

**Annual report and financial  
statements for the year ended  
31 March 2018**

# **Synergy Housing Limited**

**Co-operative and Community Benefit Societies Act 2014 number 31447R**

# Synergy Housing Limited

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# Synergy Housing Limited

## Legal and Administrative Details

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<b>Registered office:</b>	Link House, First Floor, West Street, Poole, Dorset. BH15 1LD	
<b>Legal status:</b>	Synergy Housing Limited ('the association') is incorporated under the Co-operative and Community Benefit Societies Act 2014 number 31447R and is a wholly owned subsidiary of Aster Group Limited and a member of the Aster Group ('the group').  The association is registered with the Regulator for Social Housing ('RSH') formally the Homes and Communities Agency.	
<b>Members of the board:</b>	The directors of the association who were in office during the year and up to the date of signing the financial statements, unless otherwise indicated, are set out below.  <b>Non-executive directors</b> Andrew Jackson                      Chairman Phillip Owens                         Senior Independent Director Sally Higham Steve Trusler Mary Watkins                         Retired from the board 31 July 2018 Mike Biles Andrew Kluth  <b>Executive directors</b> Bjorn Howard                         Group Chief Executive John Brace                             Group Resources Director (retired from the board 31 October 2017) Michael Reece                         Group Operations and Assets Director (appointed 1 November 2017) Amanda Williams                     Group Development Director (appointed 1 November 2017)	
<b>Executive Team:</b>	Bjorn Howard                         Group Chief Executive John Brace                             Group Resources Director (redundant 30 April 2018) Rachel Credidio                       Group People and Transformation Director Michael Reece                         Group Operations and Assets Director Graeme Stanley                       Group Strategy Director Amanda Williams                     Group Development Director Brian Whittaker                       Group Human Resources Director (redundant 4 August 2017) Chris Benn                             Group Finance Director (appointed 27 July 2017) Dawn Fowler-Stevens                Group Growth and Assurance Director (appointed 27 July 2017)	
<b>Association Secretary:</b>	David Betteridge                     Appointed 1 February 2018 Douglas Smith                         Redundant 1 February 2018	
<b>Independent Auditor:</b>	KPMG LLP Gateway House Tollgate Chandler's Ford Eastleigh SO53 3TG	

# Synergy Housing Limited

## Legal and Administrative Details (continued)

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<b>Principal Banker:</b>	NatWest Bank Plc Business Banking 503 Ringwood Road Ferndown Bournemouth BH22 9BL	
<b>Principal Solicitor:</b>	Trowers & Hamblins Sceptre Court 40 Tower Hill London EC3N 4DX	
<b>Funder:</b>	Santander Corporate Banking Corporate Lending Operations 4th Floor Santander House 100 Ludgate Hill London EC4M 7RE	Abbey National Treasury Services Plc. 2 Triton Square Regents Place London NW1 3AN
	Royal Bank of Scotland Plc 1st Floor, 280 Bishopsgate London EC2M 3RB	Affordable Housing Finance Plc 4th Floor, 107 Cannon Street London EC4N 5AF
<b>Security Trustee:</b>	Prudential Trustee Association Limited Laurence Pountney Hill London EC4R 0HH	
<b>Valuer:</b>	Jones Lang LaSalle Limited 45 Church Street Birmingham B3 2RT	
<b>Financial Adviser:</b>	J.C. Rathbone Associates Limited 12 St. James Square London SW1Y 4LB	

# Synergy Housing Limited

## Report of the Board

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The board presents its report and the audited financial statements for the year ended 31 March 2018.

### Principal activities

Synergy Housing Limited's principal activity is to provide affordable homes and associated services as a Registered Provider.

### Results for the year

The profit for the year was £12.8 million (2017: £13.7 million).

### The Board

The members of the board are listed on page 1. No members of the board held, at any time during the year, any beneficial interest shares in the association.

### Share Capital

During the year, 2 shares were issued (2017: 3 shares) and 3 were cancelled (2017: 3 shares) leaving a balance in the share capital of the association of £27 (2017: £28).

### Directors' indemnities

Synergy Housing Limited is a member of the Aster Group which has made qualifying third party indemnity provisions for the benefits of its directors and officers (which extend to the performance of any duties as a director or officer of an associated company or subsidiary). The provisions have been in place throughout the year and remain in force at the date of this report.

### Going concern

The board has a reasonable expectation that the association has adequate resources to continue in operational existence for the foreseeable future given its net asset position. For this reason, it continues to adopt the going concern basis in the financial statements.

### Reduced reporting disclosures

Section 1.12 of FRS 102 allows subsidiaries to opt out of making some disclosures in its financial statements and not to report the following:

- a) A Statement of Cash Flows as outlined in section 7 of FRS 102;
- c) The detailed disclosures of financial instruments, carrying values, terms and conditions and hedging relationships outlined in paragraph 11.41, 11.42, 11.44, 11.45, 11.48, 12.27, 12.29 and 12.29A of FRS 102;
- d) The requirement to disclose key management personnel compensation outlined in paragraph 33.7 of FRS 102;

Synergy Housing Limited has taken advantage of these exemptions. A full set of disclosures are included in the group's consolidated financial statements.

Paragraph 4.4 of the Housing SORP 2014 allows registered providers that are subsidiaries of a group to opt out of providing a Strategic Report. Synergy Housing Limited has taken this opt out and not produced a Strategic Report.

# Synergy Housing Limited

## Report of the Board (continued)

### Review of the association's business

Synergy Housing Limited owns or manages approximately 10,000 homes for more than 21,000 customers, and is a developer of new affordable housing. Zebra Property Solutions Limited, a wholly owned subsidiary of the association, undertook commercial and development activities which were outside the charitable rules for Synergy Housing Limited. On 29<sup>th</sup> March 2018 the market rental properties of Zebra Property Solutions Limited were transferred to Synergy Housing Limited, after which Zebra Property Solutions Limited became a dormant company. Aster Solar Limited, a joint venture with a fellow subsidiary, Aster Communities, provides green electricity to Synergy Housing Limited's tenants using photovoltaic panels.

Aster Solar Limited remains as a non-charitable joint venture of Synergy Housing Limited.

### Operational performance

Operational and financial performance in the business continues to be strong. Key highlights are as follows:

- Good performance in income collection despite a challenging environment evidenced by current tenant arrears of 2.2% against a target of 3.0% and prior year of 2.3%.
- Rent lost through properties being empty is 0.4% of total rental income (2017: 0.3%) compared to a target of 0.7%. The increase on prior year is due to the void disposal programme which began in 2017/18 and options appraisals.
- Improved performance in re-letting homes with the average number of days to re-let one day better than target for general needs and five days better than target for housing for older people ('HOPS').
- Completed 225 new homes for rent or sale against a target of 303 and prior year of 301.
- A continued strong focus on managing the impacts of welfare reform and the roll out of Universal Credit, through the internal Strategy and Practitioners Group, ensuring that customers are supported at the same time as protecting income streams.
- Synergy Housing Limited continues to improve its approach to recovering service charges with tighter controls and more efficient systems for recording expenditure and charging customers.
- Work to transform customer contact started with the merging of Synergy Housing Limited contact centres. The association continues to change the way it works to make processes simpler and easier, providing services through a range of different channels more efficiently.
- The void disposal programme ('VDP') and stock option appraisal programme ('SOAP') has generated net profit of £1.8 million during the year. There have been 10 VDP sales and 1 SOAP sale.
- Synergy Housing Limited has Key Performance Indicators. Targets are set at the beginning of each year as part of the business planning process and regular reports are drawn from each of the key operating systems to monitor performance. Measures for the association are highlighted below:

	2017/18 Target	2017/18 Actual	2016/17 Actual
% rent lost through vacant properties	0.7%	0.4%	0.3%
Average number of days to re-let - General Needs	15	14	11
Average number of days to re-let - Housing for Older People (HOPS)	24	19	16
% arrears (General Needs & HOPS)	3.0%	2.2%	2.3%
% repairs completed on time	98.0%	96.4%	98.0%
% of tenants satisfied with repair work	80.0%	88.0%	85.0%
% of all appointments kept	90.0%	98.0%	99.0%
New homes completed	303	225	301

# Synergy Housing Limited

## Report of the Board (continued)

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### Operational performance (continued)

The association has had a successful financial year. Operating profit was £19.8 million.

- Turnover increased by £2.7 million to £66.0 million with rental income increasing by £0.8 million to £48.5 million. Service charge income decreased by £0.4 million to £3.4 million.
- First tranche shared ownership income increased by £2.3 million to £12.3 million during the year.
- Operating costs increased £5.0 million to £46.3 million, due in part to an increase in legal provision of £1.5 million; office costs of £0.9 million; first tranche costs of sales of .7 million property related costs of £0.8 million and £0.3 million of abortive development costs.
- Net profit decreased by £0.9 million to £12.8 million.

### Value for Money

Synergy Housing Limited complies with the Regulator for Social Housings economic standard on Value for Money. In line with the new standard published in April 2018, Synergy Housing Limited's performance against the seven agreed metrics is included in the Aster Group's performance information which is published on page 26 of the group's consolidated financial statements.

### Future plans of the business

Synergy Housing Limited as part of the Aster Group updated its corporate strategy on 1 April 2017. The group's vision is that 'everyone has a home'. Having a decent home is a basic right and has a huge impact on peoples' lives - from their health, to their wellbeing, and education opportunities.

As a not-for-dividend business, which exists to benefit society, all profits are reinvested back into the business to build more homes. The association's purpose is to be an ethical housing developer and landlord to benefit society, focussed on 'doing the right thing'. Over the next eight years, as well as providing services to existing customers, Aster Group will aim to build around 11,000 new homes.

The group is building a transparent, outcome-focused culture with clear lines of accountability running throughout the business. The corporate plan sets out a clear operational direction which will enable Aster Group to successfully deliver the corporate strategy. The priorities for Synergy Housing Limited are as follows:

- Achieve operational and financial performance targets, with a strong focus on value for money and efficiency;
- Deliver good housing, care and support and asset management and maintenance services and deliver the discretionary work the association chooses to do through our corporate social responsibility framework;
- Transform the business to embrace digital technology;
- Get greater value from property assets;
- Increase the level of innovation in the business;
- Build as many homes as possible;
- Increase agility and resilience; and
- Increase employee engagement.

The operating environment for 2018/19 poses a number of risks including:

- The uncertainty of the external environment and government policy towards the housing sector;
- The impact of welfare reforms will continue to be a challenge and could be significantly different to that the association has envisaged and prepared for;
- The availability and cost of funds for development, allied to inflationary pressures on construction costs;
- The risk of regulatory actions from the government and / or RSH for failure to meet the economic and consumer standards set out in the regulatory framework.

# Synergy Housing Limited

## Report of the Board (continued)

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### Brexit

The British Government has triggered Article 50 which starts the process of Britain leaving the EU, scheduled to occur on 29 March 2019. An agreement has been reached between government and the EU on a 21-month transition period to run from 29 March 2019 to 31 December 2020 to allow businesses to prepare for the moment when the new post-Brexit rules between the UK and EU begin. The exact outcome and consequences of the decision remain unknown. The association's principal risks are explained below and Brexit could potentially trigger some or all of these risks.

### Principal risks and uncertainties

Managing the risks and opportunities are essential to the group's long-term success and sustainability. The group endeavours to pursue opportunities which provide the right balance of risk and seeks to maintain exposure to these risks at an acceptable level in line with the risk appetite of the organisation.

The group's framework for opportunity and risk management supports Aster Group's approach to business and enhances the chances of delivering the strategy.

### Risk identification and management

The group's system for identifying and managing risks is embedded from the top down in its organisational structure, operations and management systems and accords with the risk management guidelines and principles set out in ISO 31000, the International Standard for Risk Management. The group Overlap Board has overall responsibility for ensuring the group's opportunity and risk management and internal control frameworks are appropriate and applied across the organisation. Principal risks are reviewed at each Group Risk & Compliance Committee meeting and quarterly by the board.

The risks associated with the delivery of the strategy and work programme, and the associated mitigation measures and action plans are maintained in a series of risk registers at group, association and project level. Assessment of the potential risks plays a fundamental role in the evaluation of each new opportunity and the management of all projects. The risks and mitigating actions from all of these sources are consolidated into the group risk matrix.

### Principal risks

During 2017/18, the board regularly reviewed the risks which they believe could adversely impact the business and also focussed on the opportunities that could be realised to deliver the strategy. The following list provides an overview of the principal strategic and financial risks that pertain to Synergy Housing Limited at 31st March 2018. The list is not exhaustive or set out in order of priority and is continually subject to change:

- Government Policy Change - as a registered provider of social housing, the group is exposed to the impact of changes in government policy.
  - The group maintains prudent financial assumptions to allow sufficient strength to weather changing policy. In addition, the group's financial plan undergoes scenario and stress testing using single and multiple variables to ensure that the business can cope with them.
  - Once a change in policy is known, the potential impact on the business and financial plan is modelled to further understand the implications.
  - The group seeks to recognise the opportunities presented by changing policy to counter any negative implications that may be felt.

# Synergy Housing Limited

## Report of the Board (continued)

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### Principal risks (continued)

- Development programme delayed or frustrated – the group's vision is that "everyone has a home" and in order to achieve this it must build more homes. In order to develop new homes the group requires either land to build on or developer contributions to help supply affordable housing.
  - The group's development programme and related risks are assessed and monitored prior to purchase of sites through to completion by appropriately skilled people.
  - There is a clear route for approval of schemes up to board level as appropriate.
  - The development team work closely with finance to ensure funding is available where required.
- Regulatory action/intervention – the group is heavily regulated including by the Regulator for Social Housing ('RSH') and the Care Quality Commission ('CQC').
  - The group operates a regulatory compliance framework which embeds controls across the operations of the group that help support compliance with the relevant regulation.
  - Regulation matters are regularly monitored and reviewed at a senior level across the group and at the Risk & Compliance Committee.
  - Management remain vigilant over adherence to the Regulatory Framework including cyclical and reactive review and regular reporting to boards.
  - The Group Chief Executive and senior leadership team maintain regular contact with the RSH and other regulators.
- Sales risk – the group undertakes a number of property sales activities to include market sales, new build shared ownership sales and stair-casing and is exposed to fluctuations in the property market.
  - Risk is managed at all stages with the sales team providing input from the point of scheme appraisal.
  - Contingencies are built into each scheme including not reflecting any house price growth assumptions in the development appraisal and a prudent estimate of the likely sales price achieved.
  - Transactional sales figures are monitored weekly.

# Synergy Housing Limited

## Report of the Board (continued)

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### Treasury policy, liquidity and credit risk

The group operates a centralised Treasury Management function. Outlined below are extracts from Synergy Housing Limited's financial statements that relate to treasury policy, liquidity and credit risk:

#### Treasury policy

Synergy Housing Limited, as part of the Aster Group, operates a centralised Treasury Management function, the primary purpose of which is to manage liquidity, funding, investment and the group's financial risk, including risk from volatility in interest rates and liquidity. The Group Treasury Committee reviews and recommends the Group Treasury Management Policy before it is approved by the group Overlap Board.

#### Interest rate risk

The association's exposure to interest rate fluctuations on its borrowings is managed by using fixed rate loans and interest rate swaps. It is the group's policy to manage interest rate risk on a group basis by applying the Group Treasury Policy by having at least 50% of debt and no more than 90% of debt subject to fixed rates for the medium to long term. As at 31 March 2018, 89% of the association's debt was fixed (2017: 93%) for a weighted average maturity of 11.7 years (2017: 12.3 years). The group finances its operations by a mixture of retained surpluses, borrowing from the capital markets, government grants and bank loans.

#### Current liquidity

Liquidity risk is managed by ensuring the group can meet at least six months of committed spend from a combination of cash and loan facilities capable of immediate drawdown. In addition, loan facilities are required to be in place to finance all committed expenditure of the group. The group has sufficient undrawn existing facilities and cash available to fund the group, at its full committed and generic development programme level, until July 2019. Further financing is not required for another 16 months. This is above the RSH's requirement for funding which expects finance to be agreed and in place 12 months before it is required.

At 31 March 2018, undrawn loan and overdraft facilities for the association amounted to £31.5 million (2017: £29.0 million), all of which is committed and available for immediate drawdown.

The drawdown of loan facilities is closely linked to investment in new homes. At the end of the year, the group had not committed to any investment that would take it beyond the scale of facilities available.

In order to maintain flexibility in the management of liquidity, the group's policy is to ensure that no more than 15% of debt matures in any 12 month period over the next five years where no replacement finance has been arranged. Of the association's debt, £57.6 million (18% of the current facility) is repayable within five years.

#### Credit risk

The group's policy is to minimise borrowings and surplus funds and investments are only made with highly rated counterparties on a Group Treasury Committee approved list with a maximum investment of £30 million per counterparty or up to a limit of the principal amount outstanding of any lender to the group.

# Synergy Housing Limited

## Report of the Board (continued)

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### Corporate and social responsibility

#### Equality and diversity

Synergy Housing Limited as a member of the Aster Group remains committed to the idea of fairness in all its dealings with people. This includes ensuring that its services are delivered in a way that gives equality of access to everyone and that our colleagues have equality in the workplace.

The group is reviewing its Equalities Network to ensure that it is representative of its wider workforce and customer profile and are building an action plan to identify opportunities for changes that have a positive impact.

During the year organisations with over 250 employees were required to publish their Gender Pay Gap. The gap for the whole Aster Group is 20.27% and 19.5% for Aster Property Limited and although there are many factors that have contributed to this, the group is determined to reduce it over the coming years.

The group has seen some changes in its two senior leadership teams which have led to a better gender balance. The Executive Board now has 43% women and the Leadership Team has 50% - both of which demonstrates that women can achieve success in the business.

In addition, the group is proud to be a Disability Confident Committed employer and has an action plan in place to achieve the next level of registration.

#### Employee wellbeing

During 2017/18 Aster Group launched a year-long campaign to help end the stigma attached to people suffering with poor mental health.

To date, the group has trained 51 colleagues to become mental health first aiders, with another 32 mental health places coming soon, as well as an opportunity for 100 managers to take part in a shorter course. In addition, the group has made a 'Time to Change' pledge, which commits to a series of actions to improve mental wellbeing of its employees, and is running awareness sessions across the business.

#### Employee voice

The group's Transformation Network has been active for the last year. The Network is made up of 90 colleagues who volunteered to act as cultural ambassadors to support wider culture change – moving to more empowerment and engagement across the business. They are supported with coaching and mentoring from members of the group's Culture Working Group.

Highlights over the year include Networkers hosting debates with their colleagues considering what it means to work in an ethical way which led to a change in the group's corporate purpose from being an ethical housing developer and landlord to benefit society to providing safety and security through being a reliable landlord, offering independent living services and supplying a wide range of options in response to the housing crisis. They also took part in a Chartered Institute of Housing consultation event called 'Re-thinking Social Housing' where they led colleague discussions about the changing sector and wider impacts on the Aster Group and their day-to-day roles.

In addition, as a result of Networker feedback, two significant events were held in June 2018 and supported by the Group. They were 'This is Aster', which brought the group's corporate strategy to life ensuring everyone understands how their role supports the group's vision that 'Everyone has a home', and a week-long series of events for anyone in a line management role, working with an external consultancy called Corporate Rebels to explore their eight habits of great workplaces.

# Synergy Housing Limited

## Report of the Board (continued)

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### Corporate and social responsibility (continued)

#### Employee voice (continued)

In preparation for the event, all colleagues were invited to complete a Corporate Rebels survey, which asked for opinions on where they felt the business was against the Rebels' eight habits. The results informed the Corporate Rebels workshops and will highlight where the group focuses its work moving forwards to achieve the cultural shift it is aspiring to.

#### Giving back

With match funding, where Aster Group matches every £250 raised for charity, colleagues have given back £35,240 to a wide range of different causes from Macmillan Cancer Support to Mind, Comic Relief and Save the Children as well as local charities nominated by employees.

The group's volunteering scheme has seen colleagues dedicate 66 days to activities in local communities. This has included the group's operatives and supply chain working together to create a new sensory garden for a local special school in Andover, a garden makeover at one of Aster Group's supported housing schemes and a clean-up day working with the Forestry Commission.

Through the Aster Foundation, the group's vehicle for delivering support to non-core activities of value to its customers and staff, the group has provided 10 work placements for members of its local communities, as well eight apprenticeships and two volunteering opportunities.

# Synergy Housing Limited

## Report of the Board (continued)

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### Corporate and social responsibility (continued)

#### Environmental impacts and mitigation

The group has adopted a target for all of its properties to have an Energy Performance Certificate ('EPC') rating of at least band C by 2025, which is five years ahead of the national Fuel Poverty Regulations 2030 deadline. The Regulations also set out an interim target whereby properties are required to meet at least an EPC D rating by 2020, where reasonably practicable. As a result of energy efficiency improvements, 99.67 % of Aster Group's properties are currently rated D or above and 85.20% are rated C or above, which means the group is on track to achieve both the interim target set by the Regulations and its own 2025 target.

Whilst the average energy efficiency [Standard Assessment Procedure](#) ('SAP') score of Aster Group's stock is 74, equivalent to an EPC mid-C band rating and well above the national average, a proactive approach identifies those properties that need additional energy efficiency investment and upgrades are carried out as required. Where the investment needed to bring a property to a C energy performance rating is uneconomical, individual properties will be considered for potential disposal under the Void Disposal Programme ('VDP').

The group continues to help its customers minimise their energy bills by providing web-based advice on energy efficiency. In addition, through the staff energy training scheme customers are provided with advice on switching energy suppliers, and the triage system for dealing with condensation and mould enquiries provides a targeted approach to these issues. Seven hundred and fifty five homes continue to benefit from the free electricity generated by Aster Group's 2015 solar PV programme, with the Energy Team providing customer advice on how to get the best out of the Photovoltaic ('PV') systems and achieve savings on annual energy bills of up to £200.

The group has upgraded its ISO 14001 environmental management system ('EMS') certification to the latest (2015) version of the standard, and no non-conformities were raised or observations made at the most recent external audit (Jan 2018). The new standard requires greater focus on broader, life-cycle issues such as procurement of goods and services, management of contractors and reducing customers' environmental impacts. As a result, work has begun to examine Aster Group's supply chain in order to identify areas where the organisation can drive and promote environmental, social and economic sustainability.

More broadly, the group is considering how it can best address the risks and opportunities presented by the sustainability agenda going forward. This will result in a new set of objectives being agreed, backed up by action plans. Areas to be addressed include waste minimisation and management, business travel, energy efficiency and procurement, as well as furthering Aster Group's work to alleviate fuel poverty amongst its customers. To better inform its plans, research will be commissioned in some of the key areas where knowledge gaps exist, including energy storage, smart grids and modular homes.

# Synergy Housing Limited

## Report of the Board (continued)

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

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

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under the Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation the directors 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the association or to cease operations, or have no realistic alternative but to do so.

The directors 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 and registered social housing legislation. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

# Synergy Housing Limited

## Report of the Board (continued)

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### Attendance at board meetings

#### Non-executive directors

	Total	Possible*	%
Andrew Jackson	10	12	83
Phillip Owens	10	12	83
Sally Higham	12	12	100
Steve Trusler	12	12	100
Mary Watkins	8	12	67
Mike Biles	12	12	100
Andrew Kluth	12	12	100

#### Executive directors

Bjorn Howard	12	12	100
John Brace	6	7	86
Michael Reece	5	5	100
Amanda Williams	3	5	60

\*Possible attendance may be lower than the total number of meetings held due to the director only holding office for part of the year.

### Disclosure of information to auditors

So far as the board is aware, there is no relevant information of which the company's auditor is unaware. The board has taken all reasonable steps that ought to have been taken to make itself aware of any relevant audit information, and to establish the company's auditor is aware of that information.

Signed on behalf of the board.



David Betteridge  
Association Secretary  
7 August 2018

# Independent Auditor's Report to the Members of Synergy Housing Limited

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## Opinion

We have audited the financial statements of Synergy Housing Limited ("the Association") for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Reserves and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the state of affairs of the association as at 31 March 2018 and of its income and expenditure for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

## Other information

The association's Board is responsible for the other information, which comprises the Board's Annual Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

## Matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

## **Independent Auditor's Report to the Members of Synergy Housing Limited (continued)**

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### **Board's responsibilities**

As more fully explained in their statement set out on page 12, the Association's Board is responsible for the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the Association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Association those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association as a body, for our audit work, for this report, or for the opinions we have formed.



**Harry Mears**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
Gateway House  
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24 August 2018

# Synergy Housing Limited

## Statement of Comprehensive Income

for the year ended 31 March 2018

	Note	2018 £000	2017 £000
Turnover	5a	66,099	63,397
Operating expenditure before impairment	5a	(36,030)	(31,753)
Cost of sales	5a	(10,308)	(9,557)
<b>Operating profit before impairment</b>		<b>19,761</b>	<b>22,087</b>
Impairment of housing assets	5a	-	321
<b>Operating profit</b>	<b>6</b>	<b>19,761</b>	<b>22,408</b>
Profit on disposal of property, plant and equipment	9	2,634	371
Profit on disposal of investment properties	10	-	117
Increase in fair value of investment properties	17	249	582
Gift Aid received	11	12	891
<b>Profit before interest and taxation</b>		<b>22,656</b>	<b>24,369</b>
Interest receivable and similar income	12	1,059	1,115
Interest payable and similar charges	12	(10,506)	(11,218)
Interest on net pension liability	12	(456)	(526)
Net finance expense	12	(9,903)	(10,629)
<b>Profit before tax</b>		<b>12,753</b>	<b>13,740</b>
Taxation	13	-	-
<b>Profit for the year</b>		<b>12,753</b>	<b>13,740</b>
<b>Other comprehensive income / (expense)</b>			
Actuarial gain / (loss) in respect of pension schemes	30	2,369	(2,022)
<b>Other comprehensive income / (expense) for the year</b>		<b>2,369</b>	<b>(2,022)</b>
<b>Total comprehensive income for the year</b>		<b>15,122</b>	<b>11,718</b>

# Synergy Housing Limited

## Statement of Financial Position

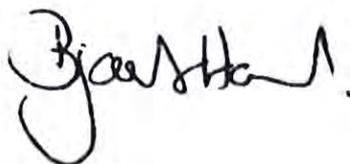
as at 31 March 2018

	Note	2018 £000	2017 £000
<b>Fixed assets</b>			
Intangible assets	14	753	903
Property, plant and equipment (social housing)	15	544,954	517,673
Property, plant and equipment (other assets)	16	1,900	2,119
Investment properties	17	14,668	12,570
Investment in subsidiaries	18	-	-
Investment in joint ventures	19	1,500	1,500
		<u>563,775</u>	<u>534,765</u>
<b>Non-current assets</b>			
Debtors: amounts falling due after more than one year	20	9,967	14,106
<b>Current assets</b>			
Debtors: amounts falling due within one year	21	2,773	4,833
Shared ownership properties held for sale	22	4,965	6,889
Cash and cash equivalents	23	48,285	56,389
		<u>56,023</u>	<u>68,111</u>
<b>Creditors: amounts falling due within one year</b>	24	<b>(15,337)</b>	<b>(13,952)</b>
<b>Net current assets</b>		<u>40,686</u>	<u>54,159</u>
<b>Total assets less current liabilities</b>		<u>614,428</u>	<u>603,030</u>
<b>Non current liabilities</b>			
Creditors: amounts falling due after more than one year	25	(310,343)	(314,075)
Pension deficit	30	(15,395)	(17,097)
Other Provisions	31	(1,850)	(140)
<b>Net assets</b>		<u>286,840</u>	<u>271,718</u>
<b>Capital and reserves</b>			
Called up share capital	32	-	-
Profit and loss reserve		121,962	105,757
Revaluation reserve	33	164,878	165,961
<b>Total reserves</b>		<u>286,840</u>	<u>271,718</u>

The financial statements on pages 16 to 64 were approved and authorised for issue by the board on 7 August 2018 and were signed on its behalf by:



Andrew Jackson  
Chairman



Bjorn Howard  
Group Chief Executive



David Betteridge  
Association Secretary

Association number : 31447R

# Synergy Housing Limited

## Statement of Changes in Reserves

For the year ended 31 March 2018

	2018		
	Profit and loss reserve £000	Revaluation reserve £000	Total reserves £000
Balance at 1 April 2017	105,757	165,961	271,718
Profit for the year	12,753	-	12,753
Other comprehensive income for the year	2,369	-	2,369
Transfer from revaluation reserve to profit and loss reserve	1,083	(1,083)	-
<b>Balance at 31 March 2018</b>	<b>121,962</b>	<b>164,878</b>	<b>286,840</b>
	2017		
	Profit and loss reserve £000	Revaluation reserve £000	Total reserves £000
Balance at 1 April 2016	93,201	166,799	260,000
Profit for the year	13,740	-	13,740
Other comprehensive expense for the year	(2,022)	-	(2,022)
Transfer from revaluation reserve to profit and loss reserve	838	(838)	-
<b>Balance at 31 March 2017</b>	<b>105,757</b>	<b>165,961</b>	<b>271,718</b>

# Synergy Housing Limited

## Notes to the Financial Statements

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### 1 Legal status

Synergy Housing Limited is registered under the Cooperative and Community Benefit Society Act 2014, and is registered with the Regulator for Social Housing ('RSH') as a Registered Provider as defined by the Housing Act 2004.

### 2 Basis of preparation

The financial statements of the association have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS102), 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 association is classified as a Public Benefit Entity under FRS102.

The financial statements are presented in Sterling (£).

#### Going Concern

The board has a reasonable expectation that the association has adequate resources to continue in operational existence for the foreseeable future given its net asset position. For this reason, these financial statements are prepared on the going concern basis, under the historical cost convention, except as modified by the revaluation of investment properties.

#### Presentation

The association has elected not to produce a strategic report, statement of cash flows, detailed disclosures of financial instruments and disclosure relating to key management compensation within the individual subsidiary financial statements in line with exemptions available within FRS 102 and the Housing SORP 2014. These disclosures are included in the group's consolidated financial statements.

The association has not prepared consolidated financial statements as it is a wholly owned subsidiary of the Aster Group and its results are included within the consolidated financial statements of the group.

# Synergy Housing Limited

## Notes to the Financial Statements (*continued*)

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### 3 Summary of significant accounting policies

#### Operating Profit

Synergy Housing Limited has chosen to show operating profit on the face of the Statement of Comprehensive Income. This figure represents income, less the costs and expenses incurred to generate it, from the association's principal activities that are not investing or financing activities.

#### Turnover

Turnover represents:

Rental, service charge income and garage lettings - recognised from the point at which the properties under development reach practical completion or otherwise become available for letting;

Service charge income - an amalgamation of the budgeted charge for the year and the under or over recovery from the pre-previous year;

Revenue fees and grants from local authorities and the Regulator for Social Housing - recognised over the period the related costs are incurred;

Asset related fees and grants from local authorities and the Regulator for Social Housing - recognised over the life of the related asset. For grants relating to completed properties the grant is amortised through turnover over the effective useful life of the property's structure;

Income from first tranche sales of New Build HomeBuy and housing properties developed for sale - recognised at the legal completion of the sale;

Other income, such as domiciliary care and sewerage services - recognised when the performance of a service is completed, or when the requirements of an agreement with a third party or other group subsidiary are met.

#### Property managed by agents

The association has a small number of properties that it owns but are managed by agents on its behalf. Where the association carries the financial risk on property managed by agents, all the income and expenditure arising from the property is included in the statement of consolidated income for the year. Where the agency carries the financial risk, the profit or loss for the year includes only that income and expenditure which relates solely to the group.

#### Value added tax (VAT)

The association is registered for VAT and, while turnover is stated excluding VAT, a large portion of its income, including its rents, is exempt for VAT purposes. The majority of its expenditure is subject to VAT which cannot be reclaimed and therefore expenditure is shown inclusive of irrecoverable VAT. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

#### Right to buy

The gain or loss on disposal of housing properties under the right to buy arrangement is calculated as being the difference between the proceeds of sale of a property and the carrying value of that property. The gain or loss on disposal is recognised in the statement of comprehensive income for the year at the date of transfer after adjusting for any local authority claw back agreement in operation. The local authority claw back is recognised as a liability until it is repaid to the relevant authority.

#### Right to acquire

The gain or loss on the disposal of housing properties under the right to acquire arrangement is calculated as being the difference between the proceeds of sale of a property and the carrying value of that property. Any gain or loss on disposal is recognised in the statement of comprehensive income for the year at the date of transfer.

# Synergy Housing Limited

## Notes to the Financial Statements (continued)

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### 3 Summary of significant accounting policies (continued)

#### New Build HomeBuy (Shared ownership)

The cost of developing New Build HomeBuy properties is split between current assets for that part of the property which is expected to be sold by way of a first tranche sale and property, plant and equipment for the remaining part of the property which is expected to be retained.

First tranche sales on New Build HomeBuy properties are recognised in turnover, with an appropriate proportion of development build costs being expensed through cost of sales.

Subsequent tranches sold (staircasing) are reflected in the statement of comprehensive income on sale of property, plant and equipment. Such staircasing sales may result in social housing grant being deferred or abated until it can be recycled or repaid. Cost includes the acquisition of land and buildings, the cost of developing properties, plus expenditure incurred in respect of improvements.

#### Intangible assets and amortisation – computer software

Intangible assets are identifiable non-monetary assets without physical substance such as computer software. Intangible assets are stated at cost less accumulated amortisation. Cost includes the original purchase price of the asset and any directly attributable costs of preparing the asset for its intended use. Amortisation is charged on a straight line basis over the expected remaining useful economic lives (UEL) of the assets as follows:

Computer software	<u>UEL</u> 3 years
Main computer systems software	10 years

#### Social housing properties and depreciation

Properties rented for social benefit are classified as property, plant and equipment and referred to as social housing. These properties are rented at below market rate to people put forward by the relevant local authorities from their housing lists. Social housing properties under construction are stated at cost and are not depreciated. These are reclassified as social housing properties on practical completion of construction with cost apportioned by key components.

Freehold land is not depreciated. Freehold properties are depreciated by component on a straight line basis over the estimated useful economic lives of the component categories.

Social housing properties are split between the structure and those major components which require periodic replacement. Capitalised major components are depreciated over the following useful economic lives (UEL):

<u>Component</u>	<u>UEL</u>
Structure (see below)	30 - 100 years
Roof	60 years
Heating Distribution Systems	30 years
Boiler	15 years
Bathroom	30 years
Windows/Doors	30 years
Kitchen	20 years
Electrical wiring	30 years

Impairment reviews are carried out at each reporting date. If impairment is present the asset's carrying value is reduced to its depreciated replacement cost, as outlined in the impairment policy, unless it is being demolished or remodelled when the carrying value is reduced to that of the remaining components.

Social housing properties held on long leases are depreciated in the same manner as freehold properties, except where the unexpired lease term is shorter than the longest component life envisaged, in which case the unexpired term of the lease is adopted as the useful economic life of the relevant component category.

# Synergy Housing Limited

## Notes to the Financial Statements (continued)

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### 3 Summary of significant accounting policies (continued)

#### Social housing properties and depreciation (continued)

New Build HomeBuy properties are split proportionately between property, plant and equipment and current assets based on the proportion of the share of equity sold in the first tranche. The element of a property anticipated to be sold as a first tranche sale is recognised as a current asset, whereas the element relating to second and subsequent tranche sales is treated as property, plant and equipment. If the profit on sale of the first tranche is expected to exceed the total overall profit on sale of all tranches of that property the proportionate value of the first tranche current asset is increased to limit the profit earned to the overall profit.

Depreciation on freehold properties and long leasehold social housing properties is provided to write off the cost less the estimated residual value of social housing properties by equal instalments over their remaining estimated useful economic life (UEL). Any additions and improvements are depreciated over the remaining life of the premises. The useful economic lives used are:

<u>Structure</u>	<u>UEL</u>
Pre-fabricated reinforced concrete construction (PRC)	30 years
Bedsits	30 years
All other social housing properties	100 years

Freehold land is not depreciated.

It was elected to take the transitional exemption laid out in paragraph 35.10(d) of FRS 102 and use the 31 March 2014 valuation as the deemed cost of social housing properties at that date. All social housing properties completed after that date are recognised at cost.

#### Donated land

Land donated by local authorities and others is added to the cost of the development scheme at the market value of the land at the time of the donation. If the land is donated by a local authority the market value is recognised as a government grant and accounted for using the accruals method. If the land is donated by a non-government party the market value is recognised as turnover in the statement of comprehensive income for the year.

#### Property, plant and equipment and depreciation, non-social housing

Property, plant and equipment, is stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs incurred in bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Subsequent expenditure is capitalised where it increases the value of the asset or extends its life. Completed social housing properties are covered by a separate policy. Depreciation is charged on a straight line basis over the expected remaining useful economic lives of the assets as follows:

	<u>UEL</u>
Freehold offices	50 years
Photovoltaic panels	25 years
Motor vehicles	4 – 5 years
Office, estate equipment and furniture	3 – 15 years

Freehold premises (non-social housing properties) depreciation is provided to write off the cost less estimated residual value over the useful economic life of the property. Any additions and improvements are depreciated over the remaining life of the premises.

Assets under construction are stated at cost (as defined above). They are presented separately in the note to the financial statements and not depreciated until they are completed and brought into use. The useful economic lives of all property, plant and equipment is reviewed annually.

# Synergy Housing Limited

## Notes to the Financial Statements (continued)

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### 3 Summary of significant accounting policies (continued)

#### Capitalisation of internal staff costs

##### *a) Housing development schemes*

Internal staff costs that are directly related to the development of housing assets are capitalised to the schemes under construction where the outcome of the scheme is certain. Where the outcome of the scheme is uncertain or aborted, the direct development administration costs are charged to the statement of comprehensive income for the period.

##### *b) Development of internally created assets*

Internal staffing costs relating to internally created other tangible or intangible assets are capitalised to the extent that they are additional costs incurred due to the development of the asset.

An internally generated intangible asset is only recognised if all the following conditions are met:

- The asset created can be identified (such as software or a website);
- It is expected that the asset created will generate future economic benefits; and
- The development cost of the asset can be measured reliably.

Internally generated intangible assets are recognised at cost and amortised on a straight-line basis over the useful lives from the date the asset becomes usable.

#### Capitalisation of interest costs

Interest costs relating to the construction and acquisition of housing assets are charged to the cost of the development scheme, over the period of its development. The amount capitalised represents either:

- Interest costs incurred specifically for financing the development programme after the deduction of social housing grant in advance; or
- Interest costs of the group as a whole after the deduction of interest on social housing grant in advance to the extent that they are funding the development programme.

Other interest costs are recognised in the statement of comprehensive income for the period to which they relate.

#### Leased assets

Where assets are financed by leasing agreements that transfers substantially all the risks and rewards of ownership, they are treated as if they had been purchased outright. The amount capitalised is the lower of the present value of the minimum lease payments payable during the lease term or the fair value of the leased asset. The corresponding leasing commitments are shown as the present value of the obligations to the lessor. Lease payments are treated as consisting of a finance charge and a reduction in the liability. The finance charge is charged to the statement of comprehensive income for the period using the effective interest method.

Rentals paid under operating leases are charged to the statement of comprehensive income for the period on a straight line basis over the period of the lease.

#### Investment properties

Investment properties are properties held for capital appreciation, rental at a market rate where there are no restrictions on who can be a tenant, or both.

Investment properties are re-valued each year to their fair or market value. Any changes in value are recognised in the statement of comprehensive income for the year when they occur.

# Synergy Housing Limited

## Notes to the Financial Statements (continued)

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### 3 Summary of significant accounting policies (continued)

#### Inventories

##### *a) General inventories*

Inventories are valued at the lower of cost and net realisable value, after making allowances for any obsolete and/or slow moving items. Net realisable value is the price which inventories can be sold for in the normal course of business after allowing for the costs of realisation. Inventories are valued using a first-in-first-out methodology.

##### *b) Properties identified for disposal*

Where a decision has been taken to dispose of housing properties, these are included under inventories. These properties are held at the lower of historical cost less depreciation, or net realisable value. Cost comprises materials, direct labour, direct development overheads and attributable interest. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

##### *c) Properties developed for market sale*

Properties that have been developed for market sale are recognised at cost less cost to sell. Cost comprises materials, direct labour, direct development overheads and attributable interest. Sales proceeds are included in turnover.

#### Impairment

##### *a) Inventories*

At the end of each reporting period inventories are reviewed for impairment. If any inventory is found to be impaired the carrying value is reduced to the selling price less costs to complete and sell.

##### *b) Other tangible and intangible assets*

Other tangible and intangible assets are reviewed for impairment if there is an indication that impairment may have occurred. Where there is evidence of impairment, the affected assets are written down to the recoverable amount. Any such write down is charged to the statement of comprehensive income for the period.

##### *c) Social Housing*

Social Housing properties are subject to impairment trigger reviews on completion and then annually thereafter. If there is a trigger and evidence of impairment is found the carrying value of the property is compared to its depreciated replacement cost. This represents the amount it would cost the group to replace the property. For properties built or acquired prior to 1 April 2014 this replacement cost is depreciated from 1 April 2014. For properties built or acquired after 1 April 2014 depreciation starts from the build or acquisition date. If the property's carrying value is higher than its depreciated replacement cost the carrying value must be reduced to the depreciated replacement cost, the write down is charged to Consolidated Statement of Comprehensive Income for the year.

In the portfolio there are some pre-fabricated reinforced concrete construction properties and bedsits. Where an impairment review indicates that their useful economic life is likely to be less than the standard policy they have been re-lifed to 10 years.

##### *d) Unsold first tranche HomeBuy current assets*

On practical completion HomeBuy property assets are split between current assets for the unsold first tranche portion and property, plant and equipment for the rental portion.

First tranche current assets are reviewed for impairment if there are indications that the market value of the property has dropped below that included in the investment appraisal. If any current assets are found to be impaired the carrying value is reduced to the selling price less costs to complete and sell.

The rental portion is treated as social housing for impairment purposes.

# Synergy Housing Limited

## Notes to the Financial Statements (continued)

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### 3 Summary of significant accounting policies (continued)

#### Accrued income

When, as a result of performing a service or otherwise meeting the requirements of an agreement with a third party, income falls due but has not been invoiced in the period, an accrual is made for this income.

#### Deferred income

Where payment has been received for goods or services not yet delivered, the amount is initially recorded as a liability in the consolidated statement of financial position and recognised as turnover once the delivery has been made.

#### Service charge sinking funds

The association owns a number of schemes which require it to manage sinking funds in order to maintain the upkeep of the properties. These funds are held separately by the association, and may only be used for the benefit of the relevant schemes. These funds are held in creditors on the consolidated statement of financial position.

#### Financial instruments

Section 11 Basic Financial Instruments of FRS 102 permits an accounting policy choice for financial instruments. The group has chosen to adopt sections 11 and 12 of FRS 102 as permitted by this section.

##### *a) Rent arrears and other debts*

Rent arrears, other amounts due from tenants and other miscellaneous debts are recognised and carried at original amount of the charge, less provision for impairment. A provision is made and charged to the statement of comprehensive income for the period when there is objective evidence that the group will not be able to collect all amounts due in accordance to the original terms.

Any tenants or miscellaneous debtors who have a payment arrangement to pay their debts over a period of longer than the normal terms of business are treated as having a financing transaction. These transactions are recognised at their present value rather than transaction value. The discount rate used for the present value calculation is based upon an estimate of the rate the debtor could obtain in their own right.

##### *b) Cash and cash equivalents*

Cash and cash equivalents includes cash, short-term deposits and other short-term highly liquid investments with an original maturity of twelve months or less.

##### *c) Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

##### *d) Trade creditors*

Trade creditors are not interest-bearing and are stated at their transaction value.

##### *f) Committed borrowings and bank overdrafts*

Interest-bearing loans and overdrafts are recorded at the amounts received, net of direct issue costs, using the effective interest method. Direct issue costs are amortised over the period of the loans and overdrafts to which they relate. Finance charges, including premiums payable on settlement or redemption, are charged to the profit or loss for the period as incurred using the effective interest rate method and are added to the carrying value of the borrowings or overdraft to the extent they are not settled in the period in which they arise.

When a loan facility agreement is entered into, any associated costs are capitalised, discounted at the prevailing market rate of interest amortised over the life of the related loans.

# Synergy Housing Limited

## Notes to the Financial Statements (continued)

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### 3 Summary of significant accounting policies (continued)

#### Social housing and other grants

Social housing grant (SHG) is receivable from the Regulator for Social Housing ('RSH') It is accounted for under section 24 of FRS 102 'Government Grants' using the accrual model. Once properties have been completed the grant is classified as a long-term creditor and amortised to the statement of comprehensive income for the period over the life of the properties' structure. Where grants are paid in advance, they are included in creditors until performance is completed.

If a property which received a grant is subsequently sold, or another relevant event takes place the SHG appears as a creditor due in less than one year. It can be recycled for use in a project approved by the RSH or repaid to the RSH if it is not used within the agreed timescale.

Prior to transition to FRS 102 Aster Group held its social housing properties at valuation. On transition this became the deemed cost. All SHG received prior to transition on 1 April 2014 was transferred to the profit and loss reserve. It is recycled from this reserve if a relevant event occurs.

Government grants received after 1 April 2014 are recognised in income over periods in which the related costs are recognised for which the grant is intended to compensate, over the useful economic life of the property's structure.

Other government grants received are also accounted for under section 24 of FRS 102 using the accrual model.

When part of the government grant is deferred, it is recognised as deferred income within creditors and allocated between due within one year and due after more than one year as appropriate.

#### Pension Costs

The cost of providing retirement pensions and related benefits is accounted for in accordance with Section 28 of FRS 102 'Employee Benefits'.

Synergy Housing Limited participates in four pension schemes. There is one Local Government Pension Scheme (LGPS) which is the Dorset County Council Pension Fund. There are three separate schemes with the Social Housing Pension Scheme ('SHPS').

The Local Government Pension Scheme (LGPS) is accounted for as a defined benefit scheme. The asset for this scheme is held separately from those of the association in independently administered funds. Pension scheme assets are measured in accordance with the FRS 102 fair value hierarchy. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability.

The increase in the present value of the liabilities of the association's defined benefit pension scheme expected to arise from employee service in the period is charged to operating profit. The expected return on the schemes' assets and the increase during the year in the present value of the schemes' liabilities arising from the passage of time are included in operating expenditure. Pension schemes' surpluses, to the extent that they are considered recoverable, or deficits, are recognised in full and presented on the face of the statement of financial position net of the related deferred tax. Actuarial gains and losses which arise from the difference between actual and expected performance of the scheme are recognised in other comprehensive income.

# Synergy Housing Limited

## Notes to the Financial Statements (continued)

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### 3 Summary of significant accounting policies (continued)

#### Pension Costs (continued)

There are three separate SHPS schemes. The SHPS defined benefit scheme based on final salary was closed to new starters with effect from October 2010. Employees now have a choice of joining the SHPS defined benefit scheme based on a career average of earnings, or a SHPS defined contributions ('stakeholder') scheme.

At the year end, SHPS are unable to provide sufficient information to calculate the association's share of assets and liabilities on the defined benefits schemes and so all SHPS schemes are accounted in the same way as a defined contribution scheme.

Defined contribution scheme costs are charged to the statement of comprehensive income as they fall due.

Where the SHPS scheme is in deficit and where the association has agreed, with the SHPS scheme, to participate in a deficit funding arrangement the association recognises a liability for this obligation. The amount recognised is the net present value of the contributions payable under the agreement that relate to the deficit. This amount is expensed in the profit or loss for the period. The unwinding of the discount is recognised as a finance cost.

#### Provisions

##### *a) General provisions*

A provision is recognised in the consolidated statement of financial position where the group has an obligation as a result of a past event, and it is probable that economic benefits will be required to settle the obligation. The amount of provision is re-assessed each year in the light of estimated future income and costs as appropriate.

##### *b) Termination benefits*

Termination benefits are only recognised once a formal plan has been approved and communicated by senior management.

# Synergy Housing Limited

## Notes to the Financial Statements (continued)

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### 4 Critical accounting judgements and estimation uncertainty

Preparation of the financial statements requires management to make significant judgements and estimates, which are shown below.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### Critical judgements in applying the association's accounting policies

##### Multi-employer defined benefit pension scheme

Two multi-employer defined benefit pension schemes are participated in, one based on final salary and one based on a career average of earnings, both provided by the Social Housing Pension Scheme. In the judgement of the directors, there is not sufficient information on the plan assets and liabilities to be able to reliably account for their share of the defined benefit obligation and plan assets. Therefore the scheme is accounted for as a defined contribution scheme, see note "Pension Obligations" note for further details.

##### Fair value

The directors have made the following judgements regarding fair value:

- If land is donated at below market cost it is recognised at its fair value. The directors judge this to be its market value at the time of the donation.
- Investment properties are recognised each year at their fair value. The directors judge this to be their market value at the end of the reporting period.

##### Indexation uplifting in leases

Several lease arrangements have an indexation uplift included in their terms and conditions by the lessor. These contract terms are typical for the sector and so management judges these leases to be operating leases within the scope of FRS 102 section 20: 'Leases' and recognises them under the appropriate classification within this section.

##### Loans with embedded callable options

Different types of financial instruments are used to fund development activities. Some have the form of a fixed rate loan with an embedded callable option that gives the lender the right to change the interest rate to variable at a certain date, the call date. Management judges that these financial instruments fall under section 11 'Basic Financial Instruments' of FRS 102 and so recognise them as fixed rate loans using the effective interest rate method.

##### Exemptions on transition to FRS 102

The association has elected to use the previous UK GAAP valuation of its social housing properties as deemed cost in transition to FRS 102. The assets are depreciated from the date of transition (1 April 2014) in accordance with the company's accounting policies.

# Synergy Housing Limited

## Notes to the Financial Statements (continued)

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### 4 Critical accounting judgements and estimation uncertainty (continued)

#### Early Repayment clauses in loan facility agreements

Within the loan documentation there are clauses that allow the early repayment of the loans, subject to the payment of breakage costs and compensation. The breakage and compensation payments can either be payable to the lender or receivable by the borrower. Management judges that the effect of these clauses do not breach the conditions laid out in paragraph 11.9 of section 11 'Basic Financial Instruments' of FRS 102 and so recognise the related loans as being classified as basic.

#### Cash generating units

When reviewing social housing properties for impairment the directors are required to consider the level of cash generating unit. For impairment purposes, the directors consider that each individual property constitutes a cash generating unit as it generates cash flows that are largely independent of the cash flows generated by other assets.

#### Critical accounting estimates and assumptions

The association makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### Useful lives of social housing property assets

Social housing property assets are split into their component parts, with each component being depreciated over a separate estimated useful economic life. The annual depreciation charge for social housing property assets in total is sensitive to changes in these estimated useful economic lives. The useful economic lives of individual components are re-assessed as part of a rolling stock condition survey, examining 20% of the stock annually, and amended where necessary. See note 3 for the useful economic lives for each class of component.

#### Rebalancing surpluses from HomeBuy first tranche sales

Where social housing development schemes consist of social rental and HomeBuy properties the cost of development is split between the individual properties by property classification. As these costs cannot be accurately assigned to individual properties management assumes that they are evenly spread by floor area.

The HomeBuy property costs are then further split between the percentage of the property to remain as property, plant and equipment and the current asset based on the percentage to be sold as the first tranches sale.

The exception to this treatment is where the overall surplus of the scheme, including social rental properties, is less than the surplus to be recognised for the first tranche sale. The surplus for the entire scheme is calculated by taking the present value of the net cash flows expected to be generated by the scheme over a period of 30 years, (its existing use valuation – social housing (EUV-SH)), value away from the cost of the scheme. If the resulting surplus is smaller than the surplus on the first tranche sales alone the first tranche surplus must be restricted to that of the total scheme. This is achieved by transferring costs from property, plant and equipment to the current asset until the excess surplus is removed.

# Synergy Housing Limited

## Notes to the Financial Statements (continued)

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### 4 Critical accounting judgements and estimation uncertainty (continued)

#### Depreciated replacement cost depreciation start date

Properties owned prior to 1 April 2014 are recognised at their 31 March 2014 valuation or deemed cost. When these properties are assessed for impairment using the depreciated replacement cost model management assume the depreciation starts from 1 April 2014 rather than the properties' construction date. This assumption is based on the properties' deemed cost being its Existing Value in Use - Social Housing (EUV-SH) representing the value of its service potential.

#### Impairment of debtors

Management need to make an estimate of the recoverable value of rent arrears and other debtors. When assessing these debts for impairment, management considers factors including the status of the tenant, (current or former), the aging profile of the debtors and historical experience. Former tenant debts are assumed to be impaired and so are fully provided for. Current tenant debts which have an arrangement to pay over the period greater than 12 months are discounted, to reflect the time value of money. See "Debtors: amounts falling due within one year" note for the net carrying amount of the debtors and the associated discounting of the debtors.

#### Impairment of fixed and current assets

During each reporting period management assess fixed and current assets for indicators of impairment. When impairment indicators are found the carrying value of the affected assets are compared to their recoverable amount or value in use. If the carrying value is found to be in excess of the assets' recoverable amount or value in use management judge whether the asset should be impaired. Where impairment is required the association's impairment policy is applied.

#### Defined benefit pension scheme

There is an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in the determining the net pension obligation in the statement of financial position. The assumptions reflect historical experience and current trends. See "Pension Obligations" note 30 for the disclosures relating to defined benefit pension schemes.

#### Impairment triggers for housing properties

On completion each development scheme is reviewed for impairment triggers using the group's Property Impairment Flow Chart. If it is judged that there is evidence that the scheme has activated one of the triggers in the flow chart an impairment review is undertaken. Where impairment is found the carrying value of the properties in the scheme is reduced to their depreciated replacement cost. This process is also applied to completed properties annually.

# Synergy Housing Limited

## Notes to the Financial Statements (*continued*)

### 5 Turnover, operating expenditure and operating profit

5a	Note	Turnover £000	2018 Operating expenditure £000	Operating profit /(loss) £000
<b>Income and expenditure from lettings</b>				
Housing accommodation before impairment	5b	52,188	(34,869)	17,319
<b>Other income and expenditure</b>				
<b>Social Housing</b>				
Housing services provided to third parties		17	-	17
Properties managed by agents		289	-	289
Community involvement and transform		49	(222)	(173)
Development costs not capitalised		-	(703)	(703)
		<u>355</u>	<u>(925)</u>	<u>(570)</u>
<b>Non-social Housing</b>				
Garage lettings		560	(24)	536
Sewerage services		1	(4)	(3)
Market rented properties		731	(208)	523
		<u>1,292</u>	<u>(236)</u>	<u>1,056</u>
<b>Total income and expenditure</b>		<u>53,835</u>	<u>(36,030)</u>	17,805
<b>Other income and cost of sales</b>				
<b>Social Housing</b>				
First tranche shared ownership		12,264	(10,308)	1,956
<b>Total</b>		<u>66,099</u>	<u>(46,338)</u>	19,761
<b>Operating profit before impairment</b>				<u>19,761</u>
<b>Operating profit</b>				<u>19,761</u>

# Synergy Housing Limited

## Notes to the Financial Statements (*continued*)

### 5 Turnover, operating expenditure and operating profit (continued)

5a		2017		Operating profit
	Note	Turnover £000	Operating expenditure £000	/(loss) £000
<b>Income and expenditure from lettings</b>				
Housing accommodation before impairment	5b	51,775	(30,909)	20,866
<b>Other income and expenditure</b>				
Housing services provided to third parties		17	-	17
Properties managed by agents		281	-	281
Community involvement and transform		57	(164)	(107)
Other		-	(342)	(342)
		<u>355</u>	<u>(506)</u>	<u>(151)</u>
<b>Non-social Housing</b>				
Garage lettings		482	(43)	439
Sewerage services		9	(24)	(15)
Market rented properties		776	(271)	505
Other		-	-	-
		<u>1,267</u>	<u>(338)</u>	<u>929</u>
<b>Total income and expenditure</b>		<u>53,397</u>	<u>(31,753)</u>	<u>21,644</u>
<b>Other income and cost of sales</b>				
<b>Social Housing</b>				
First tranche shared ownership		10,000	(9,557)	443
<b>Total</b>		<u>63,397</u>	<u>(41,310)</u>	<u>22,087</u>
<b>Operating profit before impairment</b>				<u>22,087</u>
Impairment of housing properties	5b			321
<b>Operating profit</b>				<u><u>22,408</u></u>

The impairment of housing properties includes the reversal of impairment charged in the year ended 31 March 2016 relating to one of the development schemes where costs were agreed at a lower figure than estimated last year. Part of this reversal has been offset by the impairment of a block of flats which has been demolished.

# Synergy Housing Limited

## Notes to the Financial Statements (continued)

### 5 Turnover, operating expenditure and operating profit (continued)

#### 5b Income and expenditure from lettings

	2018				Total £000
	General Needs Housing £000	Supported Housing £000	Shared Ownership £000	Other £000	
<b>Income</b>					
Rents	38,402	8,507	1,555	4	48,468
Service charges	752	2,262	369	-	3,383
Amortised government grants	67	-	22	-	89
Other revenue grants	202	46	-	-	248
<b>Total net rents from lettings</b>	<b>39,423</b>	<b>10,815</b>	<b>1,946</b>	<b>4</b>	<b>52,188</b>
<b>Expenditure</b>					
Management	(10,293)	(15)	-	-	(10,308)
Services	(2,569)	(1,669)	(213)	(4)	(4,455)
Routine maintenance	(4,546)	-	(8)	-	(4,554)
Planned maintenance	(2,491)	-	-	-	(2,491)
Major improvements and repairs	(4,610)	-	-	-	(4,610)
Bad debts	(235)	(67)	-	(1)	(303)
Depreciation of housing properties	(6,428)	(1,242)	(197)	-	(7,867)
Accelerated depreciation on component disposals	(241)	(40)	-	-	(281)
<b>Operating expenditure on housing lettings</b>	<b>(31,413)</b>	<b>(3,033)</b>	<b>(418)</b>	<b>(5)</b>	<b>(34,869)</b>
<b>Operating profit / (loss) on lettings activities before impairment</b>	<b>8,010</b>	<b>7,782</b>	<b>1,528</b>	<b>(1)</b>	<b>17,319</b>
Net reversal of impairment of housing assets	-	-	-	-	-
<b>Operating profit / (loss) on lettings activities</b>	<b>8,010</b>	<b>7,782</b>	<b>1,528</b>	<b>(1)</b>	<b>17,319</b>
Rental income is stated net of void losses as set out below:					
Void losses	143	128	-	1	272

# Synergy Housing Limited

## Notes to the Financial Statements (*continued*)

### 5 Turnover, operating expenditure and operating profit (*continued*)

#### 5b Income and expenditure from lettings (*continued*)

	2017				Total £000
	General Needs Housing £000	Supported Housing £000	Shared Ownership £000	Other £000	
<b>Income</b>					
Rents	37,823	8,683	1,131	5	47,642
Service charges	811	2,619	393	-	3,823
Amortised government grants	56	-	17	-	73
Other revenue grants	200	26	10	1	237
<b>Total net rents from lettings</b>	<b>38,890</b>	<b>11,328</b>	<b>1,551</b>	<b>6</b>	<b>51,775</b>
<b>Expenditure</b>					
Management	(7,571)	(23)	-	-	(7,594)
Services	(2,070)	(1,861)	(151)	(2)	(4,084)
Routine maintenance	(4,469)	-	-	-	(4,469)
Planned maintenance	(2,412)	-	-	-	(2,412)
Major improvements and repairs	(4,155)	-	-	-	(4,155)
Bad debts	(313)	(57)	-	(1)	(371)
Depreciation of housing properties	(6,232)	(1,237)	(143)	-	(7,612)
Accelerated depreciation on component disposals	(204)	(8)	-	-	(212)
Other costs	-	-	-	-	-
<b>Operating expenditure on housing lettings</b>	<b>(27,426)</b>	<b>(3,186)</b>	<b>(294)</b>	<b>(3)</b>	<b>(30,909)</b>
Operating profit on lettings activities before impairment	11,464	8,142	1,257	3	20,866
Net reversal of impairment of housing assets	321	-	-	-	321
<b>Operating profit on lettings activities</b>	<b>11,785</b>	<b>8,142</b>	<b>1,257</b>	<b>3</b>	<b>21,187</b>
Rental income is stated net of void losses as set out below:					
Void losses	87	84	2	-	173

Net impairment of housing properties includes the reversal of impairment charged in the year ended 31 March 2016 relating to one of the development schemes where costs were agreed at a lower figure than estimated last year. Part of this reversal has been offset by the impairment of a block of flats which has been demolished.

# Synergy Housing Limited

## Notes to the Financial Statements (*continued*)

### 6 Operating profit

	2018 £000	2017 £000
<b>Operating profit is stated after charging/(crediting):</b>		
Auditor's remuneration (including irrecoverable VAT)		
In their capacity as auditor:		
Financial statements audit	24	17
Non-audit services	-	-
Depreciation:		
Property, plant and equipment (social housing)	7,864	7,612
Property, plant and equipment (loss on write off of components)	273	212
Property, plant and equipment (other assets)	215	276
Amortisation of intangible assets	150	150
Net reversal of impairment	-	(321)
Profit on disposal of first tranche	(1,956)	(443)
Operating lease payments:		
Land and buildings	5	5
Office premises	224	224
	<u>224</u>	<u>224</u>

# Synergy Housing Limited

## Notes to the Financial Statements (*continued*)

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### 7 Directors' emoluments

#### Members of the Executive Board and executive management team

Synergy Housing Limited did employ one member of the Executive Board and management team during the year, this was recharged to Aster Group so that their services could be recharged out along with other members via the group overheads. This recharge included £nil (2017: £nil) for executive directors' services and £199,000 (2017: £210,000) for the executive team's services. These amounts are included in the association's profit for the year. Full details of the executive directors' and executive management team's emoluments are disclosed in Aster Group's

#### Non-executive directors

Synergy Housing Limited board operates as part of the group Overlap Board. The non-executive directors are paid by Aster Group Limited. A charge of £56,000 (2017: £52,000) was made for their services via the group overheads recharge to the association. This amount is included in the profit for the year. Full details of the non-executive directors' emoluments are disclosed in Aster Group's consolidated financial statements.

# Synergy Housing Limited

## Notes to the Financial Statements (*continued*)

### 8 Employee information

	2018 No.	2017 No.
The average number of persons employed during the year (full time equivalents) based on 37 hours per week	<u>175</u>	<u>193</u>

#### FTE by salary bands:

Salary includes salary, car allowance and any acting up allowances, but excludes pension contributions made by the group.

	2018 No.	2017 No.
£59,999 or less	172	190
£80,000 to £89,999	1	2
£90,000 to £99,999	1	-
£140,000 to £149,999	-	1
£150,000 to £159,999	1	-
	<u>175</u>	<u>193</u>

None of the above employees received any enhanced pension payments during the year (2017: nil)

	2018 £000	2017 £000
<b>Staff costs:</b>		
Wages and salaries	6,032	6,254
Social security costs	621	684
Other pension costs	803	711
	<u>7,456</u>	<u>7,649</u>

# Synergy Housing Limited

## Notes to the Financial Statements (*continued*)

### 9 Profit on disposal of property, plant and equipment

	2018			2017		
	Proceeds £000	Cost of Sales £000	(Loss) / Profit £000	Proceeds £000	Cost of Sales £000	(Loss) / Profit £000
Right to buy	1,261	(1,595)	(334)	1,132	(1,223)	(91)
Right to acquire	12	-	12	130	(130)	-
Shared ownership staircasing	2,334	(1,320)	1,014	303	(205)	98
Transfer of properties to a fellow group company	-	-	-	2,950	(2,950)	-
Void property disposals	2,484	(637)	1,847	488	(184)	304
Others	95	-	95	86	(26)	60
<b>Total social housing</b>	<b>6,186</b>	<b>(3,552)</b>	<b>2,634</b>	<b>5,089</b>	<b>(4,718)</b>	<b>371</b>
Office premises	-	-	-	-	-	-
Land sales	-	-	-	-	-	-
Total other assets	-	-	-	-	-	-
<b>Total</b>	<b>6,186</b>	<b>(3,552)</b>	<b>2,634</b>	<b>5,089</b>	<b>(4,718)</b>	<b>371</b>

Local authority clawback payments, legal and other related costs are included in cost of disposal.

The right to acquire is the discount repaid on a property disposal in the previous year.

### 10 Profit on disposal of investment properties

	2018			2017		
	Proceeds £000	Cost of Sales £000	Profit £000	Proceeds £000	Cost of Sales £000	Profit £000
Investment properties	-	-	-	845	(728)	117

During the year ended 31 March 2017 six investment properties held for market rental were disposed of.

Legal and other related costs are included in cost of sales.

### 11 Gift aid received

	2018 £000	2017 £000
Gift aid received from subsidiary	12	891

# Synergy Housing Limited

## Notes to the Financial Statements (*continued*)

### 12 Finance income and expense

#### Interest receivable and similar income

	Note	2018 £000	2017 £000
Interest on short term deposits		176	323
Interest receivable from Zebra Property Solutions Limited and Aster Homes Limited		799	709
Total interest income on financial assets not measured at fair value through profit or loss		975	1,032
Unwinding of trade debtor discounting		84	83
		<u>1,059</u>	<u>1,115</u>

#### Interest payable and similar charges

Fixed rate loans		(6,497)	(6,666)
Floating rate loans		(273)	(340)
Loans with other group companies		(4,867)	(4,870)
Less interest capitalised		1,503	1,000
		<u>(10,134)</u>	<u>(10,876)</u>
Amortisation of arrangement fees		(43)	(69)
Administration Charge		(94)	(160)
Recycled capital grant fund interest		(1)	-
Interest charged on amounts due under right to buy sharing agreement		(3)	-
Total interest payable on financial liabilities not measured at fair value through profit or loss		<u>(10,275)</u>	<u>(11,105)</u>
Movement in SHPS recovery plan liability creditor discounting		(4)	(4)
Reduction in rent debts over 12 months		(227)	(109)
		<u>(10,506)</u>	<u>(11,218)</u>

#### Interest on net pension liability

Local government pension schemes	30	(456)	(526)
		<u>(9,903)</u>	<u>(10,629)</u>

#### Net finance expense

# Synergy Housing Limited

## Notes to the Financial Statements (*continued*)

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### 13 Taxation

The association has charitable rules registered under the Co-operative and Community Benefit Societies Act 2014 and is therefore not liable to Corporation Tax on its charitable activities.

### 14 Intangible assets

	2018 Computer software £000	2017 Computer software £000
<b>Cost</b>		
At 1 April	2,058	2,058
Additions	-	-
Disposals	-	-
<b>At 31 March</b>	<u>2,058</u>	<u>2,058</u>
<b>Accumulated amortisation</b>		
At 1 April	1,155	1,005
Charge for year	150	150
Disposals	-	-
<b>At 31 March</b>	<u>1,305</u>	<u>1,155</u>
<b>Net book value</b>	<u>753</u>	<u>903</u>

# Synergy Housing Limited

## Notes to the Financial Statements (continued)

### 15 Property, plant and equipment (social housing)

On transition to FRS 102 Synergy Housing Limited elected to take the transitional exemption laid out in paragraph 35.10(d) of FRS 102 and is using the 31 March 2014 valuation as the deemed cost of social housing properties held at that date. All social housing properties completed or acquired after that date are recognised at cost.

	2018				
	Housing properties under construction £000	Completed housing properties £000	Shared Ownership under construction £000	Shared Ownership completed £000	Total £000
<b>Cost</b>					
At 1 April 2017	14,306	490,853	6,405	27,074	538,638
Additions	23,433	1,687	8,141	-	33,261
Components	-	4,215	-	-	4,215
Disposal of components	-	(700)	-	-	(700)
Completions	(21,204)	21,204	(8,220)	8,220	-
Disposals	-	(1,230)	-	(944)	(2,174)
<b>At 31 March 2018</b>	<b>16,535</b>	<b>516,029</b>	<b>6,326</b>	<b>34,350</b>	<b>573,240</b>
<b>Accumulated depreciation</b>					
At 1 April 2017	-	20,585	-	380	20,965
Charge for year	-	7,667	-	197	7,864
Disposal of components	-	(427)	-	-	(427)
Impairment	-	-	-	-	-
Disposals	-	(93)	-	(23)	(116)
<b>At 31 March 2018</b>	<b>-</b>	<b>27,732</b>	<b>-</b>	<b>554</b>	<b>28,286</b>
<b>Net book value at 31 March 2018</b>	<b>16,535</b>	<b>488,297</b>	<b>6,326</b>	<b>33,796</b>	<b>544,954</b>

The cost of completed properties during the year includes £1.5 million of capitalised borrowing costs at an average cost of borrowing of 2.8%.

#### Value of completed social housing properties

	Housing properties under construction £000	Completed housing properties £000	Shared Ownership under construction £000	Shared Ownership completed £000	Total £000
<b>Existing Use Valuation - Social Housing</b>					
Valuation	-	434,580	-	33,960	468,540
<b>Net book value at 31 March 2018</b>	<b>-</b>	<b>434,580</b>	<b>-</b>	<b>33,960</b>	<b>468,540</b>

The above valuation was carried out by Jones Lang LaSalle Limited Chartered Surveyors, on 31 March 2018, on the basis of Existing Use Value - Social Housing. The valuations were carried out in accordance with RICS Appraisal and Valuation Manual effective from 1 January 1996 (as amended).

# Synergy Housing Limited

## Notes to the Financial Statements (continued)

### 15 Property, plant and equipment (social housing) (continued)

	2017					Total £000
	Housing properties under construction £000	Completed housing properties £000	Shared Ownership under construction £000	Shared Ownership completed £000		
Cost						
At 1 April 2016	15,630	471,755	3,681	18,130		509,196
Additions	16,118	75	11,858	-		28,051
Components	-	2,922	-	-		2,922
Disposal of components	-	(422)	-	-		(422)
Completions	(17,442)	17,442	-	-		-
Transfer to investment properties	-	-	(9,134)	9,134		-
Disposals	-	(919)	-	(190)		(1,109)
At 31 March 2017	<u>14,306</u>	<u>490,853</u>	<u>6,405</u>	<u>27,074</u>		<u>538,638</u>
Accumulated depreciation						
At 1 April 2016	-	13,716	-	240		13,956
Charge for year	-	7,468	-	144		7,612
Impairment	-	(321)	-	-		(321)
Disposal of components	-	(210)	-	-		(210)
Disposals	-	(68)	-	(4)		(72)
At 31 March 2017	<u>-</u>	<u>20,585</u>	<u>-</u>	<u>380</u>		<u>20,965</u>
Net book value at 31 March 2017	<u>14,306</u>	<u>470,268</u>	<u>6,405</u>	<u>26,694</u>		<u>517,673</u>

The cost of completed properties during the year includes £1.0 million of capitalised borrowing costs at an average cost of borrowing of 2.8%

Net impairment of housing properties includes the reversal of impairment charged in the previous year relating to one development scheme where costs have been agreed at a lower figure than estimated last year. Part of this reversal has been offset by the impairment of a block of flats which have been demolished.

#### Net book value of Property, plant and equipment - Social Housing by tenure

	2018 £000	2017 £000
Freehold	544,493	517,162
Long leasehold	461	511
<b>Net book value</b>	<u>544,954</u>	<u>517,673</u>

# Synergy Housing Limited

## Notes to the Financial Statements (*continued*)

### 16 Property, plant and equipment (other assets)

	2018					Total £000
	Leasehold office improvements £000	Motor vehicles £000	Office & estate equipment & furniture £000	Computer equipment £000		
<b>Cost</b>						
At 1 April 2017	883	23	3,517	613		5,036
Additions	-	-	-	-		-
Disposals	(4)	-	-	-		(4)
<b>At 31 March 2018</b>	<b>879</b>	<b>23</b>	<b>3,517</b>	<b>613</b>		<b>5,032</b>
<b>Accumulated depreciation</b>						
At 1 April 2017	144	18	2,142	613		2,917
Charge for year	18	5	192	-		215
Disposals	-	-	-	-		-
<b>At 31 March 2018</b>	<b>162</b>	<b>23</b>	<b>2,334</b>	<b>613</b>		<b>3,132</b>
<b>Net book value at 31 March 2018</b>	<b>717</b>	<b>-</b>	<b>1,183</b>	<b>-</b>		<b>1,900</b>
Net book value at 31 March 2017	739	5	1,375	-		2,119

# Synergy Housing Limited

## Notes to the Financial Statements (*continued*)

### 16 Property, plant and equipment (other assets) (continued)

	2017				
	Leasehold office improvements £000	Motor vehicles £000	Office & estate equipment & furniture £000	Computer equipment £000	Total £000
Cost					
At 1 April 2016	880	23	3,516	613	5,032
Additions	3	-	1	-	4
Disposals	-	-	-	-	-
At 31 March 2017	<u>883</u>	<u>23</u>	<u>3,517</u>	<u>613</u>	<u>5,036</u>
Accumulated depreciation					
At 1 April 2016	125	12	1,891	613	2,641
Charge for year	19	6	251	-	276
Disposals	-	-	-	-	-
At 31 March 2017	<u>144</u>	<u>18</u>	<u>2,142</u>	<u>613</u>	<u>2,917</u>
Net book value at 31 March 2017	<u>739</u>	<u>5</u>	<u>1,375</u>	<u>-</u>	<u>2,119</u>
Net book value at 31 March 2016	<u>755</u>	<u>11</u>	<u>1,625</u>	<u>-</u>	<u>2,391</u>

### 17 Investment properties

	2018	2017
	Market rented properties £000	Market rented properties £000
Fair value		
At 1 April	12,570	12,710
Additions	1,843	-
Fair value adjustments	249	582
Disposals	6	(722)
At 31 March	<u>14,668</u>	<u>12,570</u>

The above valuation was carried out as at 31 March 2018 by Jones Lang LaSalle Limited Chartered Surveyors on the basis of Market Value using the comparison method. Market value is defined by the Royal Institution of Chartered Surveyors (RICS) as 'The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion'. The valuations were carried out in accordance with RICS Appraisal and Valuation Manual effective from 1 January 1996 (as amended).

The additions includes the transfer of 9 market rental properties on 29 March 2018 from Zebra Property Solutions for a consideration of £1,784,000, being their market value at the time of transfer.

# Synergy Housing Limited

## Notes to the Financial Statements (continued)

### 18 Investment in Subsidiaries

	2018 £000	2017 £000
Zebra Property Solutions Limited	<u>-</u>	<u>-</u>

Synergy Housing Limited owns 100 £1 shares in Zebra Property Solutions Limited, whose principle activity is the supply of property development services. Registered company address Link House, First Floor, West Street, Poole, Dorset BH15 1LD

### 19 Investment in Joint Ventures

	2018 £000	2017 £000
Aster Solar Limited - Class A shares	<u>1,500</u>	<u>1,500</u>

Synergy Housing Limited owns 1,500,000 £1 Class A shares in Aster Solar Limited, whose principle activity is the supply of photovoltaic panels. Registered company address Sarsen Court, Horton Avenue, Cannings Hill, Devizes, Wiltshire SN10 2AZ.

### 20 Debtors: amounts falling due after more than one year

	2018 £000	2017 £000
Amounts owing by group undertakings	8,520	12,659
Affordable Housing Finance (AHF) liquidity Reserve	<u>1,447</u>	<u>1,447</u>
	<u>9,967</u>	<u>14,106</u>

Aster Homes Limited intercompany loan is due for repayment on the 15 June 2021 and bears interest at 8% over LIBOR. On 30 March 2018 Zebra Property Solutions Limited repaid the balance on the intercompany loan with Synergy Housing Limited.

A condition of the European Investment Bank (EIB) loan provided through the Affordable Housing Finance (AHF) plc is that Synergy Housing Limited holds an amount of at least twelve months interest in liquidity reserve funds as security against default on interest payments. These funds are controlled by the EIB and Synergy Housing Limited can only access the funds when the principal of the loans are repaid.

### 21 Debtors: amounts falling due within one year

	2018 £000	2017 £000
Trade debtors	257	220
Rent arrears	2,925	2,807
Service charge under-recovery	825	1,347
Less discounting of debts payable over more than 12 months	(391)	(248)
Less provision for bad debts	<u>(1,231)</u>	<u>(1,322)</u>
	2,385	2,804
Amounts owing by group undertakings	30	1,859
Other debtors	136	99
Less provision for bad debts	(3)	(28)
Prepayments and accrued income	<u>225</u>	<u>99</u>
	<u>2,773</u>	<u>4,833</u>

# Synergy Housing Limited

## Notes to the Financial Statements (*continued*)

### 22 Shared ownership properties held for sale

	2018			2017		
	Under construction £000	Completed £000	Total £000	Under construction £000	Completed £000	Total £000
At 1 April	4,264	2,625	6,889	4,692	2,370	7,062
Additions	8,044	-	8,044	8,749	-	8,749
Completions	(8,048)	8,048	-	(9,177)	9,177	-
Sales percentage adjustment	-	10	10	-	302	302
Disposals	-	(9,978)	(9,978)	-	(9,224)	(9,224)
At 31 March	<u>4,260</u>	<u>705</u>	<u>4,965</u>	<u>4,264</u>	<u>2,625</u>	<u>6,889</u>

The group assumes that first tranches sales will be 40% of the property value. Additions are therefore 40% of the construction cost of the properties. The sales percentage adjustment relates to occasions when the first tranche sale percentage is not 40%.

### 23 Cash and cash equivalents

	2018 £000	2017 £000
Short term deposits	27,852	35,934
Cash at bank and in hand	20,433	20,455
	<u>48,285</u>	<u>56,389</u>

# Synergy Housing Limited

## Notes to the Financial Statements (continued)

### 24 Creditors: amounts falling due within one year

	Note	2018 £000	2017 £000
Trade creditors		103	101
Taxation and social security payable		-	155
Pension contributions		67	65
Social Housing Pension scheme recovery plan liability	30	30	29
VAT Payable		27	-
Rent paid in advance		1,100	1,033
Service charge over-recovery		814	1,100
Amounts due under right to buy sharing agreement		1,055	611
Amounts owed to group undertakings		5,779	7,712
Capital grant received in advance		31	40
Social Housing Grant	26	233	112
Recycled capital grant fund	27	1	16
Disposal proceeds fund	28	106	-
Accrued holiday pay		5	8
Other creditors		776	517
Accruals and deferred income		3,690	2,453
Loan repayable by instalment (within 1 year)		1,520	-
		<u>15,337</u>	<u>13,952</u>

### 25 Creditors: amounts falling due after more than one year

	Note	2018 £000	2017 £000
Loans repayable			
In 1 to 2 years		1,520	-
In less than five years		54,552	6,080
In five years or more		129,319	183,456
Less deferred arrangement fees		(527)	(570)
Plus unamortised premium on issue		2,537	2,692
		<u>187,401</u>	<u>191,658</u>
Social Housing Grant	26	8,960	8,455
Recycled capital grant fund	27	226	17
Disposal proceeds fund	28	87	193
Amounts owed to other group companies		113,512	113,595
Social Housing Pension scheme recovery plan liability	30	157	157
		<u>310,343</u>	<u>314,075</u>

Interest is payable on housing loans at varying commercial rates. Loans are secured by fixed charges on individual properties. Interest rates ranged from 2.7% to 6.0% (2017: 2.3% to 6.0%) for fixed/hedged loans and 0.7% to 1.0% (2017: 0.5% to 0.8%) for variable loans.

At 31 March 2018, the association has a loan facility with Santander of £130 million (2017: £130 million) and a £38 million (2017: £38 million) loan facility with the Royal Bank of Scotland Plc. Each facility has its own designated pool of security held with a Security Trustee.

The association at 31 March 2018 also has undrawn loan facilities of £31.5 million (2017: £29.0 million) with Santander to finance future operating cash flows and investments. The loan facility with the Royal Bank of Scotland is fully drawn.

Under the terms of an arrangement with Aster Treasury Plc. Synergy Housing Limited has guaranteed the repayment of all amounts due by Aster Communities to Aster Treasury Plc. In the case of Aster Communities not making any repayments of the loan, Synergy Housing Limited will become liable to settle the amount due. The total amount payable by Synergy Housing Limited as at 31 March 2018 is £ Nil (2017: £ Nil).

# Synergy Housing Limited

## Notes to the Financial Statements (*continued*)

### 26 Social Housing Grant

	2018	2017
	£000	£000
Balance as at 1 April	8,567	6,732
Additions	802	1,908
Disposals	(87)	-
Amortised within Statement of Comprehensive Income	(89)	(73)
<b>Balance as at 31 March</b>	<b>9,193</b>	<b>8,567</b>
Recognised in:		
Creditors: amounts falling due within one year	233	112
Creditors: amounts falling due after one year	8,960	8,455
	<b>9,193</b>	<b>8,567</b>

Social housing grant ('SHG') is receivable from the Regulator for Social Housing ('RSH'). Grant received for properties under construction is classified as a creditor due in less than one year. Once properties have been completed the grant is classified as a long-term creditor and amortised to the profit or loss for the period over the life of the properties' structure.

#### Social housing grants received

	2018	2017
	£000	£000
Social Housing Grant	<b>96,914</b>	<b>96,112</b>

The total accumulated amount of SHG relates to properties owned at the balance sheet date.

The grant is recognised in:

Profit and loss reserve	87,721	87,545
Creditors: amounts falling due within one year	233	112
Creditors: amounts falling due after one year	8,960	8,455
	<b>96,914</b>	<b>96,112</b>

# Synergy Housing Limited

## Notes to the Financial Statements (*continued*)

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### 27 Recycled Capital Grant Fund

	2018 £000	2017 £000
Funds relating to activities within areas covered by the RSH:		
Balance as at 1 April	33	16
Additions:		
Grants recycled	193	17
Interest accrued	1	-
Withdrawals:		
New build	-	-
Transfers to other Private Registered Providers	-	-
Other	-	-
<b>Balance as at 31 March</b>	<b>227</b>	<b>33</b>
Analysis of Maturity:		
- in less than one year	1	16
- in one to two years	32	1
- in more than two years	194	16
	<b>227</b>	<b>33</b>

The Recycled Capital Grant Fund ('RCGF') relates to Social Housing or Housing Association Grant previously received on social housing properties that have been sold, demolished or which there has been a change of use which does not meet the original conditions of the Grant. The Regulator for Social Housing ('RSH') permits grants to be reinvested within a three year period into schemes within the Approved Development Programme. The RSH requires funds which have not been reinvested within three years to be repaid.

# Synergy Housing Limited

## Notes to the Financial Statements (*continued*)

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### 28 Disposal Proceeds Fund

	2018	2017
	£000	£000
Funds relating to activities within areas covered by the RSH:		
Balance as at 1 April	193	106
Additions:		
Funds recycled	-	87
Withdrawals:		
New build	-	-
<b>Balance as at 31 March</b>	<b>193</b>	<b>193</b>
Analysis of Maturity:		
- in less than one year	106	-
- in one to two years	87	106
- in more than two years	-	87
	<b>193</b>	<b>193</b>

Following the deregulation changes made to the Housing and Planning Act 2016, which came into force on 6 April 2017, the requirement to recycle grant into the Disposal Proceed Fund was removed. The Disposal Proceeds Fund will continue to have interest added and withdrawals made to fund new builds until the fund is exhausted or until the wind down period ends on 6 April 2020. After this date any unused funds will be repaid.

# Synergy Housing Limited

## Notes to the Financial Statements (*continued*)

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### 29 Financial instruments

#### 29a Financial instruments' descriptions

Synergy Housing Limited holds several different types of financial instrument which it uses to fund its activities and manage its interest rate risk. The characteristics of the main classes of financial instrument held are given below:

##### Fixed rated loans

The association's fixed rated loans have a base fixed interest rate plus a margin that varies over the life of the borrowing. Due to this variation these loans are recognised using the effective interest method which averages the interest rate over the life of the loan. As with the group's bonds the interest charged to profit or loss is the effective interest and not the amount actually paid. During the year the effective interest charged to profit and loss was £153,000 (2017: £149,000) higher than the actual interest paid.

At the end of the year the association had drawn £153.5 million (2017: £168.5 million) of fixed rated loans which incurred an effective interest charge during the year of between 2.7% and 6.0% (2017: 2.3% and 6.0%). These loans have a carrying value of £155.4 million (2017: £171 million) giving a cumulative effective interest adjustment of £1.9 million (2017: £2.7 million).

##### Floating rate loans

The interest on these loans varies or floats as the London Inter-Bank Offered Rate (LIBOR) changes. In addition to LIBOR a margin is also charged which makes up the total interest rate. Within the total amount the group can borrow from its lenders there is a set amount designed as floating loans, once this limit is reached the group cannot draw down any more floating rate loans. At the end of the year the association had drawn £33.0 million (2017: £20.5 million) of floating rate loans and was charged interest rates of between 0.7% and 1.0% (2017: 0.5% and 0.8%).

##### Disposal proceeds fund

Following the deregulation changes made to the Housing and Planning Act 2016, which came into force on 6 April 2017, the requirement to recycled grant into the Disposal Proceed Fund was removed. The Disposal Proceeds Fund will continue to have interest added and withdrawals made to fund new builds until the fund is exhausted or until the wind down period ends on 6 April 2020. The balance on the fund is £193,000 (2017: £193,000).

# Synergy Housing Limited

## Notes to the Financial Statements (*continued*)

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### 29 Financial instruments (continued)

#### 29a Financial instruments' descriptions (continued)

##### Recycled capital grant fund

The group receives SHG from the RSH to build Social Housing. When the tenant of a New Build Home Buy property purchases a further tranche of the property, if there are sufficient sales proceeds, the associated grant will be recycled via the RCGF. Like the DPF a notional amount of interest is added to the fund each year depending on the value of the fund. The balance in the association's RCGF at the end of the year was £227,000 (2017: £33,000), this includes £568 of interest added during the year.

##### Loan commitments measured at cost less impairment

The association has various borrowing facilities available to it. The undrawn committed facilities are valued at cost less impairment. The amount of undrawn borrowings at 31 March 2018 was £31.5 million (2017: £29 million), the cost of the undrawn facility is £78,000 (2017: £142,000), it is not considered to be impaired.

#### 29b Financial instruments' classifications

##### Amortised cost

Basic financial instruments such as loans are measured at amortised cost. This is calculated using the effective interest rate method. For floating rate loans and fixed rate loans with no interest rate changes the effective interest will equal the amount of interest paid. For fixed rate loans which have changes in interest rate over the life of the loan the effective interest rate will average the different interest rates over the life of the loan. The effective interest is the amount that is recognised in profit or loss.

##### Equity

Equity is the difference between an entity's total assets and total liabilities. Where a company has joint or a controlling interest in another company its share of the equity in that company is recognised in its financial statements.

# Synergy Housing Limited

## Notes to the Financial Statements (*continued*)

### 29 Financial instruments (continued)

#### 29c Financial instrument carrying values

The association has the following financial instruments:

	2018	2017
	£000	£000
<b>Financial assets that are debt instruments measured at amortised cost</b>		
Loan to subsidiary	8,550	14,518
Trade and rent debtors	4,007	4,374
Affordable Housing Finance ('AHF') liquidity Reserve	1,447	1,447
Other debtors	133	71
	<u>14,137</u>	<u>20,410</u>
	2018	2017
	£000	£000
<b>Financial liabilities measured at amortised cost</b>		
Intercompany fixed rate loan	(113,512)	(113,595)
Fixed rate loans	(155,921)	(171,158)
Floating rated loans	(33,000)	(20,500)
Disposal proceeds fund	(193)	(193)
Recycled Capital Grant Fund	(227)	(33)
Trade creditors	(103)	(101)
Intercompany trade creditors	(5,779)	(7,712)
Accruals	(3,695)	(2,461)
Other creditors	(776)	(517)
	<u>(313,206)</u>	<u>(316,270)</u>

# Synergy Housing Limited

## Notes to the Financial Statements (continued)

### 29 Financial instruments (continued)

#### 29d Interest rate profile of borrowings

	2018 £000	2017 £000
<b>Association borrowings comprise:</b>		
Inter group loans	110,000	110,000
Affordable Housing Finance Fixed rated loans	50,000	50,000
Fixed rated loans	103,500	118,500
Floating rated loans	33,000	20,500
Recycled Capital Grant Fund	227	33
Disposal Proceeds Fund	193	193
<b>Total</b>	<b>296,920</b>	<b>299,226</b>

The above values are the loan principal not the loan's carrying value.

	2018	2018	2017	2017
	Weighted average interest rate %	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Weighted average period for which rate is fixed Years
At 31 March				
Inter group loans	4.50	25.7	4.50	26.7
Fixed rated loans	4.25	11.9	4.14	12.0

#### 29e Maturity of borrowings

The maturity profile of the principal value of the association's loans, as shown in note 29d; is:

	2018			2017		
	Repayment		Total £000	Repayment		Total £000
	By instalments £000	Not by instalments £000		By instalments £000	Not by instalments £000	
0 - 1 years	1,520	107	1,627	-	16	16
1 - 2 years	1,520	119	1,639	1,520	107	1,627
2 - 5 years	54,552	194	54,746	4,560	103	4,663
Over 5 years	68,908	170,000	238,908	122,920	170,000	292,920
	<b>126,500</b>	<b>170,420</b>	<b>296,920</b>	<b>129,000</b>	<b>170,226</b>	<b>299,226</b>

The above borrowings are secured against the Synergy Housing Limited's social housing properties. The value of the secured properties is £446.6 million (2017: £430 million). At 31 March 2018 properties valuing £84.4 million (2017: £65 million) were unsecured and available to be secured.

# Synergy Housing Limited

## Notes to the Financial Statements (*continued*)

### 30 Pension obligations

#### Group pension schemes

The cost of providing retirement pensions and related benefits is accounted for in accordance with FRS 102 section 28 – 'Employee Benefits'. The group participates in eight pension schemes.

There are six defined benefit schemes:

- Wiltshire Pension Scheme (closed to new members),
- Hampshire County Council Pension Scheme (closed to new members),
- Somerset County Council Pension Scheme (closed to new members),
- Dorset County Council Pension Scheme (closed to new members),
- Social Housing Pension Scheme ('SHPS') final salary defined benefit scheme (closed to new members),
- SHPS career average of earnings scheme ('CARE'),

and two defined contribution ('stakeholder') schemes:

- SHPS defined contribution scheme,
- Friends Provident defined contribution scheme (closed to new members).

Synergy Housing Limited participates in four of the schemes:

- Dorset Pension Scheme (closed to new members),
- Social Housing Pension Scheme ('SHPS') final salary defined benefit scheme (closed to new members),
- SHPS career average of earnings scheme ('CARE'),
- SHPS defined contribution scheme

The accounting treatments for each of the schemes are described below.

The pension cost to the company for the year ended 31 March 2018 was £803,000 (2017: £711,000) in respect of 187 (2017: 198) employees.

#### Summary of movements and balances in funding

		2018			
Synergy Housing Limited		Total cost by scheme £000	Total interest on net pension liability by scheme £000	Actuarial loss in pension scheme £000	Pension deficit £000
County pension schemes					
Dorset		609	456	2,369	(15,395)
SHPS		194	-	-	-
		803	456	2,369	(15,395)
		2017			
Synergy Housing Limited		Total cost by scheme £000	Total interest on net pension liability by scheme £000	Actuarial gains in pension scheme £000	Pension deficit £000
County pension schemes					
Dorset		513	526	(2,022)	(17,097)
SHPS		198	-	-	-
		711	526	(2,022)	(17,097)

# Synergy Housing Limited

## Notes to the Financial Statements (*continued*)

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### 30 Pension obligations (*continued*)

#### Dorset County Council Pension Fund

The association participates in the above fund as an admitted body under the Local Government Superannuation Regulations 1995, funded jointly by employer and employee contributions. The fund is a defined benefit final salary multi-employer scheme.

As at the balance sheet date there were 46 (2017: 51) active members of the Scheme employed by Synergy Housing Limited. The annual pensionable payroll in respect of these members was £1.5 million (2017: £1.6 million).

The fund is subject to 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 Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 31 March 2018. The principal assumptions used by the independent qualified actuaries in updating the latest valuation in order to provide the disclosures required by Financial Reporting Standard No. 102 section 28 – Employee Benefits are stated below. The actuary has used the projected unit credit method of valuation.

The last triennial valuation was performed on 31 March 2016 and the results have been incorporated into the financial statements for 2018.

The next triennial valuation is due to be carried out on 31 March 2019 and the results for this will be incorporated into the financial statements for 2020.

The information in the financial statement relating to the valuation of the pensions scheme's assets and liabilities has been prepared by the scheme's actuaries, Barnett Waddingham.

# Synergy Housing Limited

## Notes to the Financial Statements (*continued*)

### 30 Pension obligations (continued)

#### Dorset County Council Pension Fund (continued)

##### Financial assumptions

	2018 %p.a.	2017 %p.a.
Price increases (CPI)	2.4	2.7
Pension increases	2.4	2.7
Salary increases	3.9	4.2
Discount rate	2.6	2.7

##### Mortality

	2018 years	2017 years
Current pensioners		
Females	26.1	26.0
Males	24.0	23.9
Future pensioners		
Females	28.4	28.3
Males	<u>26.2</u>	<u>26.1</u>

##### Fair value of employer assets

	2018 £000	2017 £000
Equities	16,263	16,440
Gilts	3,940	4,350
Infrastructure	1,086	979
Hedge Funds	-	5
Other Bonds	2,109	3,358
Diversified Growth Fund	3,235	1,270
Property	3,033	2,576
Cash	423	325
	<u>30,089</u>	<u>29,303</u>

##### Total cost recognised as expense

	2018 £000	2017 £000
Current service cost	588	494
Interest costs	1,238	1,397
Expected return on assets employed	(782)	(871)
Administration expenses	21	19
Total	<u>1,065</u>	<u>1,039</u>

##### Return on plan assets

	<u>1,468</u>	<u>4,987</u>
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# Synergy Housing Limited

## Notes to the Financial Statements (continued)

### 30 Pension obligations (continued)

#### Dorset County Council Pension Fund (continued)

##### Reconciliation of defined benefit obligation

	2018	2017
	£000	£000
<b>Opening defined benefit obligation</b>	<b>46,400</b>	38,274
Current service cost	588	494
Interest cost	1,238	1,397
Contributions by members	94	100
Actuarial (gains)/losses	<b>(1,683)</b>	7,297
Estimated unfunded benefits paid	<b>(7)</b>	<b>(7)</b>
Estimated benefits paid	<b>(1,146)</b>	<b>(1,155)</b>
<b>Closing defined benefit obligation</b>	<b>45,484</b>	46,400

##### Reconciliation of fair value of scheme assets

	2018	2017
	£000	£000
<b>Opening fair value of scheme assets</b>	<b>29,303</b>	23,908
Expected return on assets	782	871
Contributions by members	94	100
Contributions by employers	398	330
Administration expenses	<b>(21)</b>	<b>(19)</b>
Return on assets less interest	686	4,116
Other actuarial gains	-	1,159
Benefits paid	<b>(1,153)</b>	<b>(1,162)</b>
<b>Closing fair value of scheme assets</b>	<b>30,089</b>	29,303

##### Net pension liability

<b>15,395</b>	<b>17,097</b>
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##### Projected pension expense for the year to 31 March 2019

	31 March
	2019
	£000
Projected current service cost	556
Interest on obligation	381
Administration expenses	21
<b>Total</b>	<b>958</b>

# Synergy Housing Limited

## Notes to the Financial Statements (*continued*)

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### 30 Pension obligations (*continued*)

#### The Social Housing Pension Scheme

The group participates in the Social Housing Pension Scheme ("the Scheme").

SHPS is a multi-employer defined benefit scheme. Employer participation in the Scheme is subject to adherence with the employer responsibilities and obligations as set out in the 'SHPS House Policies and Rules Employer Guide'.

The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate until 31 March 2007. From April 2007 three defined benefit structures have been available, namely:

- Final salary with a 1/60th accrual rate – now closed to new members.
- Final salary with a 1/70th accrual rate – not available to employees of Aster Group.
- Career average revalued earnings ('CARE') with a 1/60th accrual rate – closed to new members.

From April 2010 a further two defined benefit structures have been available, namely:

- Final salary with a 1/80th accrual rate – not available to employees of Aster Group.
- Career average revalued earnings ('CARE') with a 1/80th accrual rate – not available to employees of Aster Group.

A defined contribution benefit structure was made available from 1 October 2010.

An employer can elect to operate different benefit structures for their active members and their new entrants. An employer can only operate one open defined benefit structure at any one time. An open defined benefit structure is one which new entrants are able to join.

Synergy Housing Limited currently operates a final salary with a 1/60<sup>th</sup> accrual rate (closed to new members), a career average revalued earnings scheme ('CARE') with a 1/60<sup>th</sup> accrual rate (closed to new members) and a defined contribution scheme for active members offering variable levels of contribution.

In February 2014, Aster Group introduced a career average revalued earnings scheme ('CARE') with a 1/120<sup>th</sup> accrual rate.

#### SHPS defined benefit scheme

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

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

# Synergy Housing Limited

## Notes to the Financial Statements (*continued*)

### 30 Pension obligations (*continued*)

#### The Social Housing Pension Scheme (*continued*)

##### SHPS defined benefit scheme (*continued*)

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

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

Deficit contributions – each tier relates to a separate tri-annual scheme valuation.

<b>Tier 1</b>	
From 1 April 2016 to 30 September 2020	£40.6 million per annum (payable monthly and increasing by 4.7% per annum each 1 April)
<b>Tier 2</b>	
From 1 April 2016 to 30 September 2023	£28.6 million per annum (payable monthly and increasing by 4.7% per annum each 1 April)
<b>Tier 3</b>	
From 1 April 2016 to 30 September 2026	£32.7 million per annum (payable monthly and increasing by 3% per annum each 1 April)
<b>Tier 4</b>	
From 1 April 2016 to 30 September 2026	£31.7 million per annum (payable monthly and increasing by 3% per annum each 1 April)

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

Where the scheme is in deficit and where the association has agreed to a deficit funding arrangement, the association recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate of 1.33% (2016: 2.06%). The unwinding of the discount rate is recognised as

#### Reconciliation of opening and closing SHPS recovery plan liability

	2018	2017
	£000	£000
At 1 April	215	233
Unwinding of the discount factor	4	4
Deficit contribution paid	(29)	(28)
Remeasurements - changes in assumptions	(3)	6
Remeasurements - contribution schedule	-	-
At 31 March	<u>187</u>	<u>215</u>
Recognised in:		
Creditors: amounts falling due within one year	30	58
Creditors: amounts falling due after one year	<u>157</u>	<u>157</u>
	<u>187</u>	<u>215</u>

# Synergy Housing Limited

## Notes to the Financial Statements (*continued*)

### 30 Pension obligations (*continued*)

#### The Social Housing Pension Scheme (*continued*)

Social Housing Pension scheme recovery plan liability profit and loss impact

	2018	2017
	£000	£000
Recognised in operating profit		
Remeasurements - changes in assumptions	(3)	6
Remeasurements - contribution schedule	-	-
	<u>(3)</u>	<u>6</u>
Recognised in total finance income and expense		
Interest expense	<u>4</u>	<u>4</u>

#### The Social Housing Pension Scheme defined contribution scheme

The scheme is administered by the Pensions Trust. It is open to all members of staff and is the pension scheme for auto-enrolment. The association paid contributions between 2% and 10% (2017: 2% and 10%) and employees paid contributions from 2% to 7% (2017: from 2% to 7%). On retirement, funds or units earned can be converted into a pension with the Trust, or used to secure a pension with another provider. At 31 March 2018 there were 146 (2017: 135) active members of the scheme.

### 31 Other Provisions

	2018	2017
	Other	Other
	£000	£000
At 1 April	140	647
Additions during the year	1,850	-
Release during the year	(140)	(507)
At 31 March	<u>1,850</u>	<u>140</u>

Other provisions relates to a provision for unused office space rented by the association under an operating lease and legal matters.

### 32 Called up share capital

	2018	2017
	£	£
Ordinary shares allotted, issued and fully paid of £1 each		
At 1 April	28	28
Issued during the year	2	3
Cancelled during the year	(3)	(3)
At 31 March	<u>27</u>	<u>28</u>

# Synergy Housing Limited

## Notes to the Financial Statements (*continued*)

### 33 Other reserves

Other reserves consist of the following amounts:

	2018	2017
	Revaluation reserve	Revaluation reserve
	£000	£000
At 1 April	165,961	166,799
Revaluation surplus realised on disposals	<u>(1,083)</u>	<u>(838)</u>
At 31 March	<u>164,878</u>	<u>165,961</u>

#### Revaluation reserve

Prior to transition to FRS 102, on 1 April 2014, the association's social housing properties were revalued each year. The revaluation reserve represents the increases in value of properties held at this date. On transition to FRS 102 the group moved to recognising its social housing at deemed cost and no longer recorded increases in social housing property valuation.

### 34 Capital commitments

	2018	2017
	£000	£000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	64,988	70,783
Capital expenditure that has been authorised by the board but has not yet been contracted	12,372	2,211
	<u>77,360</u>	<u>72,994</u>

These commitments will be funded through a mixture of cash and committed borrowings. The association's available committed borrowings are set out in note 25.

### 35 Operating leases

	2018	2017
	£000	£000
The association has total commitments under non-cancellable operating leases due to expire as follows:		
<b>Land and buildings</b>		
Not later than one year	5	5
Later than one year but not later than five years	23	22
Later than five years	356	373
<b>Office premises</b>		
Not later than one year	224	224
Later than one year but not later than five years	776	846
Later than five years	1,495	1,673
	<u>2,879</u>	<u>3,143</u>

Under FRS102 disclosure of the total future minimum lease payments under non-cancellable operating leases is required.

# Synergy Housing Limited

## Notes to the Financial Statements (*continued*)

### 36 Homes and bed spaces in management and in development

	2018	2017
	No.	No.
Under development at end of year:		
Housing accommodation	374	410
Shared ownership	206	234
	<u>580</u>	<u>644</u>
Under management at end of year:		
Owned and managed by the association:		
Housing accommodation		
Social rent	6,002	6,022
Affordable rent	591	592
Supported housing		
Social rent	1,739	1,739
Affordable rent	4	4
Shared ownership	249	264
Leasehold	495	483
Temporary Social Housing	42	42
	<u>9,122</u>	<u>9,146</u>
Not owned but managed by the association:		
Housing accommodation		
Social rent	29	29
Affordable rent	6	4
Shared Ownership	16	12
Private Sector Leasing	3	3
	<u>54</u>	<u>48</u>
Owned but managed by others at the end of the year:		
Housing accommodation		
Social rent	272	216
Affordable rent	364	263
Supported housing		
Social rent	78	79
Shared ownership	305	218
Leasehold	2	1
Market Rented	88	79
	<u>1,109</u>	<u>856</u>
	<u>10,285</u>	<u>10,050</u>

# Synergy Housing Limited

## Notes to the Financial Statements (*continued*)

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### 37 Related party transactions

The association receives management and other services from its holding company, Aster Group Limited, and property services from Aster Property Limited and Aster Solar Limited, both fellow group companies under the terms of documented Service Level Agreements.

Synergy Housing Limited used Zebra Property Solutions Limited, a subsidiary of the association, to undertake commercial and development activities which are outside the charitable rules on its behalf.

The association has taken advantage of the exemption allowed under FRS 102 Section 33 Related Party Disclosures not to disclose related party transactions within the group. This exemption is available providing the transactions are entered into between two or more members of a group, so long as any subsidiary which is party to the transaction is wholly owned.

The Accounting Direction for Private Registered Providers of Social Housing requires disclosure of the material recharges for services between non-regulated and regulated entities. These are:

<b>From non-regulated entity</b>	<b>To regulated entity</b>	<b>Nature of supply</b>	<b>2018 Total £000</b>
Aster Property Limited	Synergy Housing Limited	Property maintenance services	19,316
Aster Homes Limited	Synergy Housing Limited	Property development services	24,421
Aster Living	Synergy Housing Limited	Site management services	601
Aster Solar Limited	Synergy Housing Limited	Supply of photovoltaic panels	-
Zebra Property Solutions Limited	Synergy Housing Limited	Property development services	11

Recharges from Aster Property Limited and Aster Homes Limited are at cost plus a profit margin. All other recharges are at cost.

The association received £29,925 (2017: £17,850) of services from Aster Options Plus Limited, a fellow member of the Aster Group, and had an outstanding balance of £525 (2017: £350) with that company at 31 March 2018.

### 38 Ultimate Parent Company

Synergy Housing Limited is a wholly owned subsidiary of Aster Group Limited, the ultimate parent company and controlling party, and whose consolidated financial statements may be obtained from the following address:

The Company Secretary, Sarsen Court, Horton Avenue, Cannings Hill, Devizes, Wiltshire, SN10 2AZ.

Aster Group Limited is the only group to consolidate the company's financial statements.