

HILL HOMES

ANNUAL REPORT

YEAR ENDED 31 MARCH 2017

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CONTENTS

	<u>Page</u>
REPORT OF THE BOARD	2
STATEMENT OF RESPONSIBILITIES OF THE BOARD MEMBERS	10
INDEPENDENT AUDITOR'S REPORT	11
INCOME STATEMENT	13
STATEMENT OF FINANCIAL POSITION	15
CASH FLOW STATEMENT	16
NOTES TO THE FINANCIAL STATEMENTS	17

HILL HOMES

REPORT OF THE BOARD

YEAR ENDED 31 MARCH 2017

The Board presents its report for the year ended 31 March 2017.

CONSTITUTION

Hill Homes is an Association registered under the Co-operative and Community Benefit Societies Act 2014 and an exempt charity. During the year the organisation has operated a Sheltered Housing Unit, a general needs property and an Extra-Care Housing Scheme.

OBJECTS OF THE ASSOCIATION

Hill Homes is an Association formed for the benefit of the community. Its objects are to carry on for the benefit of the community:

- the business of providing housing, accommodation, and assistance to help house people and associated facilities and amenities for people in necessitous circumstances or for the relief of aged, disabled, handicapped (whether physically or mentally) or chronically sick people;
- any other charitable object that can be carried out by a Co-operative and Community Benefit Society registered as a social landlord with the Homes and Communities Agency (HCA).

REVIEW OF BUSINESS

Hill Homes' subsidiary company, Hill Homes Care Limited, has continued to provide both core care and extra care services to tenants within Trees. Tenants and their families benefit from the unification of the care and support services, increasing their confidence in the service. Although Hill Homes Care made a further loss in 2016-17, Hill Homes' Board Members are committed to supporting the provision of care & support to older people in their own homes and have provided the Board of Hill Homes Care with a letter indicating their intention to continue to support the company during its start-up phase.

Hill Homes Care Limited staff are responsible for ensuring our tenants have access to a wide variety of activities, including a regular programme of exercise classes, art clubs, diverse religious activities, discussion groups and music sessions. The provision of a weekly evening meal continues to be one of the most popular services.

Over the course of the year, we have worked with 33 volunteers who provided a total of 1,228 hours of work supporting activities and trips, acting as befrienders for tenants and assisting with breakfast clubs and evening meals. Strong links with Henrietta Barnett School were established with young people from the school regularly attending discussion sessions at Trees, assisting with the weekly Wednesday evening meal and socialising with our tenants. Pupils from Channing School continued to participate in our befriending scheme. These sessions are highly valued by Trees' tenants. Without such support it would not be possible to deliver a full programme of activities.

Highgate School donated 20 framed pictures of pupils' art work that have been hung in Trees. Our tenants are enjoying the benefits from our ever-improving links with the local community. Hill Homes' Board Members wish to express their thanks to all our donors and volunteers.

Following feedback from tenants, we have invested further in the exterior landscaping at Trees to incorporate raised beds and more colour in the planting. The activity room has been refurbished to make it a multi-functional room and the assisted bathroom has been refitted to improve accessibility for tenants. Trees continues to be a vibrant, lively community in which to live and we are delighted

HILL HOMES
REPORT OF THE BOARD
YEAR ENDED 31 MARCH 2017

that the occupancy at Trees has averaged 95% for the year.

Our Sheltered Housing Unit, Nuffield Lodge, continued with high occupancy levels, averaging 96% occupancy for the year. Following the recently completed refurbishment, it now offers an attractive place in which to live.

FUTURE PLANS

Whilst Hill Homes would like to provide further housing for those in need, Board Members are wary about the current turmoil occurring in the social housing sector. There is a lack of capital grant available and a review of funding for older persons' housing is underway. The Board has decided that it will continue to keep the future direction of the association under review.

Board members are committed to sustaining Hill Homes Care Limited in its provision of care and support services. We will continue to embed the service at Trees and are expanding the service provision into Nuffield Lodge. Board members are also developing plans to expand the service into the wider community.

GOVERNANCE

The Association's affairs are directed by a Board which is responsible for ensuring that it operates in accordance with its objects and rules and ensures that its functions are properly performed. The Board comprises a minimum of six members and a maximum of 10. At the end of March 2017, there were six members of the Board.

Board Members are elected by the shareholders. In advance of the circulation of the notice for the annual general meeting, the Board notifies each shareholder of the requirements for the skills, qualities and experience it needs from its members, identifying how these requirements are met by current Board Members, those retiring and those intending to offer themselves for re-election. Members are elected for a fixed period of three years and, once 10 years' service has been completed, are not available for re-election or co-option. Provided the maximum Board size is not exceeded, the Board may appoint a maximum of four co-optees to serve on the Board.

The Board's functions, as specified in the Association's rules, are to:

- define and ensure compliance with the values and objectives of the Association and ensure these are set out in each annual report;
- establish policies and plans to achieve those objectives;
- approve each year's accounts prior to publication and approve each year's budget;
- establish and oversee a framework of delegation and systems of control;
- agree policies and make decisions on all matters that create significant financial risk to the Association or which affect material issues of principle;
- monitor the Association's performance in relation to these plans, budget, controls and decisions;
- appoint (and if necessary remove) the chief executive;
- satisfy itself that the Association's affairs are conducted in accordance with generally accepted standards of performance and propriety;
- take appropriate advice;
- draw up good practice guidance notes for board members and to ensure that each board member receives a copy; and,
- at all times that the Association is registered with the Homes and Communities Agency (HCA) as a registered social landlord the board shall ensure that the Association takes account of any obligation imposed upon the Association by the HCA in exercise of its powers.

HILL HOMES
REPORT OF THE BOARD
YEAR ENDED 31 MARCH 2017

Within one month of appointment, all Board members are required to sign a statement confirming that they will meet their obligations to the Board and the Association. New Board Members are provided with policies, procedures and management accounts and meet with the Chair and Chief Executive as part of their induction. Individual training needs are met on a case-by-case basis.

Hill Homes has adopted the National Housing Federation's Code of Governance which specifies that:

- housing associations maintain the highest standards of probity and conduct;
- housing associations ensure that their board members, staff and involved residents act, and are seen to act, wholly in the interests of the association, its residents and other service users and that all actual potential conflicts or dualities of interest are openly declared and properly resolved;
- remuneration decisions are lawful, transparent, fair and proportionate;
- housing associations demonstrate that board members, staff, involved residents and those with whom they are closely connected, receive no preferential consideration in the provision of benefits such as housing accommodation or employment;
- housing associations adopt and comply with appropriate policies and procedures to prevent bribery and corruption; and,
- housing associations adopt and promote standards to ensure that the conduct of board members, staff and involved residents at meetings, events, and in the workplace demonstrate respect for all, and promote the values of the organisation.

Board Members have reviewed the code of conduct, utilising the National Housing Federation's compliance checklist, and have not identified any areas of non-compliance.

The Board has also assessed its compliance with the Governance and Financial Viability Standard and certifies that it fully complies with the requirements.

The Board meets a minimum of three times every calendar year. During the financial year 2016-17, the Board met five times and held a training session. Board members who fail to attend four consecutive meetings of the Board, without special leave of absence, are required to resign from the Board.

Attendance during the year ended 31 March 2017:

	18 May 2016	20 July 2016	21 September 2016	26 November 2016	22 February 2017	Percentage Attendance
Susan Faridi	√	√	√	√	√	100%
Patrick Hammill	√	X	√	√	√	80%
Charles Hollwey	√	√	√	√	√	100%
Gerald Kelly	√	√	√	√	X	80%
Eldon Pethybridge	√	√	√	√	√	100%
Eamon Ray	√	√	√	√	√	100%

HILL HOMES
REPORT OF THE BOARD
YEAR ENDED 31 MARCH 2017

There is one sub-committee of the Board: the Finance, Risk and Audit Committee. Membership of this committee is determined by the Board and they exercise their powers under the written terms of reference provided by the Board. The committees report all their proceedings to the Board.

The Board delegates day-to-day management and control of the Association to a Chief Executive who manages a staff team currently comprising five employees.

VALUE FOR MONEY

The Association understands that Value for Money is not about reducing costs but about achieving a balance between costs and quality, with tenants' needs being the driver for all activities undertaken.

As a consequence, achieving Value for Money is a core assumption that underpins all of the Association's strategies.

In their consideration of Value for Money, Board Members have agreed that:

- they will work with tenants to understand what their needs are. The wellbeing of the Association's tenants will always be a priority in the delivery of services;
- value for money will always be a priority in all services, without compromising on quality;
- consideration will be given to the impact of all decisions on tenants, the local community and society;
- they will understand the cost drivers of the organisation so costs can be properly managed and controlled;
- all staff will understand what value for money means and what their part is in the process, so value for money is embedded in the Association's culture;
- strong financial controls will be in place;
- management information systems will provide accurate and appropriate data that will allow the delivery of the required outcomes in an efficient and effective manner; and
- there will be an understanding of how the political, economic, social and technological environment determines who the customers are and how it drives their needs now and into the future.

During the year, the Association undertook a number of Value for Money initiatives:

- we have installed LED lights in the individual flats at Trees, resulting in long-term savings for our tenants;
- we reviewed the provision of gas and electric services, making financial savings when negotiating new contracts;
- our Senior Housing Officer reviewed the provision of gardening services with the contractor, resulting in a much improved service at no additional cost to our tenants;
- Hill Homes' caretaker provides a handyman service to all our tenants, addressing small maintenance tasks in individual flats at no cost to tenants. Tenant feedback tells us that they value the personal and responsive service we are able to offer; and
- we redecorated Trees, replaced window dressings and added new art work to improve the building's ambience for tenants.

Whilst the Association has achieved a number of successes with Value for Money initiatives, the Board is aware that more can still be done. Board Members are aware that, due to the small size of the Association, the running costs of Hill Homes' properties are high in relation to larger landlords. The Board took the difficult step of cutting expenditure when preparing the budget for 2017-18 but is aware that there is more to be done. The Association plans to continue its Value for Money activities during the forthcoming year, 2017-18, with plans in place to undertake a detailed review of

HILL HOMES
REPORT OF THE BOARD
YEAR ENDED 31 MARCH 2017

organisational costs in relation to value for money.

FINANCIAL REVIEW

During the year the group made an operating deficit of £397,968 (2016: £455,344). Following the receipt of interest earned from investments and cash deposits and social housing grant, the overall surplus for the year was £49,816 (2016: £34,221).

There was in addition unbudgeted unrealised gains on investments of £738,624 (2016: loss £420,163) resulting in an overall increase in reserves of £788,440 (2016: deficit £385,942).

During 2016-17, the investment income receivable was reinvested in the long-term portfolio, resulted in an increase in income generated by the portfolios of £16,086 to £303,440 (2016: £287,354).

Turnover for the year was £1,239,034 (2016: £1,237,365), an increase of £2,669. The results of Hill Homes Care Limited, the Association's subsidiary company are consolidated in these accounts. This includes a loss of £45,140 for the company for the year.

In preparing the accounts, Board Members have made judgements relating to the useful economic life of the Association's assets and as to the likelihood of recovery of debts. Board Members are comfortable that the estimates of the useful economic life of assets are reasonable and in line with sector norms. Whilst continuing to follow up all outstanding debts, Board Members have acknowledged that there is considerable difficulty in collecting money from ex-tenants or their estates. Provision for non-collection of these debts has been made in these financial statements. Provision has also been made for any aged debts over 90 days that relate to current tenants. We are, however, continuing to take action to collect all outstanding money.

The Association has a financial processes manual that is reviewed annually. This documents the internal controls within the organisation, including details of responsibilities and delegated authority levels, financial processes and reconciliation requirements and controls on both human resources and information technology. As far as is practical in a small organisation, segregation of duties underpins all processes.

REMUNERATION & RECRUITMENT

The Group Chief Executive, Finance Manager and the Care & Support Manager are considered to be Hill Homes' Group key management. Board Members, following recommendations made by the Finance, Risk and Audit Committee, approve remuneration for these staff, and all other employees.

The Association welcomes applications for employment from all members of the population. Every application is assessed on merit, regardless of any disability. Full and fair consideration is given to all applications having due regard for their particular aptitudes and abilities.

Once employed, the Association will support staff in continued employment should an employee become disabled. This support will, where appropriate, take the form of additional training and development opportunities or, wherever operationally possible, adjustments to working practices will be made.

HILL HOMES
REPORT OF THE BOARD
YEAR ENDED 31 MARCH 2017

RISK MANAGEMENT

The Association has a risk register that is reviewed quarterly at each Finance, Risk & Audit Committee (FRAC) meeting. This register prioritises the risk in terms of impact and likelihood to produce an overall risk score.

The key operational risks identified by the FRAC are:

- **Recruitment of Board Members**
One member of Hill Homes Board is due to stand down in 2018, with the remaining 5 being due for re-election. The five members due for re-election are aware of this and have been asked to advise as soon as possible whether or not they wish to stand for a further term. This will allow sufficient time for seeking new recruits should this be necessary.
- **Health and Safety**
Following a regular review of our emergency procedures, new Health and Safety advisers have been appointed to ensure help us ensure our systems remain compliant.
- **Legislative changes**
New data protection rules are being introduced in 2018. Mangers have had an initial briefing on the changes and are working closely with lawyers and HR consultants to ensure Hill Homes remains compliant.

A review of the funding of housing and care for older people is currently underway. The sector is concerned about the future and this is causing a crisis of confidence in new schemes for low cost rent. Board Members are currently reviewing the consequences of the recent announcement.

- **Staff cover at a senior level**
Board members are aware that, as a small organisation, Hill Homes is heavily reliant on individuals at a senior level. A review with the aim of developing strategies for adequate cover is currently underway.
- **Hill Homes Care Limited finances**
Hill Homes Care Limited made a further deficit and will continue to require support from Hill Homes in the short-term. The Association's Board Members are committed to supporting the provision of care to older people in their own homes and will support Hill Homes Care in its continued operations. The agreed hourly rate for care has been increased and will need to be further increased in future years. This is subject to agreement with the local authority. Hill Homes' CEO is maintaining regular contact with the local authority to discuss the future financing of care provision. Changes have been implemented to reduce costs and Hill Homes Care Limited board is reviewing the organisation's future plans.

INVESTMENTS

The Board continued working with Sarasin & Partners as investment managers. All investment income earned on the portfolios is reinvested in the long-term portfolio. The portfolios continue to be invested in Common Investment Funds. Sarasin & Partners continue to work closely with Board Members, attending a minimum of one board meeting per year.

HILL HOMES
REPORT OF THE BOARD
YEAR ENDED 31 MARCH 2017

RESERVES POLICY

The Board Members review the level of reserves on an annual basis and, where appropriate, set aside or designate funds for special purposes.

At the end of the year, there was £12,604,256 in general reserves and £554,867 in designated reserves. The Board is currently considering how a proportion of the general reserve could be used to develop further the objectives of Hill Homes whilst sustaining the financial viability of the Association.

Of the designated reserves, £554,429 is designated for major repairs at Nuffield Lodge, Trees and Vyse Close. During 2014-15, a full stock condition survey of both Nuffield Lodge and Trees was undertaken. This identified long-term repairs that would be required and their likely year of occurrence. The major repairs fund is being held to ensure these repairs can take place when required.

The remaining £438 of designated funds is from a legacy that was received in 2012-13 and is for the tenants at Trees to spend. A small amount of this fund was spent on a garden parasol in 2016-17 and it is scheduled to be further discussed at the tenants' meeting in June 2017.

The Board Members consider that the current level of reserves is appropriate.

POST BALANCE SHEET EVENTS

There were no post balance sheet events.

MEMBERS OF THE BOARD

The members of the Board who served during the year were:

Ms S Faridi
Mr P Hammill
Mr C Hollwey (Honorary Treasurer)
Mr G Kelly
Mr E Pethybridge (Chair)
Mr E Ray

Members of the Finance and Audit Sub-Committee

Mr C Hollwey
Mr G Kelly
Mr E Ray

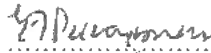
HILL HOMES
REPORT OF THE BOARD
YEAR ENDED 31 MARCH 2017

AUDITOR

A resolution for the reappointment of BDO LLP will be proposed at the Annual General Meeting for the ensuing year.

This report was approved by the Board on 19 July 2017 and signed on its behalf by

Eldon Pethybridge


.....
Chair

HILL HOMES

STATEMENT OF THE RESPONSIBILITIES OF THE BOARD MEMBERS

The board members are responsible for preparing the report of the board and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Societies' law and social housing legislation require the board members to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the association and of the surplus or deficit of the association for that period.

In preparing these financial statements, the board members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers (Update 2014) 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 members are responsible for keeping adequate accounting records that are sufficient to show and explain the association's transactions and disclose with reasonable accuracy at any time the financial position of the association 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 and the Accounting Direction for Private Registered Providers of Social Housing in England from April 2015. They are also responsible for safeguarding the assets of the association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board is responsible for ensuring that the report of the board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers (Update 2014).

INDEPENDENT AUDITOR'S REPORT TO HILL HOMES

We have audited the financial statements of Hill Homes for the year ended 31 March 2017 which comprise the consolidated income statement and statement of comprehensive income, the consolidated and association statement of financial position, the consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the association's members, as a body, in accordance with the Housing and Regeneration Act 2008 and 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 and trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members and trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the board and auditors

As explained more fully in the statement of board member responsibilities, the board members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the 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 of the state of the group and parent association's affairs as at 31 March 2017 and of the group and parent association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the 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 we are required to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the parent association, or returns adequate for our audit have not been received from branches not visited by us; or
- a satisfactory system of control has not been maintained over transactions; or

**INDEPENDENT AUDITOR'S REPORT TO
HILL HOMES**

- the parent association financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of board member and or directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

BDO LLP

BDO LLP, statutory auditor

London

United Kingdom

Date 1 August 2007

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

HILL HOMES
CONSOLIDATED INCOME STATEMENT
YEAR ENDED 31 MARCH 2017

	2017	2017	2017	2016	2016	2016	2016	2016	2016
	Revenue	Designated	Restricted	Total	Revenue	Designated	Restricted	Total	Total
Notes	£	£	£	£	£	£	£	£	£
Turnover	2	1,393,292	-	1,393,292	1,427,658	-	-	-	1,427,658
Operating costs									
Direct expenditure		(1,287,268)		(1,311,138)	(1,354,462)	(433)	(100)	(1,354,995)	
Administration costs		(325,864)		(325,864)	(335,609)	(1,705)	(400)	(337,714)	
Total operating costs		(1,613,132)		(1,637,002)	(1,690,071)	(2,138)	(500)	(1,692,709)	
Operating (deficit)		(219,840)		(243,710)	(262,413)	(2,138)	(500)	(265,051)	
Losses on sale of fixed assets		(2,868)		(2,868)	-	-	-	-	
Interest receivable and other income	4	306,210		306,210	306,075	-	-	306,075	
Donations and legacies received		777		777	3,617	-	100	3,717	
Interest payable and similar charges	5	(10,593)		(10,593)	(10,520)	-	-	(10,520)	
Surplus for year on ordinary activities	6	73,686		49,816	36,759	(2,138)	(400)	34,221	
Unrealised gains/(losses) on investments		738,624		738,624	(420,163)	-	-	(420,163)	
Surplus/(deficit) for year after investment gains and losses		812,310		788,440	(383,404)	(2,138)	(400)	(385,942)	
Transfers between funds	13	(94,368)		-	182,245	(182,245)	-	-	
Surplus/(deficit) for year after transfers		717,942		788,440	(201,159)	(184,383)	(400)	(385,942)	
Reserves brought forward		11,850,279		12,334,648	12,051,438	668,752	400	12,720,590	
Reserves carried forward	13	12,568,221		13,123,088	11,850,279	484,369	-	12,334,648	

All the above results are derived from continuing activities.

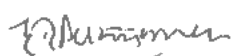
There were no recognised gains or losses other than the surplus for the year.

The Income and Expenditure Statement above includes all the recognised gains and losses for the year so no separate Statement of Changes in Equity has been produced.

HILL HOMES
GROUP STATEMENT OF FINANCIAL POSITION
YEAR ENDED 31 MARCH 2017

		Group 2017 £	2016 £	Hill Homes 2017 £	2016 £
	Notes				
FIXED ASSETS					
Housing properties at depreciated cost		7,320,697	7,633,440	7,320,697	7,633,440
Other tangible assets	7	160,570	210,229	160,570	210,229
		<hr/>	<hr/>	<hr/>	<hr/>
Investments	8	7,481,267 9,168,135	7,843,669 8,120,373	7,481,267 9,168,135	7,843,669 8,120,373
		<hr/>	<hr/>	<hr/>	<hr/>
		16,649,402	15,964,042	16,649,402	15,964,042
		<hr/>	<hr/>	<hr/>	<hr/>
CURRENT ASSETS					
Debtors	9	161,273	172,565	253,876	239,365
Cash at bank and in hand		671,415	708,311	616,244	626,152
		<hr/>	<hr/>	<hr/>	<hr/>
		832,688	880,876	870,120	865,517
CREDITORS – amounts falling due within one year	10	(300,935)	(333,869)	(76,300)	(291,859)
		<hr/>	<hr/>	<hr/>	<hr/>
NET CURRENT ASSETS		531,753	547,007	793,820	573,658
		<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		17,181,155	17,087,480	17,443,222	16,537,700
		<hr/>	<hr/>	<hr/>	<hr/>
CREDITORS – amounts falling due after one year	11	(4,058,035)	(4,176,370)	(4,248,328)	(4,176,370)
		<hr/>	<hr/>	<hr/>	<hr/>
		13,123,120	12,334,679	13,194,894	12,361,330
		<hr/>	<hr/>	<hr/>	<hr/>
CAPITAL AND RESERVES					
Share capital	12	32	31	32	31
Revenue reserves	13	12,568,221	11,850,279	12,639,995	11,876,930
Designated reserves	13	554,867	484,369	554,867	484,369
Restricted reserves	13	-	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
		13,123,120	12,334,679	13,194,894	12,361,330
		<hr/>	<hr/>	<hr/>	<hr/>

The financial statements were approved and authorised for issue by the Board of Trustees and were signed on its behalf on 19 July 2017:



Eldon Pethybridge
Chair



Charles Hollway
Honorary Treasurer



Joe Scullion
Company Secretary

HILL HOMES
GROUP STATEMENT OF CASH FLOWS
YEAR ENDED 31 MARCH 2017

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
		£	£
Cash flows from operating activities			
Profit/(loss) for the financial year		788,440	(385,942)
Adjustments for:			
Depreciation		366,083	429,071
Unrealised (gain)/loss on investments		(738,624)	420,163
Loss on disposal of property, plant & equipment		2,868	-
Interest paid		10,593	10,520
Interest received		(303,440)	(289,580)
Decrease/(increase) in debtors		11,292	(92,493)
(Decrease)/increase in creditors		(151,157)	(203,010)
		<hr/>	<hr/>
Cash from operations		(13,945)	(111,271)
Interest paid		(10,593)	(10,520)
		<hr/>	<hr/>
Net cash generated from operating activities		(24,538)	(121,791)
Cash flows from investing activities			
Proceeds from sale of equipment		-	-
Purchases of property, plant & equipment		(6,549)	(30,205)
Purchases of investments		(309,138)	(280,217)
Interest received		303,440	289,580
		<hr/>	<hr/>
Net cash from investing activities		(12,247)	(20,842)
Cash flows from financing activities			
Issue of ordinary share capital		1	(12)
Repayment of borrowings		(112)	(185)
		<hr/>	<hr/>
Net cash used in financing activities		(111)	(197)
		<hr/>	<hr/>
Net (decrease) in cash and cash equivalents		(36,896)	(142,830)
Cash and cash equivalents at beginning of year		708,311	851,141
		<hr/>	<hr/>
Cash & cash equivalents at end of year		<u>671,415</u>	<u>708,311</u>

The purchases of investments figure included in the cash flow represents the investment income that is retained by Sarasin & Partners within the Association's portfolio. This differs from the additions figure included in note 8 on investments that represents the additional CIF units purchased within the portfolio.

HILL HOMES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2017

1 ACCOUNTING POLICIES

(a) Accounting convention

The financial statements have been prepared under the historical cost convention as modified by the valuation of investments and in accordance with applicable accounting standards, and comply with the UK GAAP (FRS 102), the SORP 2014, 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 from April 2015.

(b) Fixed assets and depreciation

Housing properties are stated at cost less depreciation. The cost of properties is their purchase price and any subsequent improvements.

All invoices or architects' certificates relating to capital expenditure incurred in the year at gross value before retentions are included in the financial statements for the year provided that the dates of issue or valuation are prior to the year-end.

Housing properties under construction are recognised in the accounts based on the certified value of work completed. Assets under the course of construction are not depreciated until brought into use.

Depreciation has been calculated using component accounting, identifying the individual components comprising the properties. Depreciation is charged on fixed assets on a straight-line basis over their expected useful economic lives at the following annual rates:

Furniture & equipment	-	10% per annum on cost
Freehold building fabric	-	1.33% per annum on cost
Freehold building roofs, windows floors, electrical installations, fire detecting equipment, internal décor and heating	-	5% per annum on cost
Internal doors and lifts	-	4% per annum on cost
CCTV systems	-	10% per annum on cost
Door entry systems, warden call systems, induction loops, kitchens bathrooms	-	6.5% per annum on cost
Computers	-	33 1/3% per annum on cost

Following a review of the useful economic life of the assets during the year, the rate of depreciation on the building fabric has been reduced to 1.33% (from 2.5%).

Freehold land is not depreciated.

(c) Social Housing Grants

Social Housing Grant (SHG) is a capital grant made towards the cost of acquiring and/or building additional housing for rent or sale.

SHG is recognised in income over the expected useful life of the structure and components on a pro-rata basis. The amount recognised during the year has been reduced to reflect the change in depreciation policy for the fabric of the building.

HILL HOMES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2017

1 ACCOUNTING POLICIES (Continued)

SHG is repayable indefinitely unless formally abated or waived.

(d) Investments

Investments are managed by Sarasin & Partners in Common Investment Funds: 50% in a long-term portfolio; 50% in a medium-term portfolio.

Investments are valued at bid price as at the end of the financial year.

(e) Capitalisation of development administration costs

Staff and other costs that are directly attributable to bringing housing properties into working condition for their intended use are capitalised.

(f) Reserves policy

The Board Members review the level of reserves on an annual basis and, where appropriate, set aside or designate funds for special purposes.

(g) Fund accounting

The unrestricted reserves comprise the net surplus after transfers to designated reserves and is available to spend in furtherance of any of the association's objects at the discretion of the Board.

The Board has set aside designated reserves, out of unrestricted general funds, for specific future purposes or projects.

Restricted funds represent grants and donations received which the donor allocates for specific purposes

(h) Turnover

Turnover represents rental income receivable net of voids and bad debts, fees and grants from local authorities.

(i) Supporting people grant accounting policy

The turnover includes Supporting People (SP) grant income received from administering authorities, plus support charges to individual tenants. The related expenditure is included in operating cost.

(j) Operating costs

All expenditure is accounted for on an accruals basis and is allocated to the appropriate heading in the accounts

(k) Operating lease rentals

Expenditure in respect of operating leases is accounted for in the period to which it relates.

HILL HOMES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2017

2 ACCOUNTING POLICIES (Continued)

(l) Pensions

The Association does not operate a pension scheme, however contributions may be made to the personal pension schemes of employees. Such contributions are made on a wholly discretionary basis and are charged to the income and expenditure account.

(m) Grant making

Costs of grant making are included in the income and expenditure account in the year in which they are payable.

Multi-year grant commitments are conditional on progress reviews to determine whether future funding is provided and discretion is retained by Hill Homes to terminate the grant. Where multi-year commitments exist, only expenditure relating to the current year's liability will be recognised.

(n) Consolidation

Consolidated financial statements or "group accounts" have been prepared in respect of Hill Homes and its subsidiary Hill Homes Care Limited. The results of the subsidiary have been consolidated on a line by line basis. In accordance with section 408 of the Charities Act 2011, a separate statement of financial activities for the charity has not been prepared.

(o) Interest receivable

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the Association; this is usually upon notification of the interest paid or payable by the Bank.

(p) Cash at bank and in hand

Cash at bank and cash in hand includes cash and short-term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit for similar account.

(q) Debtors and creditors receivable/payable within one year

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses from impairment are deducted from income.

(r) Going concern

The financial statements have been prepared on a going-concern basis as Board Members believe that no material uncertainties exist. The Board Members have considered the level of funds and the expected level of income and expenditure for 12 months from authorising these financial statements. The budgeted income and expenditure is sufficient with the level of reserves for the Association to be able to continue as a going concern.

HILL HOMES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2017

1 ACCOUNTING POLICIES (Continued)

(s) Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, Board Members have had to make the following judgements:

- Determine whether there are indicators of impairment of the company's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.
- Tangible fixed assets are depreciated over their useful lives. The actual lives of the assets are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation and maintenance programmes are taken into account.

2 TURNOVER AND OPERATING COSTS

A Particulars of turnover, cost of sales, operating expenditure and operating surplus

	Turnover	Cost of Sales	Operating Expenditure	Operating Surplus/(Deficit)
	£	£	£	£
Social Housing Lettings (Note B)	776,050	(664,937)	(325,864)	(214,751)
Other Social Housing Activities:				
Charges for support services	168,038	(177,793)	-	(9,755)
	<u>944,088</u>	<u>(842,730)</u>	<u>(325,864)</u>	<u>(224,506)</u>
Activities other than Social Housing Activities:				
Charges for care	448,220	(452,836)	-	(4,616)
Charges for activities	984	(15,572)	-	(14,588)
Total	<u>1,393,292</u>	<u>(1,311,138)</u>	<u>(325,864)</u>	<u>(243,710)</u>

HILL HOMES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2017

2 TURNOVER AND OPERATING COSTS (continued)

B Particulars of turnover and operating expenditure from Social Housing Lettings

	General Needs Housing	Supported Housing and Housing for Older People	Other	2017	2016
	£	£	£	£	£
Income					
Rent receivable net of identifiable service charges	7,892	430,358	-	438,250	432,278
Service charge income	784	182,758	-	183,542	186,930
Amortised government grants	-	154,258	-	154,258	190,293
Turnover from Social Housing Lettings	8,676	767,374	-	776,050	809,501
Operating expenditure					
Management	51	323,430	-	323,481	386,592
Service charge costs	377	295,113	-	295,490	280,186
Routine maintenance	-	35,217	-	35,217	57,666
Planned maintenance	-	-	-	-	-
Major repairs expenditure	-	23,870	-	23,870	-
Bad debts	-	-	-	-	-
Depreciation of housing properties	12,140	300,603	-	312,743	378,269
Other costs	-	-	-	-	-
Operating expenditure on Social Housing Lettings	12,568	978,233	-	990,801	1,084,713
Operating deficit in Social Housing Lettings	(3,892)	(210,859)	-	(214,751)	(275,212)
Void losses (being rental income lost as a result of property not being let, although it is available for letting)	-	20,850	-	20,850	19,597

HILL HOMES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2017

3 STAFF COSTS

	<u>2017</u> £	<u>2016</u> £
Wages and salaries	584,799	621,907
Social security costs	52,359	53,600
Other pension costs	13,170	13,658
	<u>650,328</u>	<u>689,165</u>

The average number of persons employed during the year was as follows:

	<u>2017</u> FTE	<u>2016</u> FTE
Staff	21.0	24.0
	<u>21.0</u>	<u>24.0</u>

Full time equivalents are calculated based on a standard working week of 37.5 hours for Hill Homes' staff and 40 hours for Hill Homes Care Limited.

Emoluments for the highest paid director were £79,598 (2016: £78,810) during the year. Associated pension contributions totalled £6,368 for the year (2016: £6,305). One employee's earnings were in the £70,000 - £80,000 band. (2016: one) No employee's earnings were in the £60,000 - £70,000 band. (2016: none).

Senior management for the group comprises the Chief Executive Officer, the Finance Manager and the Care & Support Manager. Total remuneration of these senior managers, including social security and pension contributions totals £193,059 (2016: £188,417)

All Board members act on a voluntary basis and received no remuneration. Travelling costs and out-of-pocket expenses reimbursed to three Board members amounted to £205 (2016: £243 to one member).

4 INTEREST RECEIVABLE AND OTHER INCOME

	<u>2017</u> £	<u>2016</u> £
Deposit interest	1,510	2,226
Other income	304,700	303,849
	<u>306,210</u>	<u>306,075</u>

HILL HOMES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2017

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2017	2016
	£	£
On bank loans, overdrafts and other loans: Repayable in more than 5 years - by instalments	10,593	10,520
	10,593	10,520

6 OPERATING DEFICIT FOR THE YEAR

	2017	2016
	£	£
The operating deficit for the year is stated after charging:		
Depreciation	366,083	429,071
Audit fees (net of VAT)	18,755	22,675
	384,838	451,746

7 FIXED ASSETS

	Freehold properties	Furniture and equipment	Computers	Total
	£	£	£	£
Cost				
At 1 April 2016	10,250,588	506,349	78,929	10,835,866
Additions	-	2,624	3,925	6,549
Disposals	-	(7,023)	-	(7,023)
	10,250,588	501,950	82,854	10,835,392
At 31 March 2017				
Depreciation				
At 1 April 2016	2,617,148	307,897	67,152	2,992,197
Charge for the year	312,743	47,544	5,796	366,083
Disposals	-	(4,155)	-	-
	2,929,891	351,286	72,948	3,354,125
At 31 March 2017				
Net book amounts				
At 31 March 2017	7,320,697	150,664	9,906	7,481,267
At 31 March 2016	7,633,440	198,452	11,777	7,843,669

HILL HOMES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2017

8 INVESTMENTS

	<u>2017</u>	<u>2016</u>
	£	£
Investments comprise:		
Sarasins Alpha CIF Funds	9,168,135	8,120,373
	<hr/>	<hr/>
	<u>2017</u>	<u>2016</u>
	£	£
Market value as at 1 April 2015	8,120,294	8,193,861
Additions to CIF Fund at cost	309,207	346,596
Unrealised gain/(losses)	738,624	(420,163)
	<hr/>	<hr/>
Cash held by investment managers	9,168,125	8,120,294
	10	79
	<hr/>	<hr/>
	<u>9,168,135</u>	<u>8,120,373</u>
	<hr/> <hr/>	<hr/> <hr/>

9 DEBTORS

	<u>2017</u>	<u>2016</u>
	£	£
Rental & care debtors	45,895	71,021
Prepayments	29,353	22,850
Other debtors	86,026	78,694
	<hr/>	<hr/>
	161,274	172,565
	<hr/> <hr/>	<hr/> <hr/>

HILL HOMES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2017

10 CREDITORS: Amounts falling due within one year

	<u>2017</u>	<u>2016</u>
	£	£
Trade creditors	34,842	35,474
Other taxation and social security	12,840	16,525
Accruals and deferred income	98,462	89,568
Other creditors	532	2,009
Social housing grant	154,259	190,293
	<u>300,935</u>	<u>333,869</u>

The Group pays its trade creditors on an average of 46 days.

11 CREDITORS: Amounts falling due after more than one year

	<u>2017</u>			<u>2016</u>		
	Under 5 years £	Over 5 years £	Total £	Under 5 years £	Over 5 years £	Total £
Housing loan	700	65,317	66,017	700	65,429	66,129
Social housing grant	771,290	3,220,728	3,992,018	656,500	3,453,741	4,110,241
	<u>771,990</u>	<u>3,286,045</u>	<u>4,058,035</u>	<u>657,200</u>	<u>3,519,170</u>	<u>4,176,370</u>

The housing loan from Orchardbrook Ltd is repayable by annual instalments of principal and interest, the last instalment of which falls to be repaid in the year 2041; the loan bears interest at a rate of 15.875% per annum. The lender has a first legal charge over the sheltered housing property.

12 SHARE CAPITAL

	<u>2017</u>	<u>2016</u>
	<u>Number</u>	<u>Number</u>
Shares of £1 each		
At 1 April 2016	31	43
Movement in year	(2)	(12)
Share issue	3	-
	<u>32</u>	<u>31</u>
At 31 March 2017	<u>32</u>	<u>31</u>

HILL HOMES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2017

13 STATEMENT OF CHANGES IN RESERVES

	Balance 1 st April 2016	Income	Expenditure	Transfers between funds	Balance 31 st March 2017
	£	£	£	£	£
Designated reserves					
Legacy funds	500	-	(62)	-	438
Major repairs	483,869	-	(23,808)	94,368	554,429
Total designated reserves	<u>484,369</u>	<u>-</u>	<u>(23,870)</u>	<u>94,368</u>	<u>554,867</u>
Revenue reserves					
Revenue reserves	11,850,279	2,436,035	(1,623,725)	(94,368)	12,568,221
Total revenue reserves	<u>11,850,279</u>	<u>2,436,035</u>	<u>(1,623,725)</u>	<u>(94,368)</u>	<u>12,568,221</u>
Total reserves	<u><u>12,334,648</u></u>	<u><u>2,436,035</u></u>	<u><u>(1,647,595)</u></u>	<u><u>-</u></u>	<u><u>13,123,088</u></u>

During 2012-13, Hill Homes received a legacy of £1,000 from the estate of the late Jennifer Ann Peters. The Board Members designated these funds to be split equally between the properties at Trees and Nuffield Lodge for the tenants to purchase items of their choosing. Following the refurbishment of Nuffield Lodge, and with the agreement of its tenants, additional garden items were purchased. The tenants at Trees are yet to decide how to use the majority of their £500.

Board Members have agreed to designate funds for major repairs for Nuffield Lodge, Trees and Vyse Close. An annual designation is made to these funds. Major repairs to the value of £23,808 were undertaken in 2016-17.

There are no restricted reserves.

HILL HOMES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2017

14 CAPITAL COMMITMENTS

There were no outstanding capital commitments at 31 March 2017.

15 OPERATING LEASE COMMITMENTS

At 31 March 2017, the Association had commitments under operating leases which expire:

	2017 £	2016 £
Under one year	763	952
Two to five years	5,915	-
In more than five years	-	-

16 LEGISLATIVE PROVISIONS

Hill Homes is an exempt charity incorporated under the Co-operative and Community Benefit Societies Act 2014, under their reference number 12687R.

17 POST BALANCE SHEET EVENTS

There were no post balance sheet events.

18 RELATED PARTY TRANSACTIONS

Hill Homes provided a grant of £40,000 (2016: £66,000) to Hill Homes Care Limited. Hill Homes Care Limited is a private company limited by shares, established on 18th September 2014, with one subscriber, Hill Homes. During the year, two of Hill Homes' board members were also directors of Hill Homes Care Limited. They were Susan Faridi and Eldon Pethybridge.

HILL HOMES
SUMMARY GROUP INCOME AND EXPENDITURE ACCOUNT
YEAR ENDED 31 MARCH 2017

	2017 £	2016 £
INCOME		
Receipts from residents	1,239,034	1,237,365
	<u>1,239,034</u>	<u>1,237,365</u>
DIRECT EXPENDITURE		
Staff costs	488,950	540,590
Other care costs	184,753	142,183
Establishment charges	158,645	150,727
Property and furniture costs	57,173	63,264
Depreciation	357,798	421,911
Specific administration costs	58,539	36,320
	<u>1,311,138</u>	<u>1,354,995</u>
ADMINISTRATION COSTS		
Staff costs	159,719	161,358
Audit and accountancy fees	27,252	26,927
Legal and professional fees	83,170	101,865
General administration expenses	46,250	40,352
Property and furniture costs	1,188	32
Depreciation	8,285	7,180
	<u>325,864</u>	<u>337,714</u>
TOTAL EXPENDITURE	<u>1,637,002</u>	<u>1,692,709</u>
OPERATING DEFICIT	(397,968)	(455,344)
Profit/(loss) on sale of fixed assets	(2,868)	-
Deposit interest receivable	1,510	2,226
Other income	303,440	303,849
Social Housing Grant	154,258	190,293
Donations and legacies received	777	3,717
Interest payable	(10,593)	(10,520)
	<u>49,816</u>	<u>34,221</u>
SURPLUS FOR YEAR	<u>49,816</u>	<u>34,221</u>

