received in the year are recognised in current and non-current liabilities based on the accrual model, and are amortised over their useful life which is generally 80 years unless specific conditions apply.

(5) Capitalisation of Interest and Development Overheads

Interest is capitalised on loans financing schemes in development up to the point of practical completion. This is calculated by reference to the Group's cost of borrowing and relevant development costs.

Administration costs relating to development activities are capitalised based on an apportionment of the support costs directly incurred on this activity.

(6) Other Tangible Fixed Assets and Depreciation

Other tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on a straight line basis, at rates considered appropriate to write-off the assets over their effective working lives as follows:

- **Fixtures and fittings**
  Straight line basis over 3-10 years or the minimum length of the lease, if subject to a finance lease.
- **Freehold offices and commercial properties**
  Straight line basis over 30-50 years.
- **Leasehold offices**
  Straight line basis over the lease term or 25-30 years.
- **Computer equipment**
  Straight line basis over 3-7 years of the length of the lease.

(7) Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost.

All investment properties were measured reliably in the year without undue cost or effort and therefore are held at fair value. Any gains or losses arising from changes in the fair value are recognised in the statement of comprehensive income in the period that they arise.

No depreciation is provided in respect of investment properties applying the fair value model. This treatment, as regards the Association's investment properties, may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the Board consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view. Depreciation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

The directors review the investment portfolio every year with a formal valuation being obtained at least every three years, with internal assessments being carried out in the interim years.

(8) Defined Benefit Pensions Schemes

Progress Housing Group Limited continues to participate in Lancashire County Council's Superannuation Fund and the Social Housing Pension Scheme defined benefit streams. For current service, mandatory contributions to the defined benefit pension schemes are calculated as a percentage of pensionable salaries of employees, determined in accordance with actuarial advice. Past service contributions are based on lump sums. The cost of providing pensions is charged to the period over which the Group benefits from the employee's service.

Past service contributions of the Social Housing Pension are recognised as liabilities, split between current and non-current liabilities. Employer payments are made in line with the annual schedule of contributions: an element of these are offset against the liability, and an element is recognised through an interest charge.

(9) Major Repairs and Improvements

Expenditure incurred relating to improvements, defined as an increase in the net rental stream or the life of a property in the SORP, are capitalised as components. The carrying amount of components replaced is written off to operating expenditure.

Expenditure incurred on other major repairs, cyclical and day-to-day repairs to housing properties is charged to the Statement of Comprehensive Income in the period in which it is incurred.

(10) Taxation

The Group is liable to United Kingdom Corporation Tax. Where applicable, taxation is provided for at the rates prevailing at the Statement of Financial Position date and comprises of current and deferred tax.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the Statement of Financial Position date, and any adjustment to tax payable in respect of previous years.

Provision is made for deferred tax in respect of timing differences that have originated but not reversed at the Statement of Financial Position date where an event has occurred that results in an obligation to pay more or less tax in future. Deferred tax is measured at the average tax rates that are expected to reverse, based on tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

Deferred tax assets are recognised only to the extent that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities are not discounted.

A deferred tax asset is recognised on the LGPS net liability and is provided for in full in respect of the Parent's share of the liability. Further detail appears in note 27.

(11) Value Added Tax

The Group is registered for VAT. A large proportion of its income, including rents, is exempt from VAT. Most of its expenditure is therefore subject to VAT which cannot be reclaimed and expenditure is therefore shown inclusive of VAT. Any VAT recovered under the partial exemption calculation is credited to the Statement of Comprehensive Income.

(12) Stock

Stock represents the share of unsold shared ownership properties and van stock of Property Services.

(13) Bad and Doubtful Debts

The Group provides against rent arrears of current and former tenants and other trade debtors to the extent that they are considered to be irrecoverable.

(14) Bad and Doubtful Debts

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

(15) Operating Leases

Rental payments on operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the term of the lease.

(16) Finance Leases

Assets held under finance leases are recorded in the Statement of Financial Position as tangible fixed assets and as an obligation to pay future rentals.

(17) Finance Costs

Finance costs include interest, arrangement fees, non-utilisation fees, consent fees and amortisation, these are detailed further in note 18 below. All costs are written off over the period of the loan, except that interest is capitalised on loans financing schemes in the course of development as explained in accounting policy note 5.

Also included within finance costs is interest in respect of the defined benefit pension schemes. A pension interest charge is included in respect of the unwinding of the Social Housing Pension Scheme. An interest expense is also included in respect of the Local Government Pension scheme following an actuarial valuation.

(18) Housing loans

Housing loans are classified as creditors and are held at amortised cost using the effective rate of interest.

As a result of adopting FRS 102 on 1 April 2014 one housing loan was re-measured as a result of a change in the margin in 2009. The Group elected to use para 35.9(a) of FRS 102, which allowed re-measurement of the loan instead of de-recognition. This re-price represented an increase in margin, and as a result, a higher liability based on the present value of the future cash flows using an effective interest rate was recognised. This is subsequently released each year through a credit to the interest charge. Details of this re-measurement appear in note 19.

(19) Service charges and sinking funds

The Group operates both fixed and variable service charges on a scheme by scheme basis in line with tenancy and lease agreements.

Where variable service charges are used the charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge. Until these are returned they are held as creditors on the Statement of Financial Position.

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

Service charge sinking funds are accounted for within creditors. A separate bank account is used to hold these funds separately from the Group's bank accounts.

(20) First Tranche Shared Ownership Sales

The Group has adopted the accounting treatment in the SORP 2014 such that:

- Shared Ownership (SO) properties are split proportionally between current and fixed assets based on the first tranche proportion
- First tranche proportions are accounted for as current assets and the related sales proceeds shown in turnover, and
- The remaining element of the SO property is accounted for as a fixed asset so that any subsequent sale is treated as a part disposal of a fixed asset.

(21) Designated Reserves

The designated reserves are in respect of Key Unlocking Futures Limited, a charitable subsidiary. Key works with young people to provide support for young people who are homeless or at risk of becoming homeless. The designated funds cover redundancy, sickness and running costs for a level of three to six months in accordance with the reserve policy.

(22) Properties Managed on behalf of others

All income and expenditure arising from the activity of managing properties for other agencies is included in the Statement of Comprehensive Income. The assets and liabilities relating to this income and expenditure are included in the Statement of Financial Position.

(23) Properties managed by agents

Where the Association carries the majority of the financial risk on property managed by agents, all the income and expenditure arising from the property is included in the Statement of Comprehensive Income.

Where the agency carries the majority of the financial risk, the Statement of Comprehensive Income includes only that income and expenditure which relates solely to the Association.

In both cases, the assets and associated liabilities are included in the Statement of Financial Position.

(24) Supporting People

This income includes Supporting People (SP) contract income received from Administering Authorities, plus support charges to individual tenants. When accounted for as part of rent, the income is shown as ‘charges for support services’ in income from Social Housing Lettings. The related costs are shown as ‘support’ expenditure in expenditure from Social Housing Lettings.

If the charges to individuals are not dealt with as part of rent, the income and related costs are shown as ‘other supporting people income’ in Other Social Housing Activities.

SP contract income received from Administering Authorities and not dealt with as part of the rent, is shown as ‘Supporting People contract income’ in Other Social Housing Activities.

(25) Impairment

Properties held for their social benefit are not held solely for the cash inflows they generate and are held for their service potential.

An assessment is made at each reporting date as to whether an indicator of impairment exists. If such an indicator exists, an impairment assessment is carried out and an estimate of the recoverable amount of the asset is made. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in surplus or deficit in the Statement of Comprehensive Income. The recoverable amount of an asset is the higher of its value in use and fair value less costs to sell. Where assets are held for their service potential, value in use is determined by the present value of the asset’s remaining service potential plus the net amount expected to be received from its disposal. Depreciated replacement cost is taken as a suitable measurement model.

An impairment loss is reversed if the reasons for the impairment loss have ceased to apply and included in surplus or deficit in the Statement of Comprehensive Income.

Impairment of social housing properties – significant management judgements

(25) Impairment (cont.)

The Group has to make an assessment as to whether indicators of impairment exist. In making the judgement, management considered the detailed criteria set out in the SORP.

From 1 April 2016, the Group reduced social housing general needs rents by 1% per annum and will continue to do so in each year until 2019/20 in accordance with Welfare Reform and Work Act 2016. From 1 April 2017, this also applied to all supported housing rents (with some exceptions) which primarily included independent living schemes. Despite cost efficiency savings and other changes as a result of the Group's business compliance with the new rent regime has resulted in a loss of net income for certain social housing property. This is a trigger for impairment.

In accordance with paragraphs 14.43 to 14.45 of the Housing SORP 2014, PHG is required to make the following disclosure:

a) Judgements made in defining Cash Generating Unit (CGU) used for this test has been assumed as the various schemes that make up the fixed asset portfolio. Assets are recognised as schemes when they are normally, developed as a group, and as such, the cash flows are related

b) Estimation technique and judgement used in measuring recoverable amount - the recoverable amount has been calculated as the greater of the fair value less costs to sell, and then value in use of the assets. The recoverable value has been assumed to be held at the value in use - service potential

c) When Value In Use - Service Potential (VIU-SP) is used to estimate the recoverable amount, the key assumptions used and details of the method used. VIU-SP is calculated as the lower of the cost of purchasing a replacement or constructing a social housing property.

Progress Housing Group Limited estimated the recoverable amount of its housing properties and identified three further impairments required (two in NPHA and one in PCHA) (2016: Nil).

The process consisted of firstly reviewing if there were any indicators of impairment, which for the majority of our general needs and independent living properties, was triggered by the Government announcement of a 1% reduction in rents. Other factors such as voids and performance issues were also considered.

If an indication of impairment was identified, then the process consisted of reviewing the net book value against a number of factors, ranging from open market value, replacement cost and the net present value of all future cashflow associated with the asset in order to determine the net present value.

Following a review of all assets, with the exception of the three properties identified above, there were no further instances identified where the net book value was greater than the recoverable value, and therefore, there was no impairment adjustments required in addition to those that had already been provided in the year. For those three properties identified, the assets were impaired down to their recoverable value.

(26) Joint Venture Accounting

The Group includes a third share of Leeds Independent Living Accommodation Company Holdings Limited (LiLAC), which is a joint venture contracted through a PFI arrangement. To account for this, liabilities are recognised as an investment balance in the accounts of PCHA and a third share of LiLAC's assets and liabilities in the Group consolidated Financial Statements.

The LiLAC PFI company is the fixed interest rate payer of free-standing interest rate swap. Due to falls in variable interest rates, that swap is 'out of the money' for LiLAC Holdings, so the fair value of the swap is a liability. The Group recognises a liability for the difference between its investment in LiLAC and its share of the fair value of its share of the liability on the swap.

(27) Service Concession Arrangements

The Group elected to take the 'first time adopter' exemption permitted by para 35.10(i) of FRS 102 to continue to account for Service Concession Arrangements that were in existence at the date of transition, under the pre 1 April 2014 UK GAAP methodology.

2. Turnover, Operating Expenditure and Operating Surpluses

Group Consolidated	2017			
	Turnover	Cost of Sales	Operating Expenditure	Operating Surplus
	£'000	£'000	£'000	£'000
Social Housing Lettings (note 3a)	65,977	-	(48,091)	17,886
Other Social Housing Activities (note 3b)				
Supporting People	200	-	(176)	24
Development for sale				
First tranche shared ownership sales	1,131	(813)	-	318
Non Social Housing Activities (note 3c)				
Lettings	584	-	(346)	238
Other	6,621	-	(3,240)	3,381
Total	**74,513**	**(813)**	**(51,853)**	**21,847**

	2016			
	Turnover	Cost of Sales	Operating Expenditure	Operating Surplus/ (Deficit)
	£'000	£'000	£'000	£'000
Social Housing Lettings (note 3a)	65,883	-	(49,710)	16,172
Other Social Housing Activities (note 3b)				
Supporting People	206	-	(162)	44
Lease income	5	-	-	5
Development for sale				
First tranche shared ownership sales	213	(155)	-	57
Non Social Housing Activities (note 3c)				
Lettings	597	-	(305)	292
Other	5,483	-	(3,530)	1,952
Total	**72,386**	**(155)**	**(53,708)**	**18,523**

2. Turnover, Operating Expenditure and Operating Surpluses (cont.)

Company	2017 Turnover £'000	2017 Operating Expenditure £'000	2017 Operating Surplus/ (Deficit) £'000
Non Social Housing Activities (note 3c)			
Lettings	134	(201)	(67)
Corporate Services	21,134	(19,152)	1,982
Total	**21,268**	**(19,352)**	**1,916**

	2016 Turnover £'000	2016 Operating Expenditure £'000	2016 Operating Surplus/ (Deficit) £'000
Non Social Housing Activities (note 3c)			
Lettings	154	(160)	(6)
Corporate Services	22,432	(21,742)	690
Total	**22,587**	**(21,902)**	**685**

3(a). Income and expenditure from social housing lettings

Group Consolidated	General needs housing	Housing for older people	Supported housing	Shared ownership	Total 2017	Total 2016
	£'000	£'000	£'000	£'000	£'000	£'000
Income						
Rent receivable net of identifiable service charges	21,803	5,474	28,150	432	55,860	55,774
Service charge income	492	1,410	5,579	41	7,523	7,482
Charges for support services	1	349	315	-	665	823
Amortised government grants	86	-	14	-	100	76
Void guarantees and revenue grants	30	-	1,485		1,515	1,499
Other income	136	26	142	12	315	230
Turnover from social housing lettings	**22,548**	**7,260**	**35,685**	**485**	**65,977**	**65,883**
Expenditure						
Management	(6,755)	(4)	(2,572)	-	(9,330)	(9,108)
Service charge costs and support	(771)	(1,618)	(6,931)	(32)	(9,352)	(9,950)
Routine maintenance	(4,565)	(335)	(4,534)	(18)	(9,452)	(10,146)
Planned maintenance	(1,124)	(105)	(811)	(11)	(2,051)	(1,926)
Major repairs expenditure	(1,294)	(79)	(1,375)	(2)	(2,750)	(3,207)
Bad debts	(9)	(9)	(45)	-	(63)	(344)
Property operating leases charges	-	-	(3,752)	-	(3,752)	(3,749)
Depreciation of housing properties	(3,568)	(879)	(2,787)	(56)	(7,290)	(7,012)
Impairment of housing properties	(139)	-	(209)	-	(348)	(1,839)
Other costs	(2,019)	(191)	(1,488)	(3)	(3,701)	(2,430)
Operating costs on social housing lettings	**(20,243)**	**(3,222)**	**(24,504)**	**(122)**	**(48,091)**	**(49,710)**
Operating surplus on lettings activities	**2,304**	**4,038**	**11,181**	**363**	**17,886**	**16,172**
Void losses (included within rental income)	(230)	(131)	(3,070)	-	(3,431)	(3,424)

A number of the void losses above are subject to agreements where the Group is compensated for its losses. These void guarantees, which are not included in the void losses above, are chargeable to third parties in the year and totalled £1.5m (2016: £1.4m).

Impairment charges include impairment of previously revalued housing properties. There is a transfer from revaluation reserves of £0.3m (2016: £1.6m) which appears as a credit below operating surplus in the Statement of Comprehensive Income. The impairment on a historic cost basis is £47k (2016: £0.2m).

Other costs include restructuring costs, corporate costs, council tax and ground rent.

3(b). Turnover From Other Social Housing Activities

Group	2017	2016
	£'000	£'000
Other		
Supporting people	200	206
Lease income	-	5
Total	**200**	**211**

3(c). Turnover From Non Social Housing Activities

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Lettings				
Other rented	444	464	134	154
Commercial properties	140	133	-	-
	584	**597**	**134**	**154**
Other				
Key worker accommodation	3,436	3,355	-	-
Progress Lifeline services	2,438	1,384	-	-
Property Services	45	84	45	84
Support services for young people	369	300	-	-
Property Services provided to other group companies	-	-	9,998	11,362
Corporate services provided to other group companies	-	-	11,031	10,933
Lease income	276	300	-	-
Other	56	59	60	52
	6,621	**5,483**	**21,134**	**22,432**

4. Accommodation in Management

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Social housing				
General needs housing:				
At social rent	4,196	4,191	-	-
At affordable rent	475	442		-
Supported housing operating under a PFI service concession	315	315	-	-
Low cost home ownership	107	98	-	-
Supported housing	2,955	2,965	-	-
Housing for older people	1,331	1,330	-	-
Total social housing	**9,379**	**9,341**	**-**	**-**
Non social housing				
Key worker accommodation	9	9	-	-
Key worker accommodation operated under a service concession	573	573	-	-
Market rented	28	30	25	27
Other	80	91	-	-
Total non social housing	**690**	**703**	**25**	**27**
Total owned and managed	**10,069**	**10,044**	**25**	**27**

Supported housing units represent the number of tenancies, rather than the number of properties, as some properties are shared by up to four tenants.

5. Surplus for the year

	Group		Company	
	2017	2016	2017	2016
Is stated after charging:	£'000	£'000	£'000	£'000
Auditor's remuneration (excluding VAT)				
In their capacity as auditors	34	33	5	4
In respect of other services	13	12	9	7
Depreciation of tangible fixed assets				
- Housing properties	8,117	7,832	-	-
- Other fixed assets	919	836	731	657
Impairment on historic cost basis	48	232	-	-
Impairment on previously revalued amounts	300	1,607	-	-
Hire of other assets - operating leases				
- Housing properties	3,752	3,749	-	-
- Other fixed assets	453	459	383	400

6. Loss on disposal of property, plant and equipment

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Sale proceeds	954	1,840	142	-
Cost of sales	(978)	(1,684)	(161)	(4)
Operating costs associated with sales	(117)	(253)	(4)	-
Loss on disposals	(140)	(97)	(23)	(4)

Impairment charges of £0.3m (2016: £0.4m) have been accounted for in current and prior years on housing properties disposed of in the year.

7. Interest receivable

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Bank interest receivable	35	27	1	5
Interest on loan to joint venture company	225	225	-	-
	260	252	1	5

8. Interest and financing costs

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
On bank loans:				
Repaid during the year	382	67	-	-
Repayable within 1 year	154	159	-	-
Repayable within 1 & 2 years	275	278	-	-
Repayable within 2 & 5 years	1,164	1,172	-	-
Repayable wholly or partly in more than 5 years	9,160	10,117	-	-
On finance leases and overdrafts	14	16	14	16
Amortisation of loan issue costs	52	46	-	-
Pension scheme finance costs	298	373	226	282
Loan remeasurement	(287)	(275)	-	-
Financing costs	277	-	-	-
	11,489	11,954	240	298
Less: Interest capitalised	(80)	(248)	-	-
	11,409	11,707	240	298

Interest has been capitalised at an average of 4.1% during the year.

9. Taxation on Surplus on Ordinary Activities
(a). Analysis of the charge in the period

The tax charge on the surplus on ordinary activities for the year was as follows:

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Current tax:				
UK Corporation Tax charge for the year	393	25	393	25
Over provision in previous years	(25)	-	(25)	-
Total current tax	369	25	369	25
Deferred tax:				
Origination and reversal of timing differences	75	(17)	75	(17)
Tax on surplus on ordinary activities	444	8	444	8

(b). Factors affecting tax charge for the period

Surplus on ordinary activities before tax	10,592	7,222	1,654	65
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2016: 20%)	2,118	1,444	331	13
Effects of:				
(Profits) arising in charitable activities	(1,788)	(1,431)	-	-
Items not allowable for tax purposes	6	10	6	10
Other timing differences	67	1	67	1
Employers pension contributions	72	26	72	26
Movement in fair value of housing properties	-	(35)	-	(35)
Effect of differences in current and future tax rates	(7)	(7)	(7)	(7)
Over provision in previous year	(25)	-	(25)	-
	444	8	444	8

(c). Factors that may affect future tax charges

A deferred tax liability has been recognised on the Group's fixed assets, primarily IT assets, and other temporary timing differences. The deferred tax liability has been calculated at the substantially enacted future rate of tax of 17%.

10. Tangible Fixed Assets - Housing Properties

Group	Housing Properties Completed	Housing Properties Under Construction	Shared Ownership Completed	Shared Ownership Under Construction	2017 Total	2016 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 April	582,857	4,806	5,053	1,617	594,334	583,558
Additions	3,403	4,289	-	776	8,468	13,810
Transferred on completion	5,862	(5,862)	1,230	(1,230)	-	-
Transferred to stock	-	-	-	(1,012)	(1,012)	-
Disposals	(2,046)	-	(80)	-	(2,126)	(3,034)
As at 31 March	**590,076**	**3,234**	**6,204**	**152**	**599,665**	**594,334**
Depreciation						
At 1 April	89,779	-	218	-	89,997	81,678
Charge for the year	7,899	-	51	-	7,950	7,720
Depreciation on disposals	(776)	-	(2)	-	(777)	(815)
Impairment	61	-	-	-	61	1,414
As at 31 March	**96,963**	-	**267**	-	**97,231**	**89,997**
NBV						
As at 1 April	493,079	4,806	4,836	1,617	504,338	501,879
As at 31 March	**493,113**	**3,234**	**5,936**	**152**	**502,435**	**504,337**

The value of secured properties (including charged to third parties) is £401.8m (2016: £415.9m).

The above cost in respect of Housing Properties completed comprises

	Housing Properties Completed		Shared Ownership	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Freehold Properties	463,528	463,495	-	-
Long-leasehold Properties	29,585	29,583	5,936	4,835
Total	**493,113**	**493,079**	**5,936**	**4,835**

Capital additions include £0.08m (2016: £0.25m) of interest capitalised at an average 4.1% in the year. Property costs include an apportionment of development staff time directly spent on the administration of development activities amounting to £0.2m (2016: £0.26m) and on in-house legal costs amounting to £13k (2016: £5k).

Major repairs, renewals and improvements

	2017	2016
	£'000	£'000
Capitalised components and structure	3,407	3,018
Charged to revenue	2,861	3,070
Major Repairs Revenue and Capital	**6,268**	**6,088**

11. Tangible Fixed Assets - Other

Group Consolidated	Commercial and Office Properties Leasehold	Commercial and Office Properties Freehold	Fixtures & Fittings	Computer Hardware and Software	Investment Properties	2017 Total	2016 Total
		£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1 April	1,226	1,917	1,588	4,335	4,155	13,220	11,696
Additions	-	-	158	546	-	704	1,690
Disposals	-	-	(280)	(59)	(148)	(487)	(343)
Movement in fair value	-	-	-	-	(441)	(441)	177
At 31 March	**1,226**	**1,917**	**1,466**	**4,823**	**3,565**	**12,996**	**13,220**
Depreciation							
At 1 April	537	453	732	1,141	-	2,863	2,366
Charge for the year	103	49	142	626	-	919	836
Depreciation on disposals	-	-	(280)	(46)	-	(326)	(339)
At 31 March	**640**	**502**	**594**	**1,721**	-	**3,457**	**2,863**
NBV							
At 1 April	689	1,464	856	3,194	4,155	10,357	9,330
At 31 March	**586**	**1,415**	**872**	**3,101**	**3,565**	**9,539**	**10,357**

Company	Other Equipment	Office Properties	Fixtures & Fittings	Computer Hardware and Software	Investment Properties	2017 Total	2016 Total
		£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation							
At 1 April	280	1,113	356	4,335	2,442	8,527	7,181
Additions	-	-	-	546	-	546	1,511
Disposals	-	-	(220)	(59)	(148)	(427)	(166)
At 31 March	**280**	**1,113**	**136**	**4,823**	**2,294**	**8,646**	**8,527**
Depreciation							
At 1 April	33	208	291	1,141	-	1,673	1,355
Charge for the year	56	22	28	625	-	731	657
Depreciation on disposals	-	-	(220)	(46)	-	(266)	(339)
At 31 March	**89**	**230**	**99**	**1,720**	-	**2,138**	**1,673**
NBV							
At 1 April	247	905	65	3,194	2,442	6,853	5,826
At 31 March	**191**	**883**	**37**	**3,102**	**2,294**	**6,508**	**6,853**

Group and Company

Commerial and office properties, fixtures and fittings, computer hardware and software and other equipment are held at cost less accumulated depreciation. Investment properties were valued in 2016 by Garside Waddingham Chartered Surveryors with the exception of one investment property valued in 2017.

12. Investments In Joint Ventures

Group	2017 £'000	Restated 2016 £'000
Share of net liabilities	(4,917)	(3,993)
Subordinated debt loaned to joint venture company	1,829	1,855
Provision for share of liabilities	**(3,088)**	**(2,138)**
Share of profit on ordinary activities after tax	59	50
Share of other comprehensive (loss)/income	(951)	315

Progress Care Housing Association holds 33.3% (£333) of the equity share capital of Leeds Independent Living Accommodation Holdings Ltd, a private finance initiative commissioned by Leeds City Council to fund the reprovision of accommodation for independent living. This is a joint venture with two other shareholders, Civic PFI Investments Limited and Jack Lunn (Properties) Ltd, each holding 33.3% of the equity share capital.

The Lilac PFI company is the fixed interest rate payer of free-standing interest rate swap. Due to falls in variable interest rates, that swap is 'out of the money' for Lilac Holdings, so the fair value of the swap is a liability. As a result the Group has recognised a liability for the difference between its investment in Lilac and its share of the fair value of its share of the liability on the swap.

13. Stock

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Property Services	121	84	121	84
Completed shared ownership properties held for sale	537	236	-	-
	658	**320**	**121**	**84**

Property Services is in relation to van stock.

14. Debtors

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Amounts falling due within one year:				
Rent and service charge arrears	3,190	3,290	7	6
Less provision for rental bad debts	(1,323)	(1,478)	(5)	(5)
	1,867	**1,812**	**2**	**1**
Trade debtors	1,641	1,167	2	159
Amounts owed by group companies	-	-	848	682
Prepayments and accrued income	1,892	1,528	548	493
Less provision for sundry bad debts	(182)	(231)	(3)	(3)
Other debtors	-	138	-	138
	3,351	**2,603**	**1,395**	**1,469**
Amounts falling due after more than one year:				
Deferred tax - fixed asset and other timing differences	(125)	(50)	(125)	(50)
Total Debtors	**5,093**	**4,364**	**1,272**	**1,420**

15. Current Asset Investments

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Bank deposits accessible on demand	8,817	5,634	-	-
Deposits held for leasehold schemes	173	166	-	-
	8,990	**5,800**	-	-

16. Creditors: amounts falling due within one year

	Notes	Group		Company	
		2017	2016	2017	2016
		£'000	£'000	£'000	£'000
Bank balances		911	1,368	911	1,347
Loans repayable within one year	**19**	3,679	3,538	-	-
Obligations under finance leases	**19**	56	56	56	56
Rent and service charge received in advance		1,132	1,356	1	3
Trade creditors		1,863	1,108	610	507
Accruals and deferred income		5,426	5,217	852	1,326
Amount owed to group companies		-	-	-	1,206
Disposal proceeds fund	**17**	19	19	-	-
Pension deficit liability	**27**	248	220	137	124
Recycled capital grant fund	**18**	8	8	-	-
Government grants relating to assets	**19**	106	83	-	-
Corporation tax		120	-	122	-
Other current liabilities		616	575	220	201
Loan remeasurement		300	287	-	-
		14,482	**13,834**	**2,909**	**4,770**

Bank balances substantially relate to un-cleared payments. Standard payment terms are 30 days from date of invoice.

17. Disposal Proceeds Fund

		Group		Company	
		2017	2016	2017	2016
		£'000	£'000	£'000	£'000
At 1 April		19	18	-	-
Recycling of grant: new build		-	-	-	-
At 31 March	**16**	**19**	**18**	**-**	**-**

18. Recycled Capital Grant Fund

		Group		Company	
		2017	2016	2017	2016
		£'000	£'000	£'000	£'000
At 1 April & 31 March	**16**	**8**	**8**	-	-

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

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Housing loans	247,122	256,155	-	-
Housing Loans remeasurment	4,197	4,497	-	-
Obligations under finance leases	135	191	135	191
	251,454	**260,843**	**135**	**191**

Maturity of debt	Notes	Group	
Bank and building society loans repayable in instalments as follows:		Loan Repayment	
		2017	2016
		£'000	£'000
Within one year	16	3,679	3,538
Between one and two years		6,455	6,164
Between two and five years		27,244	26,030
After five years		214,158	224,748
Amounts falling due after more than one year		247,857	256,942
Less loan issue costs		(735)	(787)
Amounts falling due after more than one year		247,122	256,155
Total housing loans		**250,801**	**259,693**

Loan Remeasurement	Notes	Group	
Bank and building society loans repayable in instalments as follows:		Loan Remeasurement	
		2017	2016
		£'000	£'000
As at 1 April	8	4,784	5,059
Amortisation		(287)	(275)
As at 31 March		**4,497**	**4,784**
Due within one year	16	**300**	**287**
Due after one year		**4,197**	**4,497**

Bank and building society loans are secured by fixed charges on the Groups' assets. They include fixed and variable rate loans, at various rates, between 0.97% and 7.21%.

Reserves in the Statement of Financial Position include £89.2m (£81.2m at transition of FRS102 at 1 April 2014) of Financial Assistance and Government Grants. £0.2m has been recognised in the Statement of Comprehensive Income since transition of FRS102.

19. Creditors: amounts falling due after more than one year (cont.)

	Notes	Group		Company	
Repayment of lease					
Photocopier lease repayable in instalments as follows:		2017	2016	2017	2016
		£'000	£'000	£'000	£'000
Within one year	16	56	56	56	56
Between one and two years		56	56	56	56
Between two and five years		79	135	79	135
		135	**191**	**135**	**191**
Total lease		**191**	**247**	**191**	**247**

Government grants relating to assets	Notes	2017	2016
		£'000	£'000
Deferred income - Government grants			
At 1 April		7,676	6,649
Grants receivable		919	1,103
Amortisation to Statement of Comprehensive Income		(100)	(76)
At 31 March		**8,495**	**7,676**
	16		
Due within one year		**106**	**83**
Due after one year		**8,389**	**7,594**

20. Non-Equity Share Capital

Group Consolidated and Company	2016	2015
	£	£
Allotted issued and fully paid:		
At 1 April	6	6
Issued during the year	7	-
Surrendered during the year	(5)	-
At 31 March	**8**	**6**

The shareholders do not have a right to any dividend or distribution upon winding-up. Each shareholder has full voting rights and £1 non-equity shares.

21. Capital Commitments

	Group 2017 £'000	Group 2016 £'000
Capital expenditure contracted but not provided for in the financial statements	3,807	2,008
Capital expenditure that has been authorised by the Board of Directors but has not yet been contracted for	16,372	5,639
	20,179	**7,647**

	Group 2017 £'000	Group 2016 £'000
Progress Housing Group expects the contracted commitments to be financed with:		
Grants	1,474	285
Committed loan facilities and free cash flow	18,705	7,362
	20,179	**7,647**

Commitments for payables and receivables in relation to non-cancellable operating leases are analysed below:

	Group Housing Properties 2017 £'000	Group Housing Properties 2016 £'000
Leased from external bodies		
Not later than one year	3,446	3,453
Later than one year and not later than five years	3,419	4,193
Later than five years	1,831	1,937
	8,697	**9,583**

	Group Housing Properties 2017 £'000	Group Housing Properties 2016 £'000
Leased to external bodies		
Not later than one year	342	364
Later than one year and not later than five years	687	808
Later than five years	219	254
	1,248	**1,426**

22. Emoluments of the Board and the Directors

Analysis of Non Executives Emoluments	2017	2016
	£'000	£'000
Non executives remuneration	101	102

The Group provides emoluments to Non-Executive Directors.
During the year there were no benefits, other than wages and salaries, payable to Board members.
Details on individual board member remuneration can be obtained from the Group's website.

Analysis of Directors' Emoluments	2017	2016
	£'000	£'000
The Directors of the Group are its members and the Executive Officers. All emoluments are contained in the company.		
Emoluments of the Group's Directors including pension contributions	682	697
Emoluments of the Group's Directors excluding pension contributions	609	619
Emoluments of the Chief Executive, who was the highest paid Director, excluding pension contributions	171	174

The Chief Executive of the Group was an ordinary member of a pension scheme up until 31st December 2016, and no enhanced or special terms applied. There are no other individual pension arrangements to which the Group makes a contribution on behalf of the Chief Executive.

23. Employee Information

	Group		Company	
	2017	2016	2017	2016
	No.	No.	No.	No.
The average number of full-time equivalent persons employed during the year was:				
Office staff	315	342	193	200
Staff providing tenant services	18	17	-	-
Maintenance	94	94	94	94
	427	**453**	**288**	**294**

Full time equivalents are calculated based on a standard working week of 36.25 hours for all employees except for 39 hours for property services employees and 36.5 hours for Key Unlocking Futures Limited employees.

Staff costs (for the above persons)	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Wages & salaries	14,035	15,017	10,206	10,522
Social security costs	1,294	1,176	946	851
Other pension costs	1,913	1,907	795	1,376
	17,242	**18,100**	**11,946**	**12,749**

Group: wages and salary cost includes £0.6m (2016: £1m) of restructuring costs. Other pension costs includes £0.05m (2016: £0.5m) for remeasurement of SHPS liabilities.

Company: wages and salary cost include £0.5m (2016: £0.6m) of restructuring costs. Other pension costs includes £0.03m (2016: £0.3m) for remeasurement of SHPS liabilities.

23. Employee Information (cont.)

Remuneration bandings for all employees earning over £60,000:	Group		Company	
	2017	2016	2017	2016
£60,000 - £70,000	7	6	5	4
£70,001 - £80,000	2	5	2	4
£80,001 - £90,000	8	7	6	4
£100,001 - £110,000	-	2	-	2
£110,001 - £120,000	1	-	1	-
£120,001 - £130,000	3	4	3	4
£130,001 - £140,000	-	1	-	1
£140,001 - £150,000	-	1	-	1
£180,001 - £190,000	1	1	1	1
	22	27	18	21

Remuneration for the above includes salaries, bonuses, benefits in kind and compensation for loss of office.
The remuneration bandings for employees earning over £60,000 includes the Directors disclosed in note 22.

24. Cash Flow Statement Notes

Group

	1 April £'000	Cash Flow £'000	Other Changes £'000	31 March £'000
Analysis of net debt				
Cash in hand, at bank and overdrafts	(230)	421	-	192
Current asset investments	5,800	3,190	-	8,990
Debt due within one year	(3,881)	(85)	287	(3,679)
Debt due after one year	(260,843)	9,385	(52)	(251,510)
Total	**(259,154)**	**12,913**	**235**	**(246,007)**

Other changes relate to remeasurement of debt £287k and amortisation of borrowing costs £32k (see note 19).

25. Related Party Transactions

At the end of the financial year there were no members of the boards who were tenants of the Group (2016: 6). The Group does not report any intercompany transactions under the exemption 33.1a of FRS 102.

26. Parent Undertakings and Group Transactions

The Group comprises the following bodies:	No of shares held	Principal activity
Progress Housing Group Limited	N/A	Provision of corporate services, development, legal, property maintenance, market rented and housing
New Progress Housing Association Limited	1	Provision of Social and Supported Housing
Progress Care Housing Association Limited	1	Provision of Supported Housing and Key Worker Accommodation
New Fylde Housing Limited	1	Provision of Social and Supported Housing
Key Unlocking Futures Limited	N/A	Provision of support for the young and homeless
Concert Living Limited	1	Dormant

All of the Registered Provider companies are registered with the Homes and Communities Agency and incorporated under the Co-operative and Community Benefit Societies Act 2014. Progress Care Housing Association Limited, New Progress Housing Association Limited and New Fylde Housing Limited are charitable registered providers. The Parent company has the ability to appoint and dismiss subsidiary directors.

Key Unlocking Futures Limited is incorporated as a company limited by guarantee incorporated under the Companies Act 2006 and is a registered charity under the Charities Act 2011. Concert Living Limited was incorporated as a company on the 7th April 2017.

27. Pension Obligations

The Group participates in two pension schemes, Lancashire County Council's Superannuation Fund (LCC) and the Social Housing Pension Scheme (SHPS) administered by the Pensions Trust. The LCC is a defined benefit scheme and SHPS has both defined benefit streams and defined contribution streams within its scheme, and detailed regulations govern the rates of pension contribution by both employees and the Group. Benefits are normally in the form of a lump sum retirement grant plus an annual pension.

As a responsible employer, the Group's strategy is to proactively manage defined-benefit pension scheme deficits by taking the following steps, whilst ensuring the pension offered is competitive.

- Closing both its multi-employer, defined-benefit pension schemes to new membership in 2009, reduced from 206 employees in 2009 to 133 employees in 2017.
- Increasing employer contributions beyond those actuarially assessed.
- Making additional lump sum payments to the Lancashire Local Government Pension scheme, where indicated by actuarial assessment.
- Making a good quality defined contribution scheme available for all new starters.

Employer's contributions are based on percentages of employees' earnings as recommended by the actuary of the fund in his valuation. The ability of the pension funds to provide statutory benefits is assessed every three years by an independent professionally qualified actuary, and employer's contributions are reviewed in light of the actuary's report.

Pension Liabilities:	**Notes**	**Group**	**Company**	**Group**	**Company**
		2017	**2017**	**2016**	**2016**
		£'000	**£'000**	**£'000**	**£'000**
Lancashire County Council's Pension Fund		10,782	7,812	6,792	4,293
Social Housing Pension Scheme		1,840	1,025	2,014	1,120
		12,622	**8,837**	**8,806**	**5,413**
	16				
Creditors: Amounts falling due within one year		248	137	220	124
Pension liabilities		12,374	8,700	8,586	5,289
		12,622	**8,837**	**8,806**	**5,413**

27. Pension Obligations (cont.)

LANCASHIRE COUNTY PENSION FUND
The most recent full actuarial valuation of the fund was as at 31 March 2016, the results of which were:

Valuation Method	**Projected Unit**
Value of Assets	£6,036 million

The Group's employers' contributions to the fund during the year were 15.9% of pensionable salary in the year, and amounted to £913,901. The following table details the numbers of staff who are members of the fund. The Group parent Progress Housing Group Limited and Progress Care Housing Association paid an additional £250k each at the end of March 2017 (2016: £500k) into the fund beyond the actuarially assessed contributions.

Pension Liabilities	**Employers' Contributions**		**No. Staff**	
	2017	**2016**	**2017**	**2016**
	£	**£**		
New Progress Housing Association	55,135	86,452	16	20
Progress Care Housing Association	84,569	108,497	13	20
Progress Housing Group	600,496	843,688	104	121
Discretionary Additional Contribution	500,000	500,000		
Total Group	**1,240,201**	**1,538,638**	**133**	**161**

Actuarial Assumptions	**At 31/03/17**	**At 31/03/16**
Rate of CPI Inflation	2.30%	2.00%
Rate of Increase in Salaries	3.80%	3.50%
Rate of Increase in Pensions	2.30%	2.00%
Discount Rate	2.50%	3.60%

27. Pension Obligations (cont.)

Asset Information	Market Value at 31 March 2017 £'000	% Split of Assets %	Market Value at 31 March 2016 £'000	% Split of Assets %
Equities	-	0	12,929	34.40
Government Bonds	1,014	2.00	752	2.00
Other Bonds	811	1.60	752	2.00
Property	4,462	8.80	3,608	9.60
Cash/Liquidity	558	1.10	1,278	3.40
Other (includes Credit funds, Overseas pooled & Private equity funds, Infrastructure)	43,859	86.50	18,267	48.60
Total Market Value of Assets	50,704	100.00	37,586	100.00
Present Value of Scheme Liabilities	63,086		45,321	
Net Pension Liability before tax asset	(12,382)		(7,735)	
Group parent allocation	(9,412)		(5,236)	
Deferred tax asset	1,600		943	
	(7,812)		(4,293)	

The allocation is based on the number of direct employees. A deferred tax asset of £1.531 million has been recognised in respect of the parent company's LGPS deficit, being 17% of the liability (representative of the substantially enacted future tax rate).

The following disclosures relate to the Group as a whole (excl NFH):

Balance Sheet Items as at 31 March	2017 £'000	2016 £'000
Present Value of Funded Benefit Obligations	62,989	45,088
Present Value of Unfunded Benefit Obligations	97	233
Total Present Value of Benefit Obligations	63,086	45,321
Fair Value of Plan Assets	(50,704)	(37,586)
Deficit before deferred tax asset	**12,382**	**7,735**

Components of pension cost for period to 31 March	2017 £000's	2016 £000's
Current Service Cost	1,051	1,349
Net Interest Cost	251	343
Admin Expenses	23	22
Curtailments	132	-
Total pension cost recognised in Income & Expenditure	**1,457**	**1,714**
Statement of Recognised Total Recognised Surpluses and Deficits		
Remeasurements (liabilities & assets)	4,702	(3,400)
Total Remeasurements included in Statement of Comprehensive Income	**4,702**	**(3,400)**

27. Pension Obligations (cont.)

Change in Benefit Obligation during period to 31 March	2017		2016	
		£'000		£'000
	Unfunded Benefits	All Benefits	Unfunded Benefits	All Benefits
Benefit Obligation at beginning of period	233	45,321	239	45,954
Current Service Cost	-	1,051	-	1,349
Interest on Pension Liabilities	9	1,616	8	1,505
Member Contributions	-	330	-	396
Remeasurements (gain)/loss on assumptions	(139)	15,841	(8)	(2,864)
Benefits/transfers paid	(6)	(1,205)	(6)	(1,019)
Curtailments	-	132	-	-
Benefit Obligation at end of period	97	63,086	233	45,321

Change in Plan Assets during period to 31 March	2017		2016	
		£'000		£'000
	Unfunded Benefits	All Benefits	Unfunded Benefits	All Benefits
Fair value of plan assets at beginning of period	-	37,586	-	34,988
Interest on plan assets	-	1,365	-	1,162
Remeasurements assets	-	11,139	-	536
Admin expenses	-	(23)	-	(22)
Employer contributions	6	1,512	6	1,545
Member contributions	-	330	-	396
Benefits/transfers paid	(6)	(1,205)	(6)	(1,019)
Fair value of plan assets at end of period	-	50,704	-	37,586
Actual Return on Plan Assets		7,361		1,699

Post retirement mortality assumptions		
Non-retired members	S2PA CMI_2015 [1.5%] (98% Males, 89% Females)	S1PA CMI_2012 [1.5%] (100% Males, 98% Females)
Retired members	S2PA CMI_2015 [1.5%] (99% Males, 93% Females)	S1PA CMI_2012 [1.5%] (100% Males, 98% Females)
Life expectancy		
of a male (female) future pensioner aged 65 in 20 years time	24.9 (27.9) years	25.2 (27.9) years
of a male (female) current pensioner aged 65	22.6 (25.2) years	23 (25.6) years
Market value of total fund assets (£ millions)	**7,116**	**5,788**

27. Pension Obligations (cont.)

Social Housing Pension Scheme

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

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

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

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

Deficit contributions

Tier 1 From 1 April 2016 to 30 September 2020:
£40.6 million per annum (payable monthly and increasing by 4.7% each year on 1 April)

Tier 2 From 1 April 2016 to 30 September 2023:
£28.6 million per annum (payable monthly and increasing by 4.7% each year on 1 April)

Tier 3 From 1 April 2016 to 30 September 2026:
£32.7 million per annum (payable monthly and increasing by 3% each year on 1 April)

Tier 4 From 1 April 2016 to 30 September 2026:
£31.7 million per annum (payable monthly and increasing by 3.0% each year on 1 April)

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

27. Pension Obligations (cont.)

Social Housing Pension Scheme (cont.)

Progress Housing Group particpates in the SHPS defined-benefit scheme which is in deficit and members of the Group have agreed to a deficit funding agreement and therefore the Group recognises a laibilty for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost. Details of the amounts recognised are shown below:

	Note	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Present Value of provision		**3,647**	**1,025**	**2,014**	**1,120**
Reconciliation of opening and closing provisions					
Provision at 1 April		2,014	1,120	1,669	913
Unwinding of the discount (interest expense)		39	22	30	16
Deficit contributions paid		(261)	(144)	(204)	(112)
Remeasurements - impact of change in assumptions		48	27	(11)	(6)
Remeasurements - amendments to the contribution schedule		-	-	530	309
Provision at 31 March		**1,840**	**1,025**	**2,014**	**1,120**
Creditors : Amounts falling due within one year	**16**	**248**	**137**	**220**	**124**
Pension liabilities		**1,592**	**888**	**1,794**	**996**
		1,840	**1,025**	**2,014**	**1,120**
Income and expenditure impact					
Interest expense		39	22	30	16
Remeasurements - impact of change in assumptions		48	27	(11)	(6)
Remeasurements - amendments to the contribution schedule		-	-	530	309
Provision at the end of the period		**87**	**49**	**549**	**319**
Assumptions					
Rate of discount used		**1.33%**	**1.33%**	**2.06%**	**2.06%**

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Progress Housing Group Limited
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and with the Homes and Communities Agency LH4189.

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