

Norwich Housing Society Limited

**Company Number: IP11676R
Registered Social Landlord number: L1405.**

Audited Financial Statements

For the year ended 31 October 2016

Norwich Housing Society Limited

Year ended 31 October 2016

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Norwich Housing Society Limited

Year ended 31 October 2016

The Board of Management submit their annual Report and Financial Statements for the year ended 31 October 2016.

Reference and Administrative Details

**Homes and Communities Agency
Registration Number:**

L1405

Company Registration Number:

IP11676R

Board of Management:

C Sangster - Chairman
J Boon - Vice Chairman
J Kidd
M Land
N Parsons
W Taylor
G Tewson

Registered Office:

13 Bracondale
Norwich
Norfolk
NR1 2AL

Chief Executive:

M Allen

Property Services Manager:

A Broom

Bankers:

HSBC
18 London Street
Norwich
NR2 1LG

Lloyds Plc
3rd Floor
25 Gresham Street
London
EC2V 7HN

Solicitors:

Spire Solicitors LLP
38 Prince of Wales Road
Norwich
NR1 1HZ

Auditor:

Lovewell Blake LLP
Bankside 300
Peachman Way
Broadland Business Park
Norwich
NR7 0LB

Norwich Housing Society Limited

Report of the Chairman

For the year ended 31 October 2016

This has been another very busy year for Board and Staff alike. There are just seven members on the Board, all of whom give their time and expertise unstintingly for the good of the Society, and we have achieved a great deal. The most significant project undertaken this year has been the sale of the ten general-needs houses in Starling Road, in order to purchase twenty purpose-built apartments for our core business in accommodating people over sixty, who are of limited means. This development is at Bluebell Road, Eaton, Norwich and we anticipate taking possession of this scheme within twelve to eighteen months after the building programme begins in March 2017. I must thank Maurice Land in particular here for the hours he has given to this entire venture, and for the level of scrutiny and professionalism he has brought to the task. The Board's reorganised sub-committees meet at regular intervals, and are expertly lead by people who are well qualified for the task; this makes the work of the Board more effective and efficient.

Board succession is now planned bearing in mind the National Housing Federation Model Rules 2011, which the Society adopted at the AGM in March 2014. We now have a rolling programme of two or three members seeking re-election or standing down after each three year period of service, until the ninth year when they must stand down; although they can reapply after one year's absence. We are all constantly looking at the skill sets we need to be more effective in our work, and in the light of the changing legislation and government directives.

Mike Allen our current CEO, who has been in post since March 2014, continues to work tirelessly for the good of the Society, and in the leadership of the staff. The demands of the past twelve to eighteen months have been great, due to the major development the Society has undertaken, calling on all his skills and challenging his time management. He is supported by a very competent group of people who work well together, while being encouraged to develop and use their individual skills resulting in a more motivated, flexible and efficient team. The Board continues to keep a watching brief in all aspects of staff deployment, and the working environment within the office, and the Scheme Managers' homes and work places. The relationship between the Board members and staff is good. All this applies not only to the Norwich Housing Society, but also to the Stuart Court Memorial Charity for which the Society is the Corporate Trustee, monitored by the Board. The day to day work of the Society has continued to provide a high level of service to our tenants, and our property portfolio has been well managed and maintained.

The recent tenant satisfaction survey conducted by Acuity, highlighted the fact that our level of service, and attention to detail, had improved in many areas, from the previous survey conducted in 2013. This is rewarding, but we shall continue to check and double check what we do and why, in order to maintain this high level of tenant satisfaction, while endeavouring to find new ways of service provision and communication.

Communications are helped by the wider circulation of *The Elder*, a quarterly newsletter, produced in house. The tenant meetings are held twice each year, and are proving extremely helpful in promoting dialogue between staff, tenants, board and contractors. This is time well spent as it reduces speculation and gossip, and helps us all to work together from an informed base.

We have a well maintained and monitored tenant waiting list, which helps to keep voids low at all times, but we shall have to be more pro-active in the near future in order to find suitable tenants for the new scheme. Where a property is left empty for a longer period of time this has occurred in order to make improvements to either the unit or the scheme. The void levels have been higher in the last year due to the need to assist our tenants in eight of the Starling Road properties to move into either council or other housing association houses, to facilitate the sale of all ten houses in order to fund the new development at Bluebell Road, Eaton, Norwich. There are two remaining properties which are to be sold to the purchaser at a later date, when the current tenants choose to vacate; a situation which has arisen due to the type of tenancy they hold.

The Society's reserves have been used to fund the major property improvements, but our financial position is strong, with all the loan covenants satisfied. We are very conscious of the need to gain value for money in all our dealings. Contracts for work are routinely reviewed and tendered for if necessary. Our tenants' views are taken into consideration where appropriate. We will use our income wisely, and by so doing maintain our properties to provide efficient, comfortable accommodation for our tenants.

We are still examining ways to build or purchase additional properties, even with the Bluebell Road project underway, as we need to progress the service provision of the Society while being mindful of the need to sustain and maintain all our housing stock. In order to achieve this we must continue to seek any funding available to us, while taking time at the planning stage in order to avoid long periods of lost income or tenant displacement. Once

Norwich Housing Society Limited

Report of the Chairman (continued)

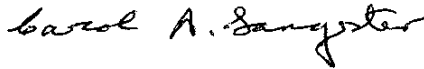
For the year ended 31 October 2016

again these patterns can be applied to Stuart Court Memorial Charity, who have now purchased three houses in the city from the Norwich Housing Society. This was done on the understanding that the rents from these three properties would provide a better return in the current climate than the income from the investments, which were sold in order to buy the houses and upgrade the heating system.

Upgrading the heating system at Stuart Court was a major undertaking in a property over one hundred years old, but it was completed without relocating the tenants which was possible thanks to Andy Broom's constant response to tenant needs and concerns. Two flats became vacant just before the work began which were used by the heating engineers for safe storage and as a rest room, but they have now been refurbished and are ready to be let. The end result is a more efficient service both to the Society and the tenants, which allows the residents to have greater control over the temperature of their homes; it is more cost effective for us all. The Centenary Garden is proving to be a delight to the tenants and passers-by alike, and we hope it will continue to bring pleasure as it matures.

I believe the Norwich Housing Society, and Stuart Court Memorial Charity, are more than ready to move forward into the future thanks to the dedication of both the Staff and Board. As Almshouses Stuart Court has been assisted by the Almshouses Association who lobbied parliament, and by so doing gained an exemption from the forthcoming 1% decrease in rents, which is to be applied to all for other Housing Associations. It is our duty to stay abreast of national legislation changes, and national and global trends, if we are not only to survive, but to thrive and compete with the larger providers in the services we offer.

Carol A Sangster
Board Chairman



31 January 2017

Norwich Housing Society Limited

Report of the Board of Management

For the year ended 31 October 2016

Board of Management members

The board members who served during the year are shown on page 1.

Other than M Land, who is associated with REAL Consulting, an advisor to the Society, no potential or actual conflicts of interest have been declared by members during this financial year. S James resigned on 2 February 2016. All other members served during the year and up to the date of this report. Each member of the board owns a £1 share in the society.

Nature of the Society, Objectives and Strategies

The Society exists in order to provide, within the city of Norwich, affordable good quality rented accommodation for those over 60 years of age currently without a self-contained home or living in other circumstances unsuitable to their needs.

The ongoing objective is to acquire by means of development or otherwise, sufficient self-contained residential units so as to accommodate all current and future applicants in genuine need of rehousing; whilst at the same time ensuring the proper maintenance, modernisation and management of all existing properties.

Financial Review and Position at Year-End including factors affecting that position

The Society has completed another successful year.

Rent and Service Charge income has increased from £1,358k (2015), to £1,379k before voids, due to increased prices.

Operating costs are higher than the previous year amounting to £1,260k (2015: £1,176k).

A surplus of £95,087 (2015: £149,213) has been added to reserves. During the year we invested £75,299 (2015: £41,711) in capital expenditure.

Rent policy

The Society's rent policy is in accordance with the government's Rent Influencing Regime (Rent Restructuring).

Reserves policy

It is the policy of the Society to reinvest all surpluses in the maintenance and improvement of its properties and additional development.

Future developments including factors and influences on future performance

The Board of Management continues to review the Society's development future and the areas within the existing stock where improvements could be made.

Value for money

The Society's assets are managed in order to deliver the best possible service as efficiently, effectively and economically as possible. If appropriate, any surplus cash funds in excess of the Reserves Rationale are prioritised and used to further maintain and improve the condition of our properties.

The state of repair of the Society's properties is regularly reviewed by the Board and its sub-committees.

The review of the Society's portfolio, started in the previous financial year, has resulted in the sale of ten houses built in the 1930's and a development contract to build twenty, one and two bedroomed flats under a S106 development agreement. This has negated expenditure in repair liabilities that would have been required and allowed the Society to benefit from available grants. This new development is self-funding and rental income and return on assets in future years will also increase as a result.

Norwich Housing Society Limited

Report of the Board of Management (continued)

For the year ended 31 October 2016

Value for money (continued)

Expenditure on Major Repairs increased in 2016 as other properties were upgraded. Expenditure on Routine Maintenance reduced as a result of a more proactive approach to property maintenance in previous years. Tenants' satisfaction with property repairs is regularly measured and monitored. 96% of tenants who had a repair carried out in the year to October 2016 were either satisfied or very satisfied with the work done and the way it was undertaken. 1% was dissatisfied. Further information is available within the Tenants' satisfaction survey report.

Losses due to Voids increased as tenants were found alternative accommodation, in order that properties could be sold or upgraded. Management costs, which include one-off tenant decant costs and some professional fees relating to the new development, increased in 2016 as a result of this strategic decision. Performance indicators are benchmarked against other small housing providers for older people. Rent collection rates, levels of rent arrears, void losses and staff sickness absence are monitored and compared and none give any cause for concern.

Acuity, a firm of consultants, was commissioned to carry out the triennial tenants' satisfaction survey during the year. A high response rate of 72% was obtained. Overall satisfaction with the services provided by the Association is at 95%, with very high ratings also awarded for the quality of the home (96%) and the neighbourhood (94%). The satisfaction ratings found are evidence of strong performance at the Society and a credit to staff, management and the Board.

Value for money: Around nine out of ten tenants are satisfied with the value for money of the rent (93%) and with their service charges (88%). One in fourteen is dissatisfied with the VFM of their service charge (7%). VFM satisfaction has increased slightly since 2013 for rent (3% higher) and the service charges (5% higher).

Both the Tenants' satisfaction and Value for Money reports are available within the "About Us" area of the Society's website <http://www.norwichhousingsociety.org>

Statement of compliance

In preparation of the financial statements, Norwich Housing Society has complied with all aspects of the HCA's Governance and Financial Viability Standard.

Code of governance

The National Housing Federation Model Rules 2011 were adopted by the Society at the AGM in March 2014.

Statement on the Registered Social Housing Provider's Internal Control Systems

The Board of Management acknowledges its ultimate responsibility for ensuring that the Society has in place a system of controls that is appropriate to the business environment in which it operates and for the review of the effectiveness of that system during the year. These controls are designed to identify and manage rather than eliminate risks which may prevent the organisation from achieving its objectives. The system is designed to give reasonable rather than absolute assurance with respect to:

- the reliability of information used within the Society or for publication;
- maintenance or proper accounting and management records; and
- the safeguarding of assets against unauthorised use or disposal.

The Board of Management has identified the significant risks attaching to the Society and has procedures in place to minimise the exposure. Such procedures are regularly reviewed during the year.

Norwich Housing Society Limited

Report of the Board of Management (Continued)

For the year ended 31 October 2016

Statement on the Registered Social Housing Provider's Internal Control Systems (continued)

Key elements of the system of control include ensuring that:

- formal policies and procedures are in place, which allow the monitoring of controls and restrict the unauthorised use of the Society's assets;
- experienced and suitably qualified staff take responsibility for important business functions;
- forecasts and budgets are prepared which allow the Board, Committees and management to monitor the key business risks and financial objectives, and progress towards financial plans set for the year and the medium term; regular management accounts are prepared promptly, providing relevant reliable and up to date financial and other information and significant variances from budgets are investigated as appropriate;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures;
- the Finance & Operations sub-committee reviews reports from management as and when required by the Board of Management and from the external auditors to provide reasonable assurance that control procedures are in place and are being followed. The Finance & Operations sub-committee makes reports to the Board of Management following each time it meets;
- the Board of Management adopts appropriate procedures or takes appropriate action to correct weaknesses identified from the above reports.

The Board of Management acknowledges that their responsibility applies to the complete range of risks and controls within the Society's activities.

On behalf of the Board of Management, the Finance & Operations sub-committee has reviewed the effectiveness of the system of internal control procedures in existence in the Society. No weaknesses were found in the internal controls which resulted in material loss, contingencies, or uncertainties which require disclosure in the financial statements or in the auditors' report on the financial statements.

Political donations and expenditure

The Society has neither made nor received any donations during the course of this financial year.

Equal opportunities

The Society believes it has a "fair housing programme" which does not discriminate on the grounds of colour or race, sex or disability in each of the five following categories - Access to housing; Quality of housing; Security of tenure; Influence over management; and Redress when things go wrong.

It is also intended that this policy should extend to the Society's employees, consultants and contractors and to the composition of the Board of Management.

Norwich Housing Society Limited

Report of the Board of Management (continued)

For the year ended 31 October 2016

Statement of the Board of Management's Financial Responsibilities

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

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board of Management to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Society and of its income and expenditure for that period. In preparing these financial statements, the Board of Management are required to:

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

The Board of Management are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Society and enable them to ensure that the 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 in England 2015. It has general responsibility for taking reasonable steps to safeguard the assets of the Society and to prevent and detect fraud and other irregularities.

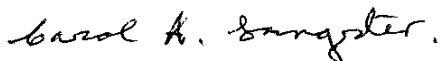
The Board of Management are also responsible for the maintenance and integrity of the corporate and financial information included on the Society's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Disclosure of Information to Auditor

We, the Board members of Norwich Housing Society Limited, who held office at the date of approval of these financial statements as set out above, confirm, so far as we are aware, that:

- there is no relevant audit information of which the Society's auditor is unaware; and
- we have taken all the steps that we ought to have taken as Board members to make ourselves aware of any relevant audit information and to establish that the Society's auditor is aware of that information.

On behalf of the Board



Carol Sangster
Chairman

31 January 2017

Norwich Housing Society Limited

Independent auditors' report to the members of Norwich Housing Society Limited

Year ended 31 October 2016

We have audited the financial statements of Norwich Housing Society Limited for the year ended 31 October 2016 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) [including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"].

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

Respective responsibilities of the Board of Management and the auditor

As explained more fully in the Statement of the Board of Management's responsibilities set out on page 7, the Board of Management is responsible for the preparation of the financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 October 2016 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing in England 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:

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

Lovewell Blake LLP
Lovewell Blake LLP
Statutory Auditor
Bankside 300
Peachman Way
Broadland Business Park
Norwich
NR7 0LB

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Norwich Housing Society Limited
Statement of Comprehensive Income
For The Year Ended 31 October 2016

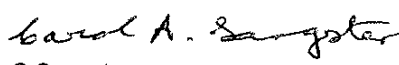
| | Note | 2016 £ | 2015 £ |
|--|------|----------------|----------------|
| Turnover | 2 | 1,457,523 | 1,435,640 |
| Operating expenditure | 6 | (1,259,767) | (1,175,734) |
| Operating surplus | | <u>197,756</u> | <u>259,906</u> |
| Interest receivable | 3 | 119 | 970 |
| Interest and financing costs | 4 | (102,788) | (111,663) |
| Total comprehensive income for the year | 5 | <u>95,087</u> | <u>149,213</u> |

The only recognised gain is the surplus for the year of £95,087.

There is no difference between the reported surplus for the year and historical cost surpluses or deficits.

The results relate wholly to continuing activities.

The financial statements were approved by the board on 31 January 2017


C Sangster
(Chairman)


J Booth
(Vice Chairman)


M Allen
(Secretary)

The accompanying accounting policies and notes form an integral part of these financial statements.

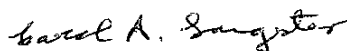
Norwich Housing Society Limited

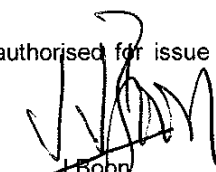
Statement of Financial Position

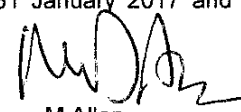
As at 31 October 2016

| | Note | 2016 | | 2015 | |
|--|-------|------------------|--------------------|------------------|--------------------|
| | | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Tangible fixed assets | 9, 10 | | 9,871,864 | | 10,017,972 |
| Current assets | | | | | |
| Trade and other debtors | 11 | 73,477 | | 42,989 | |
| Cash and cash equivalents | | 364,057 | | 314,351 | |
| | | <u>437,534</u> | | <u>357,340</u> | |
| Creditors: amounts falling due within one year | 12 | <u>(416,794)</u> | | <u>(355,559)</u> | |
| Net current assets | | | <u>20,740</u> | | <u>1,781</u> |
| Total assets less current liabilities | | | 9,892,604 | | 10,019,753 |
| Creditors: amounts falling due after more than one year | 13 | | <u>(3,494,057)</u> | | <u>(3,716,289)</u> |
| Total net assets | | | <u>6,398,547</u> | | <u>6,303,464</u> |
| Capital and reserves | | | | | |
| Called up share capital | 14 | 33 | | 37 | |
| Income and expenditure reserve | | <u>6,398,514</u> | | <u>6,303,427</u> | |
| Total reserves | | | <u>6,398,547</u> | | <u>6,303,464</u> |

The financial statements were approved and authorised for issue by the Board on 31 January 2017 and are signed on its behalf by:-


C Sangster
(Chairman)


Bobn
(Vice Chairman)


M Allen
(Secretary)

The accompanying accounting policies and notes form an integral part of these financial statements.

Norwich Housing Society Limited

Statement of Changes in Equity / Reserves

For The Year Ended 31 October 2016

| | Called up Share capital | Income and expenditure reserve | Total |
|---|------------------------------------|---|--------------|
| | £ | £ | £ |
| At 1 November 2014 | 34 | 6,154,214 | 6,154,248 |
| Total comprehensive income for the year | - | 149,213 | 149,213 |
| Share capital issued | <u>3</u> | <u>-</u> | <u>3</u> |
| At 31 October 2015 and 1 November 2015 | 37 | 6,303,427 | 6,303,464 |
| Total comprehensive income for the year | - | 95,087 | 95,087 |
| Share capital issued | 1 | - | 1 |
| Share capital cancelled | <u>(5)</u> | <u>-</u> | <u>(5)</u> |
| At 31 October 2016 | 33 | 6,398,514 | 6,398,547 |

Norwich Housing Society Limited

Statement of Cash Flows

For The Year Ended 31 October 2016

| | Note | 2016 £ | 2015 £ |
|---|------|-----------------------|-----------------------|
| Net cash flow from operating activities | 16 | <u>410,387</u> | <u>395,309</u> |
| Cash flow from investing activities | | | |
| Payments to acquire tangible fixed assets | | (75,299) | (44,291) |
| Interest received | | <u>119</u> | <u>970</u> |
| Net cash flow from investing activities | | <u>(75,180)</u> | <u>(43,321)</u> |
| Cash flow from financing activities | | | |
| Proceeds from issue of shares | | 1 | 3 |
| Repurchase of shares | | (5) | - |
| Repayment of long term loans | | (184,428) | (181,374) |
| Interest paid | | <u>(101,069)</u> | <u>(109,944)</u> |
| Net cash flow from financing activities | | <u>(285,501)</u> | <u>(291,315)</u> |
| Net increase in cash and cash equivalents | | 49,706 | 60,673 |
| Cash and cash equivalents at 1 November 2015 | | <u>314,351</u> | <u>253,678</u> |
| Cash and cash equivalents at 31 October 2016 | | <u>364,057</u> | <u>314,351</u> |
| Cash and cash equivalents consists of: | | | |
| Cash at bank and in hand | | 84,348 | 104,659 |
| Short term deposits | | <u>279,709</u> | <u>209,692</u> |
| Cash and cash equivalents at 31 October 2016 | | <u>364,057</u> | <u>314,351</u> |

Norwich Housing Society Limited

Notes to the Financial Statements

For The Year Ended 31 October 2016

1. Accounting policies

The significant accounting policies used in the preparation of these financial statements are:-

a. Introduction and accounting basis

Norwich Housing Society Limited is governed under the Cooperative and Community Benefit Societies Act 2014 and is a Registered Provider of Social Housing in the United Kingdom. The address of the registered office is given in the reference and administrative information on page 1 of these financial statements. The nature of the Society's operations and principal activities are to provide (by means of development or otherwise), sufficient self-contained residential units to accommodate all current and future applicants in genuine need of rehousing.

The Society constitutes a public benefit entity as defined by FRS 102.

The financial statements have been prepared in accordance with applicable accounting standards including Financial Reporting Standard 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland* (FRS 102), the Statement of Recommended Practice for Social Housing Providers 2014, and with the Accounting Direction for private registered providers of social housing in England 2015. The financial statements are also prepared under the requirements of the Housing and Regeneration Act 2008 and the Cooperative and Community Benefit Societies Act 2014. The financial statements have been prepared on a going concern basis under the historical cost convention, modified to include certain items at fair value. The financial statements are prepared in sterling (£), which is the functional currency of the Society, and rounded to the nearest £.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated. The Society adopted the SORP in the current year and an explanation of how transition to the SORP has affected the reported financial position and performance is given in note 23.

b. Turnover

Turnover is measured at the fair value of the consideration received or receivable. The policies adopted for the recognition of turnover are as follows:

Turnover represents rental income and service charges income receivable in the year net of rent and service charge losses from voids.

c. Tangible Fixed Assets

Tangible fixed assets, except freehold land, are stated at cost less accumulated depreciation.

Depreciation is charged on a straight line basis at rates anticipated to write off the cost of each asset over the expected useful economic lives of the assets at the following annual rates:

| | |
|---------------|-------|
| Boilers/Fires | 6.66% |
| Kitchen | 5.00% |
| Lift | 5.00% |
| Plumbing | 3.33% |
| Bathroom | 3.33% |
| Windows/Doors | 3.33% |
| Electrics | 2.50% |
| Roof | 1.43% |
| Walls | 1.00% |

The useful economic lives of all tangible fixed assets are reviewed annually.

Norwich Housing Society Limited

Notes to the Financial Statements (Continued)

For The Year Ended 31 October 2016

1. Accounting policies (continued)

d. Housing Properties

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally properties available for rent and are stated at cost less accumulated depreciation and impairment loss (representing a diminution in the recoverable service potential of the asset below its carrying value in the balance sheet). Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period.

Improvements are works to existing properties which result in an increase in the net rental income, including a reduction in maintenance costs or result in a significant extension of the useful economic life of the property.

Housing properties in the course of construction are stated at cost and are not depreciated.

Major components of housing properties, such as lifts and warden alarm systems, have been accounted for and depreciated separately from the connected housing property, over their expected useful economic lives.

The disposal proceeds from properties owned outright are included in turnover and the surplus or deficit is accounted for in the income and expenditure account of the period in which the disposal occurs as the difference between the net sale proceeds and the net carrying value.

e. Other tangible fixed assets

Other tangible fixed assets (other than housing properties), are measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. The principal annual rates used for other assets are:

| | |
|----------------------------------|--------|
| Fixtures, fittings and equipment | 20.00% |
| Computer equipment | 33.33% |

f. Government grants

Government grants include grants receivable from the Homes and Communities Agency (the HCA), local authorities, and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure and, where applicable, its individual components (excluding land) under the accruals model.

g. Cyclical repairs and maintenance

The Society has established regular programmes of repair and maintenance covering each scheme. The Society does not make provision for future works but charges actual costs incurred to the income and expenditure account.

h. VAT

The Association is not VAT registered. Income and expenditure, where applicable, is therefore shown inclusive of VAT in the financial statements.

i. Interest

Interest is charged to the income and expenditure account as it is incurred. Interest in relation to development projects is not capitalised.

Norwich Housing Society Limited

Notes to the Financial Statements (Continued)

For The Year Ended 31 October 2016

j. Current assets

Debtors are recognised and carried forward at invoiced amounts less provisions for any doubtful debts. Bad debts are written off when identified.

Cash and cash equivalents are included in the balance sheet at cost. Cash and cash equivalents comprise cash at bank and in hand.

k. Creditors and provisions

Creditors and provisions are recognised when the Society has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

l. Financial instruments

The Society only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

m. Subsidiary undertaking

The Society is corporate trustee of Stuart Court Memorial Charity, a Registered Social Landlord. It is the opinion of the Board of Management of the Society that it would be of no real value to the members of the Society to produce group financial statements because of the amounts involved. This opinion has been formally approved by the Registrar of Friendly Societies in accordance with Section 99 of the Co-operative and Community Benefit Societies Act 2014. Consequently these financial statements present information about the Society as an individual undertaking and not about its group.

n. Pensions

The Society operates a defined contribution pension scheme and the pension charge represents the amounts payable by the Society to the fund in respect of the year.

o. Supporting People contracts

Supporting People income and expenditure relating to services is accounted for on an accruals basis, matching income and expenditure, and disclosures are made in accordance with the relevant standards and legislation.

p. Going concern

The Society's activities, its current financial position and factors likely to affect its future development are set out in the Report of the Board of Management. The Society has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the society's day to day operations. The Society also has a long-term business plan which shows that it is able to service these debt facilities while continuing to comply with lenders' covenants.

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

Norwich Housing Society Limited

Notes to the Financial Statements

For The Year Ended 31 October 2016

2. Turnover and operating surplus

| | Turnover | Operating Costs | 2016 Operating Surplus | Turnover | Operating Costs | 2015 Operating Surplus |
|----------------------------|------------------|--------------------|---------------------------|------------------|--------------------|---------------------------|
| | £ | £ | £ | £ | £ | £ |
| Supported housing lettings | 1,457,523 | (1,259,767) | 197,756 | 1,435,640 | (1,175,734) | 259,906 |
| | <u>1,457,523</u> | <u>(1,259,767)</u> | <u>197,756</u> | <u>1,435,640</u> | <u>(1,175,734)</u> | <u>259,906</u> |

3. Interest and other finance income and charges

| | 2016 £ | 2015 £ |
|--------------------------|------------|------------|
| Bank interest receivable | <u>119</u> | <u>970</u> |

4. Interest payable and similar charges

| | 2016 £ | 2015 £ |
|---------------------------|----------------|----------------|
| Bank loans and overdrafts | 101,069 | 109,944 |
| Other financing charges | 1,719 | 1,719 |
| | <u>102,788</u> | <u>111,663</u> |

5. Operating surplus

The operating surplus is stated after charging/(crediting):

| | 2016 £ | 2015 £ |
|---------------------------------------|-----------------|-----------------|
| Depreciation of tangible fixed assets | 221,407 | 216,172 |
| Directors' remuneration (see note 7) | 97,679 | 92,308 |
| Auditor's remuneration for audit | 6,750 | 7,034 |
| Auditor's remuneration for non-audit | 780 | 750 |
| Rent losses from bad debts | (1,707) | (219) |
| Government grants | <u>(36,581)</u> | <u>(35,906)</u> |

Norwich Housing Society Limited
Notes to the Financial Statements (Continued)
For The Year Ended 31 October 2016

| | 2016 | | 2015 | |
|---|-------------------------|--------------------------------------|-------------------------|--------------------------------------|
| | General needs housing £ | Supported housing for older people £ | General needs housing £ | Supported housing for older people £ |
| | | | | |
| | | 2016 Total £ | | 2015 Total £ |
| 6. Particulars of turnover and administrative expenditure from social housing lettings | | | | |
| Income | | | | |
| Rents receivable net of identifiable service charges | 128,795 | 1,040,562 | 143,656 | 1,041,145 |
| Service charge income | 2,158 | 207,607 | 2,134 | 171,015 |
| Government grants taken to income | - | 36,581 | - | 35,906 |
| Turnover from social housing lettings | 130,953 | 1,284,750 | 145,790 | 1,248,066 |
| Other income | - | 41,820 | - | 41,784 |
| Total income | 130,953 | 1,326,570 | 145,790 | 1,289,850 |
| Operating expenditure | | | | |
| Management | (36,108) | (330,131) | (30,408) | (278,016) |
| Service charge costs | (3,121) | (233,420) | (2,328) | (166,571) |
| Routine maintenance | (16,193) | (148,421) | (27,990) | (287,345) |
| Planned maintenance | (1,573) | (108,884) | (1,325) | (92,761) |
| Major repairs expenditure | (78,598) | (83,618) | (940) | (72,097) |
| Bad debts | - | 1,707 | - | 219 |
| Depreciation | (14,030) | (207,377) | (13,684) | (202,488) |
| Total operating expenditure costs on social housing lettings | (149,623) | (1,110,144) | (76,675) | (1,099,059) |
| Operating (deficit) / surplus on social housing lettings | (18,670) | 216,426 | 69,115 | 259,906 |
| Void losses | (21,300) | (54,218) | (4,682) | (20,047) |

Norwich Housing Society Limited

Notes to the Financial Statements (Continued)

For The Year Ended 31 October 2016

7. Board and key management personnel remuneration

None of the board members received emoluments.

The aggregate remuneration for key management personnel charged in the year is:

| | 2016 | 2015 |
|-----------------------|---------------|---------------|
| | £ | £ |
| Basic salary | 88,799 | 83,916 |
| Pension contributions | <u>8,880</u> | <u>8,392</u> |
| | <u>97,679</u> | <u>92,308</u> |

The Chief Executive is a member of the Society's defined contribution pension scheme. He is an ordinary member of the pension scheme and no enhanced or special terms apply. During the period the total amount contributed to his individual pension arrangement was £5,004 (2015: £4,675).

£1,136 travel expenses were reimbursed to the senior management team (2015: £929).

£146 travel expenses were reimbursed to the Board of Management (2015: £329).

8. Staff costs

The average number of persons, including the Chief Executive, employed by the Society during the year was as follows:

| | Number of employees | |
|-------------------------------|----------------------------|-------------|
| | 2016 | 2015 |
| Management and administration | 6 | 5 |
| Housing, support and care | 3 | 3 |
| | — | — |
| Total | <u>9</u> | <u>8</u> |

The average number of employees, including the Chief Executive, calculated on a full-time equivalent basis was 9 employees (2015: 8).

The aggregate remuneration of such employees was as follows:

| | 2016 | 2015 |
|-----------------------|----------------|----------------|
| | £ | £ |
| Wages and salaries | 234,243 | 228,707 |
| Social security costs | 18,052 | 18,667 |
| Pension costs | 21,251 | 19,481 |
| | <u>273,546</u> | <u>266,855</u> |

There are no employees who received more than £60,000 as their employee package.

Norwich Housing Society Limited
Notes to the Financial Statements (Continued)
For The Year Ended 31 October 2016

9. Tangible fixed assets - housing properties

| | Housing property |
|--|-----------------------------|
| | £ |
| Cost | |
| At 1 November 2015 | 12,480,946 |
| Works to existing properties | 75,299 |
| | <hr/> |
| At 31 October 2016 | 12,556,245 |
| | <hr/> |
| Depreciation | |
| At 1 November 2015 | 2,469,908 |
| Charge for year | 217,702 |
| | <hr/> |
| At 31 October 2016 | 2,687,610 |
| | <hr/> |
| Net book value at 31 October 2016 | 9,868,635 |
| | <hr/> |
| Net book value at 31 October 2015 | <u>10,011,038</u> |

All properties are freehold and available for let. Land is not depreciated. The land element totals £2,095,446 (2015: £2,095,446).

Expenditure on works to existing properties

| | 2016 | 2015 |
|--|-----------------------|-----------------------|
| | £ | £ |
| Improvement works capitalised | 75,299 | 41,711 |
| Amounts charged to income and expenditure (note 6) | 437,296 | 482,458 |
| | <hr/> | <hr/> |
| | <u>512,595</u> | <u>524,169</u> |

Social housing assistance

| | 2016 | 2015 |
|---|-------------------------|-------------------------|
| | £ | £ |
| Total accumulated social housing grant received or receivable at 31 October | <u>2,109,854</u> | <u>2,109,854</u> |
| Recognised to date in the Statement of Comprehensive Income Held as deferred income (notes 12 and 13) | 566,382 | 529,802 |
| | 1,543,472 | 1,580,052 |
| | <hr/> | <hr/> |
| | <u>2,109,854</u> | <u>2,109,854</u> |

Norwich Housing Society Limited

Notes to the Financial Statements (Continued)

For The Year Ended 31 October 2016

| | |
|---|---------------|
| 10. Tangible fixed assets - fixtures, fittings and equipment | Total |
| | £ |
| Cost | |
| At 1 November 2015 and 31 October 2016 | 79,826 |
| Depreciation | |
| At 1 November 2015 | 72,892 |
| Charge for year | 3,705 |
| At 31 October 2016 | <u>76,597</u> |
| Net book value at 31 October 2016 | <u>3,229</u> |
| Net book value at 31 October 2015 | <u>6,934</u> |

| | | |
|---|---------------|---------------|
| 11. Debtors | 2016 | 2015 |
| | £ | £ |
| Trade debtors (gross social housing rent arrears) | 34,814 | 28,663 |
| Less provision for bad and doubtful debts | (2,000) | (4,000) |
| Other debtors | 2,248 | 1,434 |
| Prepayments and accrued income | 38,415 | 16,892 |
| | <u>73,477</u> | <u>42,989</u> |

| | | |
|---|----------------|----------------|
| 12. Creditors: Amounts falling due within one year | 2016 | 2015 |
| | £ | £ |
| Bank loans and overdrafts | 185,977 | 183,709 |
| Trade creditors | 93,647 | 70,470 |
| Rents paid in advance | 46,960 | 27,735 |
| Other creditors | 4,300 | 6,035 |
| Accruals and deferred income | 80,547 | 62,518 |
| Other tax and social security | 5,363 | 5,092 |
| | <u>416,794</u> | <u>355,559</u> |

Bank loan terms of repayment and interest rates are as detailed in note 13.

Norwich Housing Society Limited

Notes to the Financial Statements (Continued)

For The Year Ended 31 October 2016

13. Creditors: Amounts falling due after more than one year

| | 2016 | 2015 |
|------------------------------|------------------|------------------|
| | £ | £ |
| Bank loans and overdrafts | 1,987,166 | 2,172,143 |
| Accruals and deferred income | 1,506,891 | 1,544,146 |
| | <u>3,494,057</u> | <u>3,716,289</u> |

The bank loans include aggregate amounts of £1,118,075 (2015: £1,366,376) which fall due after five years and which are payable by instalments.

The loans are all secured by fixed charges on the Society's housing properties. Of the loans at the year end, £680,000 (2015: £740,000) was subject to a floating rate of 0.65% over the Bank of England base rate, £680,000 (2015: £740,000) was subject to fixed rates of interest at 5.315%, £363,400 (2015: £390,819) at 6.175% and £359,971 (2015: £388,080) at 6.185%. The remainder is at various fixed rates of interest, ranging from 9.125% to 10.75%.

14. Share capital

| | 2015 | 2015 |
|-------------------------------------|-------------|-------------|
| | £ | £ |
| Allotted, called up and fully paid: | | |
| At 1 November 2015 | 37 | 34 |
| Shares issued during the year | 1 | 3 |
| Shares cancelled during the year | (5) | - |
| | <u>33</u> | <u>37</u> |
| At 31 October 2016 | <u>33</u> | <u>37</u> |

Each member of the Board of Management holds a share of £1 in the Society. There are limited rights regarding receipt of dividends, redemption, distribution and winding up attached to the shares. On a ballot every shareholder present in person or by proxy shall have one vote. In the case of an equality of votes the chair of the meeting shall have a second or casting vote.

15. Accommodation owned and in management

| | Number of units | |
|--------------------------|------------------------|------------------|
| | 31 Oct 16 | 31 Oct 15 |
| General needs housing: | | |
| Let at social rent | 27 | 27 |
| Housing for older people | 257 | 257 |
| | <u>284</u> | <u>284</u> |

Norwich Housing Society also manages 22 properties for Stuart Court Memorial Charity, for whom it is the sole trustee. See note 18.

Norwich Housing Society Limited

Notes to the Financial Statements (Continued)

For The Year Ended 31 October 2016

16. Reconciliation of operating surplus to net cash inflow from operating activities

| | 2016 | 2015 |
|---------------------------------------|----------------|----------------|
| | £ | £ |
| Operating surplus | 197,756 | 259,906 |
| Depreciation of tangible fixed assets | 221,407 | 216,172 |
| (Increase) / decrease in debtors | (30,488) | 4,674 |
| Increase / (Decrease) in creditors | 21,712 | (85,443) |
| | <u>410,387</u> | <u>395,309</u> |

17. Related party transactions

Under the definitions of FRS 8, Stuart Court Memorial Charity is considered a related party of Norwich Housing Society Limited (see note 18). Transactions between the two entities can be summarised as follows:

| | 2016 | 2015 |
|---|---------------|---------------|
| | £ | £ |
| Management charge receivable from Stuart Court Memorial Charity | <u>14,304</u> | <u>14,064</u> |

The position at the balance sheet date can be summarised as follows:

| | 2016 | 2015 |
|---|--------------|--------------|
| | £ | £ |
| Amounts owed by Stuart Court Memorial Charity at 31 October | <u>2,248</u> | <u>1,434</u> |

During the year consultancy services to the value of £2,805 were provided to the Society by Real Consulting (Cost and Project Management) LLP, in which M Land is a member. M Land is also a member of the Board of Management of Norwich Housing Society. At the year-end the Society owed £Nil to the partnership.

Norwich Housing Society Limited

Notes to the Financial Statements (Continued)

For The Year Ended 31 October 2016

18. Subsidiary undertaking

The Society is the corporate trustee of Stuart Court Memorial Charity, a registered social landlord. The principal place of business of Stuart Court Memorial Charity is 13 Bracondale, Norwich.

Details of transactions entered into with Stuart Court Memorial Charity are set out in note 17.

The Board of Management have relied upon the exemption provided by S99 of the Co-operative and Community Benefit Societies Act 2014 because of the insignificant amounts involved and have not consolidated the results of the subsidiary in the Society's financial statements. A summary of the subsidiary results for the year ended 31 October 2016 is provided below:

| | 2016 £ | 2015 £ |
|-------------------------------------|-----------------|----------------|
| (Deficit)/Surplus for the year | <u>(22,084)</u> | <u>19,450</u> |
| Accumulated reserve at the year-end | <u>857,317</u> | <u>868,263</u> |
| Revaluation reserve at the year-end | <u>-</u> | <u>11,138</u> |

19. Capital commitments

| | 2016 £ | 2015 £ |
|--|----------------|---------------|
| Capital expenditure that has been contracted for but has not been provided for in the financial statements | <u>228,725</u> | <u>26,150</u> |

It is intended that this anticipated capital expenditure will be financed from reserves.

20. Events after the end of the period

After the year-end, 8 general needs properties at Starling Road were sold for £1.03 million, and 3 properties at St Lawrence Lane will be sold to Stuart Court Memorial Charity, at a valuation of £392,000.

Also, after the year-end, on 20 December 2016 an agreement was signed with McCarthy and Stone to purchase 20 retirement flats in Eaton for £2,000,000.

21. Pension costs

The Society operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Society in an independently administered fund. The pension cost charge represents contributions payable by the Society to the fund and amounted to £21,251 (2015: £19,481). Contributions totalling £Nil (2015: £Nil) were payable to the fund at the year-end and are included in creditors.

Norwich Housing Society Limited

Notes to the Financial Statements (Continued)

For The Year Ended 31 October 2016

22. Financial instruments

The carrying amounts of the Society's financial instruments are as follows:

| | 2016 | 2015 |
|---|------------------|------------------|
| | £ | £ |
| <i>Financial assets</i> | | |
| Debt instruments measured at amortised cost: | | |
| Trade debtors net of bad debt provision (note 11) | 32,814 | 24,663 |
| Other debtors (note 11) | <u>2,248</u> | <u>1,434</u> |
| | <u>35,062</u> | <u>26,097</u> |
| <i>Financial liabilities</i> | | |
| Measured at amortised cost: | | |
| Bank loans and overdrafts (notes 12 – 13) | 2,173,143 | 2,355,852 |
| Trade creditors (note 12) | 93,647 | 70,470 |
| Other creditors (note 12) | 4,300 | 6,035 |
| Accruals (note 12) | <u>43,966</u> | <u>26,612</u> |
| | <u>2,315,056</u> | <u>2,458,969</u> |

23. First time adoption of SORP / FRS 102

The Society has adopted FRS 102 and SORP 2014 for the first time in the year ended 31 October 2016.

The effect of transition from the previous financial reporting framework to the SORP 2014 is outlined below:

a) Changes in accounting policies

Consequential changes in accounting policies resulting from adoption of the new SORP were as follows:

Housing Association grants towards capital projects which were previously offset against the cost of the project are now recognised under the accruals model and recognised in income over the useful life of the housing property structure and, where applicable, its individual components (excluding land).