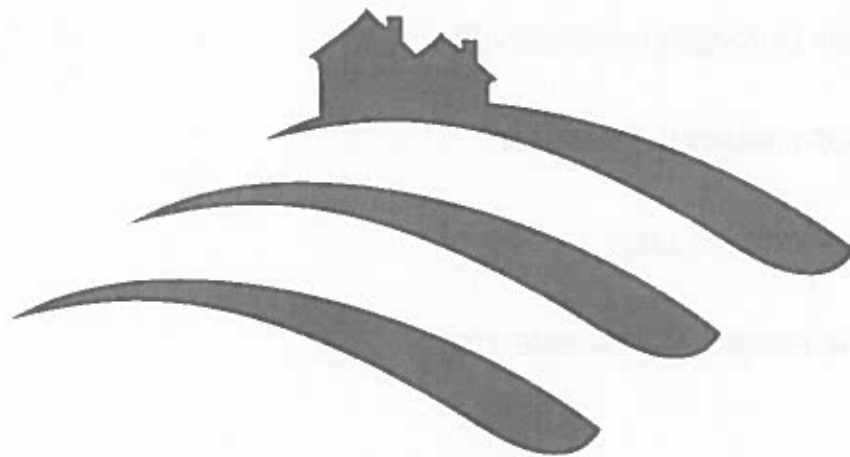


ENGLISH RURAL HOUSING ASSOCIATION LIMITED

Co-operative and Community Benefit Society No: 27606R

Homes and Communities Agency No: L4004



ENGLISH RURAL

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST MARCH 2016

ENGLISH RURAL HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2016

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ENGLISH RURAL HOUSING ASSOCIATION LIMITED**BOARD MEMBERS, DIRECTORS, ADVISORS AND BANKERS****FOR THE YEAR ENDED 31ST MARCH 2016****ROYAL PATRON :**

Her Royal Highness Princess Anne, The Princess Royal

PRESIDENT :

Sir Peter Dixon Former Chairman of the
Housing Corporation

BOARD MEMBERS :

Mark Tillson (Chairman)
Mike Paddock (Vice-Chairman)
Norman Arnell
Nick Way
Caroline Harris Resigned 22 September 2015
Christine Knight
Tony MacArthur
Clive Francis
Danielle Troop

EXECUTIVE MANAGEMENT**TEAM :**

Adrian Maunders Chief Executive
James Taylor Deputy Chief Executive /
Development Director
Martin Collett Operations Director
Ray Green Finance Director (from 26
October 2015)
Graham Oliver Interim Finance Director (until
23 October 2015)

SOLICITORS :

Devonshires 30 Finsbury Circus London EC2M 7DT	Gepp & Sons Solicitors, 58 New London Road, Chelmsford, Essex CM2 OPA	Stephens Scown, Osprey House, Malpas Road, Truro, Cornwall, TR1 1UT
--	--	--

BANKERS :

Barclays Bank Cambridge Corporate Banking Centre, Vision Park Histon, Cambridge CB4 4ZX	Lloyds Banking Group 25 Gresham Street London EC2V 7HN	Triodos Bank NV Brunel House 11 The Promenade Bristol BS8 3NN
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Santander Bank 17 Ulster Terrace Regents Park London NW1 4PJ	Affordable Housing Finance plc 4 th Floor 107 Cannon Street London EC4N 5AF
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ENGLISH RURAL HOUSING ASSOCIATION LIMITED

BOARD MEMBERS, DIRECTORS, ADVISORS AND BANKERS (Continued)

FOR THE YEAR ENDED 31ST MARCH 2016

EXTERNAL AUDITORS :

Knox Cropper,
8/9 Well Court,
London EC4M 9DN

INTERNAL AUDITORS :

Aster Options Limited
Sarsen Court
Horton Avenue
Cannings Hill
Devizes
SN10 2AZ

**COMPANY SECRETARY AND
HEAD OFFICE :**

Karen Eagles
First Floor, Hall House
9 Graphite Square
Vauxhall Walk
London
SE11 5EE

**REGISTERED COMPANY AND
SURREY / SUSSEX OFFICE :**

Astolat,
Coniers Way
New Inn Lane
Burpham
Guildford
Surrey
GU4 7HL

DEVELOPMENT OFFICE :

RCCE House
Threshelfords Business Park
Inworth Road
Feering
Essex
CO5 9SE

ENGLISH RURAL HOUSING ASSOCIATION LIMITED**REPORT OF THE BOARD****FOR THE YEAR ENDED 31ST MARCH 2016**

The Board presents its report and audited financial statements for the year ended 31st March 2016.

Principal activities

English Rural Housing Association Limited is a not-for-profit registered social landlord administered by a voluntary board. The Association's main activities are the management and development of affordable housing in rural areas and the stock profile is set out below:

	March 2016	March 2015
General needs social rent	639	639
General needs affordable rent	109	92
Shared ownership	370	369
TOTAL	1,118	1,100

The Association's business plan model is based on ensuring that operational cash flows are prioritised to meet the management and maintenance costs of its existing stock. Any surplus cash flows are then used to invest in new developments whilst ensuring that the current and future financial viability of the Association is not put at risk. The provision of services to existing stock and the investment in new stock is subject to financial assessment to ensure value for money.

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

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of English Rural Housing Association Limited ("the Association") and of the surplus or deficit for that period.

In preparing those financial statements, the Board is required to:-

- select suitable accounting policies and 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 Association will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and enable it to ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014 and the Accounting Direction for Social Housing in England from April 2015. The Association is a public benefit entity, as defined in FRS 102 and applies the relevant paragraphs prefixed 'PBE' in FRS 102.

The Board is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ENGLISH RURAL HOUSING ASSOCIATION LIMITED**REPORT OF THE BOARD (Continued)****FOR THE YEAR ENDED 31ST MARCH 2016****Rules**

The Association's rules are based on the 2005 National Housing Federation Model for housing associations and were reviewed and adopted in 2008, with regulatory approval.

NHF Code of Governance

The Board has adopted the latest (2015) National Housing Federation Code of Governance ("Excellence in Governance") and has, during the year, met its objective to follow the highest standards of governance, accountability and probity. The Board has an on-going programme to maintain and wherever necessary, strengthen governance arrangements. A requirement of the regulatory framework is the reporting of any areas of non-compliance with the selected Code of Governance. There have been no areas of non-compliance during the year.

Compliance with the Governance and Financial Viability Standard

The Association complies with the HCA's Governance and Financial Viability Standard through:

- Adoption of the principal recommendations of the 2015 NHF revised Code of Governance
- An effective Board of Management, appraised regularly
- Standing Orders which set out roles and responsibilities which are reviewed annually by the Board
- A risk management framework with an agreed risk appetite and detailed risk map
- A long term financial plan which has been stress tested
- Compliance with lenders covenants with the Board monitoring compliance on a quarterly basis
- Sufficient liquidity to meet contractual commitments
- Sufficient headroom to meet development plans
- An effective system of internal controls which are tested by internal audit
- An asset and liability register
- A fraud register regularly reviewed by the Audit & Standards Committee

Board of Management

The present Board members and Executive Officers are set out on page 1. The Board comprises up to twelve non-executive members and is responsible for managing the affairs of the Association. Board members are drawn from a wide background bringing together professional, commercial and other relevant experience. The Board met five times during the year for regular business to discuss strategy and related matters. There are two governance committees, one dealing with audit and standards and the other with finance and resources, which each meet as required.

All members of the Board, except for Tony MacArthur, hold one share of £1 each in the Association and no member had any interest in any contract or arrangement with the Association except for Christine Knight and Tony MacArthur who are both Resident Board members.

Resident Involvement

The Association's residents contribute to the development of services provided by the Association, including through the work of the Resident Scrutiny Panel and Housing Services Panel. More detail is provided in a separate annual report to residents which explains the development of services offered to residents, developments proposed in response to resident views and what has been achieved.

ENGLISH RURAL HOUSING ASSOCIATION LIMITED**REPORT OF THE BOARD (Continued)****FOR THE YEAR ENDED 31ST MARCH 2016****Employees**

Staffing policies are overseen by the Finance and Resources Committee who advise the Board as appropriate. There were seventeen full time and four part-time staff employed by the Association during the year ended 31st March 2016. The Association is committed to equality of opportunity for its employees and this was reflected in regular comprehensive reviews of employment and remuneration policies.

Going concern

The Association has sufficient resources (including £5m of undrawn committed facilities and £10.4m of cash at 31 March 2016) to finance committed development programmes, along with the Association's day to day operations. The Association also has a long term financial forecast, which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

On this basis, the Board has an expectation that the Association 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.

Assessment of the effectiveness of internal controls

The Board acknowledges its ultimate responsibility for ensuring that the Association has in place a system of internal control and for reviewing its effectiveness.

Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and to provide reasonable assurance against material financial mis-statement or loss. The Association has an Audit and Standards Committee to assist and advise the Board in the audit and risk management processes. Key elements of the Committee's role include ensuring that:

- formal policies and procedures are in place, including the documentation of key systems and controls and a summary of delegated authorities, which ensures a strong control environment and enables the monitoring of these controls;
- forecasts and budgets are prepared which enable the Board to monitor the key business risks and financial objectives. Regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information. Significant variances from budgets are investigated as appropriate;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures;
- the Board reviews reports from the Executive Management Team, from the internal auditors and from the external auditors with a view to obtaining reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the Association;
- weaknesses identified from the above reports are discussed with management and addressed by the Board.

ENGLISH RURAL HOUSING ASSOCIATION LIMITED**REPORT OF THE BOARD (Continued)****FOR THE YEAR ENDED 31ST MARCH 2016**

The Board has reviewed, on an ongoing basis with external auditors, the effectiveness of the system of internal control in existence at the Association for the year ended 31st March 2016 and until the date of approval of the annual Financial Statements. No weaknesses were found in internal financial controls that resulted in material losses, contingencies or uncertainties that require disclosure in the Financial Statements or in the auditor's report on the Financial Statements.

Auditors

Messrs. Knox Cropper have expressed their willingness to continue in office and a resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting.

Signed by order of the Board


(Company Secretary) 13th July 2016

ENGLISH RURAL HOUSING ASSOCIATION LIMITED**BOARD STATEMENT ON INTERNAL FINANCIAL CONTROLS****FOR THE YEAR ENDED 31ST MARCH 2016****BUSINESS STRATEGY REVIEW**

During the year, the Board agreed that the scale and pace of recent changes to the operating environment for housing associations generally and English Rural in particular meant that the Association should undertake an in-depth review of its Business Strategy.

A very significant example of the recent changes was the rent reductions over four years imposed by the July 2015 budget which had reduced rental income (as compared with the original Business Plan assumption) by some £1.5 million by 2020 and over the first ten years of the plan by £12.6 million. This led to a revised Business Plan Model which was stress tested and submitted to the regulator and funders. This confirmed the ongoing strength of the organisation.

Over the last ten years the Association has grown from owning and managing 600 homes to around 1,200 homes today. Funding facilities had also increased from £9 million to £41 million. Thus while the asset base had doubled, funding had quadrupled, reflecting the drastic reduction in grant support over the period.

Partnerships with smaller and larger peers to share expertise and services are likely to be a strong feature of future patterns of working and form part of the Association's approach to Value for Money.

The purposes of the review which will be completed during 2016, are to enable the Board and Executive to:

- (a) Consider the opportunities and risks of the recent radical changes in the Association's operating context;
- (b) Develop an ambition for the medium to longer term, with a focus on the next five years, i.e. 2016 - 2021;
- (c) Formulate a business strategy to support delivery of that ambition

The review includes addressing the requirement of the Regulatory Standard that in seeking to maximise value for money, Boards should "consider alternative service delivery models" as part of regular strategic reviews.

The Association's Business Plan Model will be updated later in the year to incorporate the outcome of the review. Possible scenarios, to indicate the potential to generate additional growth capacity for the development of new homes from the existing business, and the steps necessary to release that capacity will be considered.

In order to ensure that much-needed development for rent in rural areas can continue to be viable (in the absence of grant) schemes include an element of homes for sale on the open market, the profits from which subsidise the rented homes; a delivery route envisaged by the National Planning Policy Framework. Local authority partners have increasingly recognised that rural exception site development has to include market sales to make affordable housing viable.

The Board is aware that English Rural is the only housing association whose sole purpose is rural housing and has a wide geographical coverage.

English Rural has a strong "brand", considerably greater than would normally be associated with a housing association of its size. This had been built up through extensive and proactive networking and

ENGLISH RURAL HOUSING ASSOCIATION LIMITED
BOARD STATEMENT ON INTERNAL FINANCIAL CONTROLS
FOR THE YEAR ENDED 31ST MARCH 2016

advocacy activity which has led to the Association being seen as a leader in the specialist field of rural housing.

The leading Consultancy Altair Ltd will carry out a review of the Business Plan and the stress-testing to provide assurance to the Board.

Governance

The Board was pleased to note that the Association's Regulatory Assessments of G1 (for Governance) and V1 (for economic viability) were renewed during the year.

The Association has completed work on the Asset and Liability Register as required by the Regulatory Standard. Enquiries about the Register can be made through email to info@englishrural.org.uk

Finances and Value for Money (VFM)

The appointment of a new Finance Director underlined the importance of the function and supports the work of the Finance & Resources Committee.

Continued Implementation of the VFM strategy approved by the Board during 2015. The Association commenced providing a full housing management service to the New Forest Villages Housing Association during the year. This service for some 50 properties is being delivered within existing resources, thereby further providing VFM.

The bespoke Asset Management Toolkit produced last year is now attracting interest from peer housing associations to use for their own VFM strategies.

The Aster Cost-Sharing Vehicle of which English Rural is a founding member has continued to provide value for money for Internal Audit and support through the procurement of a new IT service provider. The VFM strategy can be viewed at www.englishrural.org.uk Existing properties have continued to benefit from investment with over 100 homes benefitting from improvements, including high performing window and door upgrades, new kitchens and heating systems.

Residents and partners

With 70% of residents having internet access, a project to re-design and update the Association's website started work with residents during the year; the new site is operational. The high level of resident internet access offers an opportunity to overcome the challenges of the geographic housing stock profile and to support digital inclusion in rural communities;

Good relationships with partners including like-minded peers, local authorities and parish councils continue to be the cornerstone of the Association's work and are being increased within existing resources.

The Board was especially pleased that the Association's Royal Patron, HRH The Princess Royal was able to attend and address the AGM at Loseley Park in Surrey in September 2015.

ENGLISH RURAL HOUSING ASSOCIATION LIMITED**BOARD STATEMENT ON INTERNAL FINANCIAL CONTROLS****FOR THE YEAR ENDED 31ST MARCH 2016****Risk Management**

During the year, the Board continued to keep under review the formal risk management strategy and process which provides the basis for identifying, evaluating and managing the significant risks faced by the sector generally.

At every meeting, the Board considers the latest risk management register and updates the actions required as necessary. The Executive Management Team also reviews risks at a more detailed level.

An independent peer review of the risk management framework was commissioned during the 2014/15 year which recommended some refinement of the framework which was implemented during the year.

The revised 2015 Business Plan was subject to stress testing. This showed that the plan was robust and the worst case scenario gave a long lead in time for any corrective action, should this be necessary.

PERFORMANCE DURING THE YEAR

Indicator	Target	Actual
Dwellings vacant and available to let	0	0
Current arrears excluding Housing Benefit	Less than 3%	2.06%
Emergency repairs completed in 24 hours	More than 95%	97%
Units with gas and a valid gas certificate	100%	99%
Tenants satisfied with housing service	Greater than 90%	87%
Tenants satisfied with repairs	Greater than 90%	90%

Services continue to develop inline with value for money objectives, which aim to deliver an effective and high quality level of service to residents whilst maintaining reasonable costs and increasing income collection. A focus on arrears continues in order to manage the potential risk to income that the move to Universal Credit poses, so far as possible rents accounts are gradually being moved towards payment in advance as required by the tenancy agreements in place.

A review of performance measurement which incorporated input from the Residents Panel resulted in the removal of the urgency repairs target, with a focus instead on the speed at which appointments were made by contractors and their ability to resolve repairs from just one visit; This combination recognising the service aspirations of residents and the need to better understand and measure contractor and cost efficiencies.

Overall the provision of quality services and strong performance has been maintained, meeting both resident and business objectives, whilst securing increased value through increasing scale, delivering more for the same.

ENGLISH RURAL HOUSING ASSOCIATION LIMITED**BOARD STATEMENT ON INTERNAL FINANCIAL CONTROLS****FOR THE YEAR ENDED 31ST MARCH 2016****FINANCIAL REVIEW****Accounts highlights, five year summary**

For the year ended 31 March	2016	2015	2014	2013	2012
	£000's	Restated	£000's	£000's	£000's
		£000's			
Income and Expenditure Account					
Total turnover	5,818	5,048	4,649	4,993	3,780
Income from lettings	5,356	5,034	4,217	3,823	3,443
Operating surplus	1,640	1,443	1,144	1,198	740
Surplus for the year transferred to reserves	399	516	266	411	108
Balance Sheet					
Housing properties net of depreciation	76,673	75,533	75,052	71,782	66,523
Social housing grants and other grants	-	-	(41,812)	(41,274)	(40,590)
Other fixed assets	6	6	9	11	13
Net current assets	7,871	10,416	(86)	1,090	297
Total Assets less current liabilities	84,550	85,955	33,163	31,609	26,243
Creditors (amounts due in more than one year)	(71,962)	(73,765)	(21,566)	(20,278)	(15,324)
Net Assets	12,588	12,190	11,597	11,331	10,919
Reserves	12,588	12,190	11,597	11,331	10,919
Housing properties owned at year end:					
Social housing	1,118	1,100	1,080	1,027	990
Statistics:					
Operating surplus as % of turnover	28.2%	28.6%	24.6%	24.0%	19.6%
Rent losses (<i>voids and bad debts as a % of rent and service charges receivable</i>)	0.3%	0.5%	0.6%	0.6%	0.4%
Rent arrears (<i>gross arrears as % of rent and service charges receivable</i>)	2.0%	2.1%	3.3%	3.2%	2.8%
Gearing (<i>total loans as % of capital grants plus reserves</i>)	63.3%	66.0%	41.4%	39.9%	30.7%
Interest cover (<i>operating surplus as % of interest payable</i>)	132.2%	152.7%	130.2%	151.8%	116.9%

Figures from 2015 onwards are not directly comparable with earlier figures due to the reclassification of capital grants as creditors rather than netted off fixed asset cost under FRS102.

ENGLISH RURAL HOUSING ASSOCIATION LIMITED**BOARD STATEMENT ON INTERNAL FINANCIAL CONTROLS****FOR THE YEAR ENDED 31ST MARCH 2016**

The Board is pleased to report a surplus for the year of £0.4m (2015: £0.5m). The surplus is lower this year mainly due to additional interest costs arising from the draw down of the £11.6m AHF loan at the end of March 2015. This has added an additional £380k in interest costs for the year. Cash balances remain high at £10.4m as the proceeds from the loan are mostly still to be applied to fund our projected development programme over the next 3 years. As schemes are completed the additional net rental income will more than offset the additional interest costs. In the meantime, there is a "cost of carry" of the loan which represents the opportunity cost of being able to commit to new developments in the knowledge that funding is already in place.

The accounts have been presented for the first time using the new accounting standards FRS102. The main impact for English Rural is the change in treatment of capital grants of which English Rural has accumulated around £42m. Capital grants are now treated as a long-term liability in the Statement of Financial Position rather than being netted off fixed assets. The result is higher fixed asset costs and correspondingly higher long-term liabilities. In terms of the Statement of Comprehensive Income, the impact is relatively neutral with greater depreciation costs and additional turnover from amortised capital grants broadly off-setting each other. Further detail is provided in Note 22 to the accounts.

Performance against loan covenants, as shown below, has been favourable, helped by the continuing low level of interest rates, providing capacity for future investment, and allowing the raising of further finance in the near future to support the new 5 year strategy (2016-21).

	Tightest Covenant	Actual
Interest Cover – EBITDA	Greater than 110%	206%
Interest Cover – EBITDA (Major Repairs Included)	Greater than 110%	186%
Gearing – Gross Borrowings / Net Tangible Worth	Less than 70%	63%

Note: EBITDA is Earnings Before Interest, Tax, Depreciation and Amortisation.

Cash flows are shown in the Statement of Cash Flows on page 16. £3.0m of cash was generated from operations, and a net £1.1m of loans were repaid. Cash balances were used to fund investments in new homes of £2.5m. At 31 March 2016, cash balances were £10.4m (2015: £12.3m), and £5.0m in undrawn but available loan facilities were in place (2015: £4.5m).

FUTURE PERFORMANCE

As noted above there is no sign that the Association's purpose of providing and managing affordable rural housing will become less relevant in the future. The Business Strategy Review process outlined earlier in this report will be considering possible ways of increasing the capacity, and thereby VFM to develop more new homes.

The review will be underpinned by continued assurance of:

- A strong governance framework, running from the Board throughout the organisation;

ENGLISH RURAL HOUSING ASSOCIATION LIMITED

BOARD STATEMENT ON INTERNAL FINANCIAL CONTROLS

FOR THE YEAR ENDED 31ST MARCH 2016

- A robust approach to risk management, balancing risks and rewards and ensuring that conscious decisions are made around the risk appetite;
- Strong and continued advocacy of appropriate rural housing, working with partners and other influencers, including providing support services to peers.

The revised 2015 Business Plan reflects the intention to build 121 new homes, investing £19m over the next 4 years, for which sufficient funding facilities and cash, are in place. The majority of these new developments have already been identified.

The Business Plan makes full provision for the maintenance identified in the stock condition survey, and meets all existing funding covenants.

Chairman



Date: 13th July 2016

ENGLISH RURAL HOUSING ASSOCIATION LIMITED**AUDITORS' REPORT TO THE MEMBERS OF ENGLISH RURAL HOUSING ASSOCIATION LIMITED****FOR THE YEAR ENDED 31ST MARCH 2016**

We have audited the financial statements of English Rural Housing Association Limited for the year ended 31st March 2016, which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Statement of Financial Position, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with the Co-operative and Community Benefit Societies Act 2014 and the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report or for the opinion we have formed.

Respective Responsibilities of the Board and Auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Board; and
- the overall presentation of the financial statements

In addition, we read all the financial and non-financial information in the Report of the Board to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of English Rural Housing Association's affairs as at 31st March 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 from April 2015.

Matters on which we are required to report by exception

The Co-operative and Community Benefit Societies Act 2014 require us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- 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

We confirm that we have nothing to report in respect of the above matters.

Knox Cropper
Knox Cropper
Chartered Accountants
Statutory Auditor

8/9 Well Court
London
EC4M 9DM

13th July 2016

ENGLISH RURAL HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2016

	Notes	2016 £	2015 restated £
Turnover	2d & 3	5,817,957	5,048,154
Operating expenditure	3	(4,177,878)	(3,604,658)
Operating surplus		<u>1,640,079</u>	<u>1,443,496</u>
Gain on disposal of property, plant and equipment		-	17,200
Interest Receivable and Similar Income	5	53,752	48
Interest Payable and Similar Charges	6	<u>(1,295,141)</u>	<u>(944,551)</u>
Surplus before tax	8	398,690	516,193
Taxation	9	-	-
Surplus for the year after tax		<u>398,690</u>	<u>516,193</u>

STATEMENT OF CHANGES IN RESERVES
for the year ended 31 March 2016

	Notes	Revenue reserves £	Total £
Balance at 1 April 2015 as previously reported		12,173,814	12,173,814
Prior year adjustment	22	15,815	15,815
Balance at 1 April 2015 restated		<u>12,189,629</u>	<u>12,189,629</u>
Surplus from statement of comprehensive income for the year		398,690	398,690
Balance as at 31 March 2016		<u>12,588,319</u>	<u>12,588,319</u>

All activities reported above, both in the current year and preceding year, relate to continuing activities.

ENGLISH RURAL HOUSING ASSOCIATION LIMITEDSTATEMENT OF FINANCIAL POSITION
as at 31st March 2016

	Notes	2016	2015 restated
		£	£
Fixed assets			
Social housing properties	10	76,672,771	75,533,320
Office equipment and leasehold improvements	11	<u>5,917</u>	<u>5,705</u>
		<u>76,678,688</u>	<u>75,539,025</u>
Current assets			
Trade and other debtors	13	210,211	383,461
Cash and cash equivalents		<u>10,423,722</u>	<u>12,304,959</u>
		<u>10,633,933</u>	<u>12,688,420</u>
Less: Creditors: amounts falling due within one year	14	<u>(2,762,983)</u>	<u>(2,272,280)</u>
Net current assets		7,870,950	10,416,140
Total assets less current liabilities		<u>84,549,638</u>	<u>85,955,165</u>
Creditors: amounts falling due after more than one year	15	<u>(71,961,277)</u>	<u>(73,765,488)</u>
Total net assets		<u>12,588,361</u>	<u>12,189,677</u>
Capital and reserves			
Non-equity share capital	16	42	48
Revenue Reserve		<u>12,588,319</u>	<u>12,189,629</u>
		<u>12,588,361</u>	<u>12,189,677</u>

These financial statements were approved by the Board on 13th July 2016 and signed on its behalf by:


(Board Member)


(Board Member)


(Company Secretary)

The accompanying notes form part of these financial statements

ENGLISH RURAL HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS
for the year ended 31st March 2016

	Notes	2016 £	2015 restated £
Net cash generated from operating activities	19	3,280,874	2,435,360
Cash flow from investing activities			
Property expenditure		(2,966,489)	(5,177,956)
Capital grants received		181,875	626,613
Office equipment purchases		(4,320)	-
Proceeds of stair-casing sale		-	31,500
Interest received		53,752	48
		(2,735,182)	(4,519,795)
Cash flow from financing activities			
Finance charges		(1,301,178)	(926,978)
Loan issue costs		(69,236)	(99,852)
Loans received		1,000,000	15,146,200
Loans repaid		(2,056,509)	(1,096,230)
Proceeds from issue of shares		(6)	2
		(2,426,929)	13,023,142
Net change in cash and cash equivalents		(1,881,237)	10,938,707
Cash and cash equivalents at beginning of year		12,304,959	1,366,252
Cash and cash equivalents at end of year		10,423,722	12,304,959

The accompanying notes form part of these financial statements

ENGLISH RURAL HOUSING ASSOCIATION LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
for the year ended 31st March 2016**1. Legal status**

The Association is registered under the Co-operative and Community Benefit Societies Act 2014 and is also registered with the Homes and Communities Agency as a Registered Provider as defined by the Housing and Regeneration Act 2008.

2. Principal Accounting Policies**(a) Basis of accounting**

The financial statements of the Association are prepared on an historical cost basis and are in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015. The Board is satisfied that the current accounting policies are the most appropriate for the Association.

This is the first year in which the financial statements have been prepared under FRS 102. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 22.

(b) Going concern

The financial statements have been prepared on a going concern basis after consideration of the future prospects of the Association and the preparation of long term financial forecasts and plans which include an assessment of the availability of funding and the certainty of cash flow from rental of social housing stock.

(c) Accounting judgements and estimations

Estimates and judgements are continually evaluated and are based on historical experience, advice from qualified experts where required or appropriate and other factors. Judgements have been made in determining the appropriate the main components and useful lives of property, plant and equipment for depreciation purposes and the likelihood of any impairment.

Estimations have been made internally with regard to the recoverable amount of rental and other trade receivables and the allocation of costs for mixed tenure development schemes. The contingent liability relating to the Association's possible obligation to pay money to the Social Housing Pension Scheme (SHPS), were the last active member of the scheme to leave pensionable employment, has been estimated by the Scheme's actuary. This calculation includes estimations of life expectancy, salary growth, discount rates and inflation.

(d) Turnover and revenue recognition

Turnover represents rental income receivable, amortised capital grant, income from the sale of shared ownership and other properties developed for outright sale and other income and are recognised in relation to the period when the goods or services have been supplied. Rental income is recognised when the property is available for let. Income from property sales is recognised on legal completion. Sales of properties developed for outright sale are included in Turnover and Cost of Sales.

ENGLISH RURAL HOUSING ASSOCIATION LIMITED**NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31st March 2016**(e) Service charges**

Service charge income and costs are recognised on an accruals basis. The Group operates variable service charges on a scheme by scheme basis in full consultation with residents. The charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge. Where periodic expenditure is required a provision may be built up over the years, in consultation with the residents; until these costs are incurred this liability is held in the Statement of Financial Position within long term creditors.

(f) Housing properties and depreciation

In accordance with SORP 2014, the Group operates a full component accounting policy in relation to the capitalisation and depreciation of its completed housing stock. Housing properties (in development and completed) are stated at cost less accumulated depreciation and any accumulated impairment losses. Staff costs and overheads which are directly attributable to bringing housing properties into working condition for their intended use are capitalised. However, interest incurred during the development phase is not capitalised and instead expensed to the statement of comprehensive income.

Housing properties are split between land, structure and major components which require periodic replacement. Replacement or refurbishment of such major components is capitalised and depreciated over their estimated useful lives which have been set taking into account professional advice. Freehold land is not subject to depreciation.

Major components are treated as separate assets and depreciated over their expected useful economic lives at the following rates:

	Economic Life
Land	n/a
Bathrooms	30 yrs
Heating systems	15 -20 yrs
Kitchens	20 yrs
Electrics	40 yrs
Mechanical Systems	30 yrs
Roofs	70 yrs
Structure	100 yrs
Windows and doors	20-25 yrs

Housing assets are depreciated from the month of acquisition, or in the case of a larger project, from the month of completion. Where there is evidence of impairment, the fixed assets are written down to the fair value after deducting costs to sell, and any write down is charged to operating surplus.

Housing properties in the course of construction are held at cost and not depreciated. They are transferred to completed properties when handed over for letting or sale.

Any surplus arising on first tranche sales of shared ownership properties are restricted to the "overall surplus" which is defined as the difference between the net present value of cash flows and cost. The Association charges a rent on the retained percentage of the property. Therefore the net cost allocated to first tranche sale is the balance after allowing for the proportion of the property that is expected to be retained by the Association.

ENGLISH RURAL HOUSING ASSOCIATION LIMITED**NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31st March 2016**(g) Impairment**

Annually housing properties are assessed for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the asset's carrying amount to its recoverable amount. Where the carrying amount of an asset is deemed to exceed its recoverable amount, the asset is written down to its recoverable amount. The resulting impairment loss is recognised as expenditure in the statement of comprehensive income.

(h) Office equipment and leasehold improvements

Office Equipment is depreciated over 3 years and leasehold improvements are depreciated over the term of the lease of 10 years.

(i) Government and other grants

Social housing grant (SHG) is receivable from the Homes and Communities Agency (HCA) and other capital grants are recognised in income over the expected useful life of the housing property structure under the accruals model.

SHG must be recycled by the Association under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by the Homes and Communities Agency. However, SHG may have to be repaid if certain conditions are not met. If grant is not required to be recycled or repaid, any unamortised grant is recognised as Turnover. In certain circumstances, SHG may be repayable, and, in that event, is a subordinated unsecured repayable debt.

(j) Financial instruments

The Association has determined that its financial instruments meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised historical cost model. This includes loans where there are two way breakage cost clauses as part of the terms of the loan agreement.

(k) Properties held for disposal

Where the Association has identified properties to be sold within the short term, they have been transferred to current assets.

(l) Works to existing properties

Where a major component of a housing property is replaced or restored, the works are capitalised. All other costs of works to existing properties are charged to the Statement of Comprehensive Income.

(m) Taxation

The Association is accepted as a charity by the Inland Revenue. Income and capital gains of the Association are generally exempt from tax if applied for charitable purposes. There is no provision required for deferred tax.

ENGLISH RURAL HOUSING ASSOCIATION LIMITED**NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31st March 2016**(n) Value added tax**

The Association is registered for VAT and accordingly, where specifically applicable, expenditure incurred in selling shared ownership schemes is shown net of VAT. All other expenditure is shown inclusive of VAT.

(o) Apportionment of Management Expenses

Management expenses are allocated to activities either directly or on the basis of staff time spent on the activity.

(p) Pension costs

The Association's employees were entitled to join the Social Housing Pension Scheme (SHPS), a defined benefit funded scheme, until 2005 when it was closed to new members. The scheme is a multi employer scheme and the actuary has confirmed that it is not practical to allocate the assets and liabilities of the scheme between participating employers. Pension costs are therefore reflected in the accounts when payments to the pension scheme fall due. This treatment is consistent with the treatment adopted in previous years.

Full details of the pension scheme's financial position are set out in notes 20 and 21.

Since the advent of pensions auto-enrolment, new employees are automatically enrolled into the SHPS (defined contribution) scheme, with the Association making a contribution as required by the regulations and the Association's policy. All employers' contributions are reflected in the accounts as costs as they fall due.

(q) Holiday pay accrual

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

ENGLISH RURAL HOUSING ASSOCIATION LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
for the year ended 31st March 2016**3. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS**

Note	2016			2015 restated		
	Turnover £	Cost of Sales £	Operating Costs £	Operating Costs £	Operating Surplus £	Operating Surplus £
Social Housing Lettings :						
General needs housing	5,028,483	-	(3,464,886)	(3,306,918)	1,405,112	
Shared ownership accommodation	327,054	-	(308,350)	(297,740)	23,752	
	5,355,537	-	(3,773,236)	(3,604,658)	1,428,864	
Other Social Housing Activities						
1 st Tranche shared ownership sales	192,500	(109,251)	(6,000)	-	-	-
Other income	19,920	-	-	-	-	14,632
Compensation payment	250,000	-	-	-	-	-
Aborted development costs	-	-	(289,391)	-	-	-
	462,420	(109,251)	(295,391)	-	-	14,632
	5,817,957	(109,251)	(4,068,627)	(3,604,658)	1,443,496	

The compensation payment of £250k relates to monies received from a landowner as an incentive to exchange our rights to them to build properties for market sale on a site in Wickham Bishops.

ENGLISH RURAL HOUSING ASSOCIATION LIMITED**NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31st March 2016**4. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS**

	----- 2016 -----			----- 2015 restated -----		
	General Needs Housing £	Shared Ownership Accommodation £	Total £	General Needs Housing £	Shared Ownership Accommodation £	Total £
Rent receivable net of identifiable service charges	4,543,839	155,416	4,699,255	4,261,589	152,272	4,413,861
Service charges receivable	164,137	69,275	233,412	135,131	67,344	202,475
Grants released from deferred income	320,507	102,363	422,870	315,310	101,876	417,186
Turnover from Social Housing Lettings	5,028,483	327,054	5,355,537	4,712,030	321,492	5,033,522
Housing Management	1,475,096	-	1,475,096	1,424,243	-	1,424,243
Housing Services	158,026	199,136	357,162	133,306	188,194	321,500
Routine Maintenance	241,319	-	241,319	238,229	-	238,229
Planned Maintenance	203,710	-	203,710	150,706	-	150,706
Major Repairs Expenditure	151,108	-	151,108	148,725	-	148,725
Bad Debts	(558)	-	(558)	5,979	-	5,979
Depreciation of housing properties	1,236,185	109,214	1,345,399	1,205,730	109,546	1,315,276
Operating costs on social housing lettings	3,464,886	308,350	3,773,236	3,306,918	297,740	3,604,658
Operating surplus on social housing lettings	1,563,597	18,704	1,582,301	1,405,112	23,752	1,428,864
Void Losses	17,298	-	17,298	16,550	-	16,550

ENGLISH RURAL HOUSING ASSOCIATION LIMITED**NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31st March 2016**5. INTEREST RECEIVABLE AND SIMILAR INCOME**

	2016	2015
	£	£
Interest Receivable on Bank Deposit Accounts	<u>53,752</u>	<u>48</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2016	2015
	£	£
Interest on loans	<u>1,295,141</u>	<u>944,551</u>

7. DIRECTORS' EMOLUMENTS AND EXPENSES

The Directors are defined as the Board and the Executive Management Team. With the exception of the Executive Management Team, who comprise the Association's key management personnel, the directors are non-executive and do not receive emoluments. The Executive Management Team comprised 4 members.

	2016	2015
	£	£
Total Emoluments	<u>345,286</u>	<u>346,956</u>
Emoluments of Highest paid director excluding pension contribution	<u>115,882</u>	<u>113,699</u>

The Chief Executive has a stakeholder pension plan. The total contribution amounts to 5% of pensionable salary, amounting to £5,306.

Total expenses reimbursed to the directors and not chargeable to United Kingdom taxation

<u>11,093</u>	<u>13,076</u>
No.	No.

The full time equivalent number of staff whose remuneration fell within each band of £10,000 from £60,000 upwards was:

£110,000 - £119,999	1	1
£100,000 - £109,999	-	-
£ 90,000 - £ 99,999	-	-
£ 80,000 - £ 89,999	1	1
£ 70,000 - £ 79,999	1	-
£ 60,000 - £ 69,999	<u>-</u>	<u>1</u>

8. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

The surplus on ordinary activities before taxation is stated after charging:

	2016	2015 restated
	£	£
Auditor's remuneration including VAT:		
In their capacity as auditors	5,500	5,166
For other services	-	-
Depreciation		
Housing Properties	1,345,399	1,315,276
Office Equipment and leasehold improvements	<u>4,108</u>	<u>3,395</u>
Employee Costs	£	£
Salaries	839,213	882,013
Social Security Costs	91,236	95,186
Pension Costs	129,937	86,764
Less: Capitalised Staff Costs	<u>(113,238)</u>	<u>(121,731)</u>
	<u>947,148</u>	<u>942,232</u>
	No.	No.
Average weekly number of employees (expressed as full-time equivalent and including the Executive Management Team)	<u>19</u>	<u>18</u>

ENGLISH RURAL HOUSING ASSOCIATION LIMITED**NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31st March 2016

Pension costs increased significantly in 2016 due to a £31k increase in provision required by the SHPS DB Scheme (see Note 20). The provision increased from £116k to £147k. In addition, due to the Association implementing pension auto-enrolment during the year, more staff are now members of a pension scheme to which the Association makes employer contributions.

9. TAXATION

English Rural Housing Association Limited is an exempt charity registered with the Homes and Communities Agency and is exempt from liability to taxation on its income and capital gains.

10. FIXED ASSETS

	Completed Properties for Letting £	Completed Shared Owned Properties £	Properties in Development £	Total £
Cost				
At 1 st April 2015	70,763,723	10,891,162	2,996,215	84,651,100
Additions: new properties			2,517,395	2,517,395
Works to existing properties	256,846	-	-	256,846
Components written off	(162,025)	-	-	(162,025)
Aborted development scheme costs	-	-	(289,391)	(289,391)
Transferred to completed schemes	2,067,856	46,472	(2,114,328)	-
At 31 st March 2016	<u>72,926,400</u>	<u>10,937,634</u>	<u>3,109,891</u>	<u>86,973,925</u>
Depreciation				
At 1 st April 2015 (restated)	7,993,267	1,124,513	-	9,117,780
Charge for Year	1,236,185	109,214	-	1,345,399
Released on Disposal	(162,025)	-	-	(162,025)
At 31 st March 2016	<u>9,067,427</u>	<u>1,233,727</u>	<u>-</u>	<u>10,301,154</u>
Net Book Value				
At 31 st March 2016	<u>63,858,973</u>	<u>9,703,907</u>	<u>3,109,891</u>	<u>76,672,771</u>
At 31 st March 2015 (restated)	<u>62,770,456</u>	<u>9,766,649</u>	<u>2,996,215</u>	<u>75,533,320</u>
			2016	2015
			£	£
Expenditure on Existing Properties:				
Capitalised			256,846	237,369
Charged to Income and Expenditure Account			149,687	148,725
			<u>406,533</u>	<u>386,094</u>

ENGLISH RURAL HOUSING ASSOCIATION LIMITED**NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31st March 2016**11. OFFICE EQUIPMENT/LEASEHOLD IMPROVEMENTS**

	Leasehold Improvements	Office Equipment	Total
	£	£	£
Cost			
At 1 st April 2015	17,034	94,374	111,408
Written off in year	-	-	-
Additions at Cost	-	4,320	4,320
At 31 st March 2016	<u>17,034</u>	<u>98,694</u>	<u>115,728</u>
Depreciation			
At 1 st April 2015	(12,446)	(93,257)	(105,703)
Written off in year	-	-	-
Charged in year	(1,703)	(2,405)	(4,108)
At 31 st March 2016	<u>(14,149)</u>	<u>(95,662)</u>	<u>(109,811)</u>
Net book value			
At 31 st March 2016	<u>2,885</u>	<u>3,032</u>	<u>5,917</u>
At 31 st March 2015	<u>4,588</u>	<u>1,117</u>	<u>5,705</u>

12. SHARED OWNERSHIP PROPERTIES DEVELOPED FOR SALE

	Completed	In Development	Total
	£	£	£
At 1 st April 2015	-	-	-
Expenditure during the year	-	155,723	155,723
Transferred to Fixed Assets	(46,472)	-	(46,472)
Transferred to Cost of Sales	(109,251)	-	(109,251)
Transfer to Completed Schemes	155,723	(155,723)	-
At 31 st March 2016	<u>-</u>	<u>-</u>	<u>-</u>

13. DEBTORS

	2016	2015
	£	£
Arrears of Rent and Service Charges	133,079	125,339
Provision for Doubtful Debts	(46,227)	(51,268)
	<u>86,852</u>	<u>74,071</u>
Legal Fees due from Tenants	11,990	12,979
Recharges-tenants	11,632	3,181
Other Recharges	2,157	-
VAT Recoverable	(1,027)	-
Deposit for Highway Works	24,690	69,940
Social Housing Grant Receivable	-	70,000
Sundry Debtors and Prepayments	73,916	153,290
	<u>210,211</u>	<u>383,460</u>

ENGLISH RURAL HOUSING ASSOCIATION LIMITED**NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31st March 2016**14. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2016	2015 restated
	£	£
Sinking fund	413,532	348,541
Other Creditors and Accruals	458,036	302,190
Recycled capital grant fund (Note 23)	9,075	9,075
Employee Benefits – annual leave carried forward	13,444	13,763
Operational Creditors	894,087	673,569
Deferred income – capital grants	428,613	424,295
Pension Liability	18,000	14,000
Building Retentions	234,141	385,772
Building Creditors	203,974	244,591
Housing Loans	984,168	530,053
	<u>2,762,983</u>	<u>2,272,280</u>

15. CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2016	2015 restated
	£	£
Housing loans	33,969,154	35,555,052
Deferred income – capital grants	37,863,123	38,108,436
Pension provision	129,000	102,000
	<u>71,961,277</u>	<u>73,765,488</u>

Housing Loans

Borrowings are repayable as follows:

Due in less than 1 year	984,168	530,053
Due between 1 and 2 years	1,006,505	847,549
Due between 2 and 5 years	3,163,040	2,979,480
Due after 5 years	29,799,609	31,728,023
Due after more than one year	33,969,154	35,555,052
Total	<u>34,953,322</u>	<u>36,085,105</u>

The loan facilities are provided by three funders and a bond issue through the Government's Affordable Housing Guarantee Scheme (AHF Loan), the funders being Santander, Barclays and Triodos. Loan interest rates range from 1.40% to 6.61% per annum (2015: 0.70% to 10.75%). The average rate achieved over the year was 3.55% (2015: 4.25%). Interest on housing loans is charged to the statement of comprehensive income in the year that it is incurred. The housing loans are secured by first fixed charges over the Association's housing properties. The total undrawn loan facilities at 31 March 2016 were £5m (2015: £4.5m). Issue costs were incurred for the Triodos Bank, Santander and AHF loans and are amortised to the statement of comprehensive income.

ENGLISH RURAL HOUSING ASSOCIATION LIMITED**NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31st March 2016

Loan balances were as follows:

Lender	2016	2015
	£	£
Barclays Bank	6,436,008	6,826,066
Triodos Bank	17,427,544	16,593,995
AHF plc	11,606,700	11,646,200
Santander Bank	-	1,500,000
Issue Costs	(516,930)	(481,156)
Total	<u>34,953,322</u>	<u>36,085,105</u>

During the year, the outstanding balance against the Santander facility of £1.5m was repaid leaving the full £5m facility undrawn and available. The loan balance against AHF plc is made up of the £10m nominal amount borrowed and the unamortised excess proceeds to date above the nominal amount.

Deferred income – capital grants

	Total
	£
Capital grants received	
At 1 st April 2015	42,429,458
Grant received during the year	181,875
Grant recycled during the year	-
At 31 st March 2016	<u>42,611,333</u>
Less grant amortisation	
At 1 st April 2015	22
Grant amortised for year	3,896,727
At 31 st March 2016	<u>422,870</u>
	<u>4,319,597</u>
Net deferred income at 31 st March 2016	<u>38,291,736</u>
Net deferred income at 31 st March 2015	<u>38,532,731</u>

	2016	2015
	£	£
Amount due to be released in less than one year	428,613	424,295
Amount due to be released in more than one year	37,863,123	38,108,436
	<u>38,291,736</u>	<u>38,532,731</u>

16. CALLED UP SHARE CAPITAL

	2016	2015
	£	£
Shares of £1 each – allotted, issued and fully paid		
At 31 st March 2015	48	46
Issued during the year	-	2
Cancelled during the year	(6)	-
Shares of £1 each – allotted, issued and fully paid at 31 st March 2016	<u>42</u>	<u>48</u>

The shares provide Members with the right to vote at General Meeting, but they do not provide any rights to dividends or distributions, if the Association is wound up or dissolved. When a shareholder ceases to be a shareholder, his or her share shall be cancelled. The amount paid up becomes the property of the Association.

ENGLISH RURAL HOUSING ASSOCIATION LIMITED**NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31st March 2016**17. CAPITAL COMMITMENTS**

	2016 £	2015 £
Capital expenditure that has been contracted for but has not been provided for in the Financial Statements	2,316,321	6,878,192
Capital expenditure that has been authorised by the Board of Management but has not yet been contracted for	14,381,157	10,821,597
Total	16,697,478	17,699,789
Proposed financing of above expenditure:		
Grants	708,000	1,443,000
Other Subsidy	2,770,000	1,950,000
Loans & Cash	11,125,978	13,399,289
Property sales	2,093,500	907,500
	16,697,478	17,699,789

18. HOUSING STOCK

	Units in Development		Units in Management	
	2016 No.	2015 No.	2016 No.	2015 No.
The number of units of housing accommodation under development and in management at 31 st March 2015 and 31 st March 2016 were:				
General Needs Housing - social rent	-	-	639	639
General Needs Housing - Affordable Rent	94	126	109	92
Shared Ownership accommodation	10	4	370	369
Units Managed on Behalf of other Registered Providers		-		-
	104	130	1,118	1,100

ENGLISH RURAL HOUSING ASSOCIATION LIMITED**NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31st March 2016**19. CASH FLOW FROM OPERATING ACTIVITIES**

Reconciliation of surplus to net cash inflow from operating activities

	2016	2015 restated
	£	£
Surplus for the year	398,690	516,193
Adjustments for non-cash items:		
Depreciation and assets written off	1,349,507	1,318,671
Aborted scheme costs	289,391	-
Decrease in trade and other debtors	173,249	49,806
Increase in trade and other creditors	220,518	45,573
(Decrease) in provisions	31,000	(5,000)
Adjustments for investing or financing activities:		
Profit on disposal of fixed assets	-	(17,200)
Government grants utilised during the year	(422,870)	(417,186)
Interest Receivable	(53,752)	(48)
Interest Payable	1,295,141	944,551
Net Cash Inflow from Operating Activities	3,280,874	2,435,360

20. SOCIAL HOUSING PENSION SCHEME (SHPS) DEFINED BENEFIT SCHEME

English Rural Housing Association Limited has two members of staff in the Social Housing Pension DB Scheme (the Scheme). As explained in the Notes to Financial Statements, this DB option was closed to new staff from 2005. Under auto-enrolment are enrolled into the SHPS (DC) scheme.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the Scheme is a multi-employer scheme where the Scheme assets are co-mingled for investment purposes, and benefits are paid from total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period represents the employer contribution payable. In addition, a contracted deficit contribution (see below) is also charged as an employer cost. In 2015/16 this amounted to £14k.

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

The last formal valuation of the Scheme was performed as at 30 September 2014 by a professionally qualified Actuary using the Projected Unit Method. Provisional results indicate that the market value of the Scheme's assets at the valuation date was £3,123 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,323 million, equivalent to a past service funding level of 70.0%.

SHPS (DB) deficit payment agreement

In respect of the DB element of the scheme, the Association has a contractual obligation under an agreement to pay additional deficit payments to SHPS totalling £160k over the next 11 years to 2027. In calculating the net present value of the liability included within provisions the association has used a discount rate based on a market rate AA corporate bond for the same period as the contractual obligations.

ENGLISH RURAL HOUSING ASSOCIATION LIMITED**NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31st March 2016

	£'000
At the start of the year	116
Unwinding of the discount factor (interest expense)	2
Deficit contribution paid	(14)
Remeasurements - impact of any change in assumptions	(1)
Remeasurements - amendments to the contribution schedule	43
Provision at end of period	147

During the year ended 31 March 2016 the association received notification of changes to the additional deficit payment to SHPS (DB), this resulted in an additional liability of £31k at 31 March 2016.

21. CONTINGENT LIABILITY

Under the Occupational Pension Schemes (Employer Debt and Miscellaneous Amendments) Regulations 2008, an employer debt may become due, in respect of the DB scheme, in the event of an employer ceasing to participate in a multi-employer pension scheme.

As The Association has closed the scheme to new entrants, then a debt could crystallise under the current regulations when the last active DB or DC member leaves pensionable service, should the scheme not be fully funded on a buy out basis at that time. The potential employer debt was £760,828 as at 30th September 2015 (30th September 2014: £655,845).

The Board has taken steps to mitigate against the possibility of the debt crystallising. This includes the decision that the SHPS DC pension is the Association's qualifying scheme for the purposes of pension auto-enrolment. As the debt, if any, is not likely to crystallise in the foreseeable future, no provision is reflected in these accounts. There are currently 5 members of staff who are active members of SHPS.

22. PRIOR YEAR ADJUSTMENTS**Adjustments following the adoption of FRS102:****1) Recognition of grant income**

Previously capital grants received were netted off against the cost of housing properties. In line with the Housing SORP 2014 and FRS 102, grant received by the Association is now recognised as income, on an accrual basis, systematically over the expected life of the asset (100 years). Grant not due to be released as income is held within creditors as deferred income. In the statement of financial position, this has resulted in an increase in the carrying value of housing under construction within housing properties and deferred income balances in creditors. In the Statement of Comprehensive Income, the grant income for completed new build properties is included in turnover for the year and the changes to the accounting for grants increases the annual depreciation charge.

2) Pension liability

There is a contractual agreement between the managers of the Association's defined benefit multi-employer scheme (SHPS) and the Association to pay additional deficit payments to SHPS totalling £160k over the next 11 years to 2027. As such, FRS102 requires these contributions to be reflected as a liability in the Statement of Financial Position and the resulting expense in the Statement of Comprehensive Income (see Note 20). This liability is reviewed annually by the schemes actuary.

3) Holiday pay accrual

In order to fully comply with requirements of the Housing SORP 2014, a review was undertaken to identify any potential holiday pay entitlement liability at the year-end. An adjustment is included in operating costs and accruals.

ENGLISH RURAL HOUSING ASSOCIATION LIMITED**NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31st March 2016

A reconciliation of the prior-year adjustments is shown below:

Reconciliation of surplus for the year ended 31 March 2015	At 31 March 2015
	£
As previously reported	576,803
Increase in holiday pay accrual	(1,996)
Decrease in pension deficit provision	5,000
Additional depreciation due on housing properties	(480,800)
Amortisation of deferred capital grants	417,186
Subtotal of adjustments	(60,610)
As reported under FRS102	516,193

Reconciliation of capital and reserves	At 31 March 2014	At 31 March 2015
	£	£
As previously reported	11,597,057	12,173,862
Additional cumulative depreciation due on housing properties	(3,270,348)	(3,751,148)
Cumulative amortisation of deferred capital grants	3,479,541	3,896,727
Recognition of holiday pay accrual	(11,767)	(13,764)
Recognition of pension deficit provision	(121,000)	(116,000)
Subtotal of adjustments	76,426	15,815
As reported under FRS102	11,673,483	12,189,677

23. RECYCLED CAPITAL GRANT FUND

	2016	2015
	£	£
As at 1 April	9,075	-
Grants recycled	-	9,075
Interest accrued	-	-
As at 31 March	9,075	9,075

24. RELATED PARTIES

There are two residents on the Board of Management. Their transactions with the Association continue to be on the same terms as for other residents. The Board have confirmed that there are no other related party transactions.

