Curo Group (Albion) Ltd.

Financial Statements

Year ended 31 March 2016

Registered Company number	4302179
Homes & Communities Agency registration number	LH4336

Curo Group (Albion) Ltd.

Year ended 31 March 2016

Contents

Curo Group (Albion) Ltd.
Board, Executive Officers and Advisors

Board

C.Roger Thomas (Chair)	Resigned 16 May 2016
Dermot Courtier (Vice Chair)	
Alex Marsh	
Brian Tapp	
Rob Appleyard	
Claire Lerpiniere	
Martin Nurse	
Robert Durie	
Sandie Lewis	Resigned 16 April 2016
Gareth Lloyd	Resigned 4 May 2016
John Weir	Resigned 18 April 2016
Elizabeth Potter	Appointed 18 July 2016

Executive Officers

Victor da Cunha	Group Chief Executive
Simon Gibbs	Executive Director – Finance & Strategy
Donna Baddeley	Executive Director – Corporate Services
Louise Swain	Executive Director - Customer Services (left 20 May 2016)
Gerraint Oakley	Managing Director – Curo Homes

Acting Company Secretary

Philippa Armstrong

Board, Executive Officers and Advisors (continued)

Registered Office	The Maltings River Place Lower Bristol Road Bath BA2 1EP Tel: 01225 366000
Group Members	Curo Group (Albion) Ltd. Curo Places Ltd. Curo Choice Ltd. Curo Enterprise Ltd.
Solicitors	Anthony Collins Devonshires Geldards Trowers and Hamlins
Bankers	Barclays Bank plc
Funders	Lloyds Banking Group plc Barclays Bank plc Santander UK plc M&G Investment Management Limited Orchardbrook Limited Norwich and Peterborough Building Society
Independent Auditors	PricewaterhouseCoopers LLP Chartered accountants and statutory auditors 2 Glass Wharf Bristol BS2 0FR

Curo Group (Albion) Ltd. is a company limited by guarantee. It is registered in England, company number 4302179. It is registered with the Homes & Communities Agency (registration number LH4336).

Group Strategic Report for the year ended 31 March 2016

The Group Board presents its report and audited consolidated financial statements of the Curo Group (Albion) Ltd. (the 'Group') and its subsidiary undertakings, for the year ended 31 March 2016.

Overview of the business

Curo is a housing and support organisation based in Bath, providing affordable homes and high quality care and support services across the West of England. We manage 12,992 homes for more than 25,000 people and are building between 200 to 300 new homes every year.

The Group was founded by Curo Places Ltd. which was set up in 1999 following the transfer of housing stock from Bath and North East Somerset Council. Curo Places Ltd. was joined in 2002 by Curo Choice Ltd. Curo Enterprise Ltd, the commercial arm of the Group, was set up in 2012.

As a registered provider, the group is a social enterprise and all of our surpluses are reinvested in our business. Our main activities are as follows:

- Long term rented housing for people who are unable to afford to rent or buy on the open market
- Low cost home ownership homes
- Sheltered and supported housing and care for those who need additional support
- Building homes for sale

Group Structure

Our group structure includes the following legal entities:

Curo Places Ltd is our core landlord business, managing 11,675 social homes in Bath and the surrounding areas.

Curo Choice Ltd is a specialist care and support business, which provides services to both residents and non-residents.

Curo Enterprise Ltd, created in 2012, is trading as Curo Homes and has enabled us to take on additional commercial activities, including housing for sale, to generate income to cross subsidise our core business.

Curo Group (Albion) Ltd is the holding company for the Group. A non-asset holding company that provides strategic, management and support services to rest of the Group.

Strategic priorities

The Group's strategic priorities are:

- To deliver renowned customer service
- To create great properties and places
- To enable independent and successful lives

Review of the Year

During the year we completed a number of key actions which contributed towards implementing our strategic priorities.

- New Homes – we completed 239 new affordable homes in 2015/16.
- Welfare Reform – we continue to implement our plan to help our customers deal with the consequences of welfare reform including Universal Credit and a cut in the welfare cap.
- Repairs and Response – we embedded the new mobile working and stores process to complete the modernisation of Curo Response.
- Contact Centre – we extended the opening hours of the Contact Centre to 8am to 8pm.
- Asset management - we expanded the stock condition survey to cover over 90% of all housing stock.

- Value For Money – we improved the cost effectiveness of customer facing operational services and improved support service efficiency delivering in year savings of £1m.
- Apprentices – we have created 7 apprenticeships

More detailed information about our financial position, operating performance and development activities is given elsewhere in this report.

Regulation & Corporate Governance

Regulatory Framework

The Group is regulated by the Social Housing Regulator which is part of the Homes and Communities Agency (HCA). It has to comply with the regulatory framework applicable from April 2015. The framework retains at its core the principle of co-regulation. Boards are responsible for the effective performance of their organisations, compliance with the standards and being transparent and accountable to stakeholders.

The HCA framework retains seven standards set out in two primary areas; Economic and Consumer.

Economic
- Governance and financial viability
- Value for money (VFM)
- Rent

Consumer
- Tenant involvement and empowerment
- Home
- Tenancy
- Neighbourhood and community

The regulator will expect the consumer standards to be met, but it will only intervene in a service delivery matter if there is evidence of actual or potential serious detriment. Curo's Board and Scrutiny Panel are responsible for ensuring that the consumer standards are met.

The Board

The term 'corporate governance' generally refers to the supervision of how an organisation is run and how it manages the risks to its business. It includes regulation, corporate structure and the function of the Board.

The Group is governed by Boards with a total of 14 non-executive members. The Group's board members who served during the year and up to the date of signing the financial statements are listed on page 1.

With the exception of Curo Enterprise Ltd, our Boards sit as a "Combined Board" for efficient decision making and this is made up of core Board members and independent subsidiary Board members.

The Group complies with the National Housing Federation's 'Code of Governance' 2015 with the exception of the size of the "Combined Board" explained above.

Governance review

During the year, to support our strategic planning process and in line with good practice, we commissioned an independent review of our governance arrangements.

The review concluded that whilst we have made some good progress, additional improvements were needed. Our plan includes:

- Reducing the size of our Board;
- Streamlining and simplifying our committee structures;
- Improving learning and development arrangements at Board level; and

- Enhancing the functioning between the Executive and Non-Executive as the organisation moves towards having Executives on the Board.

Further implementation of the findings will be undertaken over the summer and will include the appointment of a number of new Board members.

The findings and our action plan have been shared with the regulator. The regulator has confirmed that Curo continues to meet its viability requirements in full and whilst we are compliant with the governance standard, it has reflected the need for additional improvements into its latest formal judgement of Curo (known as 'G2').

Our aim is to be reassessed as meeting the requirements on governance set out in the Governance and Financial Viability standard (known as 'G1') later in the year, when our governance plan is fully implemented.

Delegation

The Group Combined Board is responsible for strategy for the Group as well as overseeing its performance. Specific responsibilities have been delegated to committees which have their own approved terms of reference. Day to day performance is delegated to the Executive Team. The major committees supporting the Group Board and governance arrangements during the year were:

Audit and Assurance Committee – responsible for overseeing internal and external audit, the effectiveness of internal controls and the risk management framework.

Governance and Remuneration Committee – responsible for advising the Board on governance, remuneration and Board or Committee appointments, as well as remuneration and contractual terms for the Executive Team and colleagues.

Finance Committee – responsible for monitoring and reviewing the Group's viability through effective monitoring and management of the Group's finances, including funding and treasury matters.

Customer Experience Committee – responsible for monitoring and scrutinising the impact of Curo's work on its customers and neighbourhoods.

Curo Homes Committee – responsible for Curo Enterprise Ltd. and the build for sale activities, affordable homes programme and regeneration in Curo Places Ltd.

Key risks

The Group has in place a risk management strategy and framework which provides a guide for Board members and managers on the Group's approach to risk management. A group risk map is also maintained. The definition of strategic risk for this purpose is an event that could prevent the business plan from being achieved if it were to crystallise. A strategic risk register is maintained summarising key controls to manage each risk, it also defines who is responsible for the control, and how the control effectiveness is monitored. Risks are analysed according to their potential impact and probability i.e. high, medium and low given the current control environment. Through the process of regular review those risks which present the greatest threats to the group are identified and reported to the Audit and Assurance Committee on a quarterly basis and to the Combined Board at every meeting. The Audit and Assurance Committee selects individual high risks for an in-depth review at its meetings. These risks are also reviewed and updated by senior management on a regular basis. Action plans are regularly updated to mitigate any risks with both high impact and probability in order to reduce the net future risk to medium or low.

Risk management supports the achievement of business objectives by:

- Enhancing the quality of decision-making, planning and prioritisation;
- Contributing to effective allocation of resources; and
- Protecting and enhancing the Group's assets and image.

The principal risks and opportunities which may affect our business and the future performance of the Group are set out below.

Risk	Effect	Mitigation
Uncertainty over future social rent levels.	• Social rental income accounts for approximately 80% of our turnover in 2015/16. • Risk of acquiring or developing new homes that are not financially sustainable in the future. • Business plan objectives could be compromised; we cannot diversify or adapt to opportunities to develop new business streams.	• Stress test financial plan on most likely assumptions but also on most extreme positive and negatives outcomes. • Apply prudent assumptions for financial appraisal of new opportunities. • Consider timescales and exit strategies to meet Business Plan objectives.
Policy reform (Welfare and other associated policies)	• Customers cannot afford to pay their rent. • Increase in bad debts for Curo.	• Detailed plans in place to mitigate specific risks from transition to Universal Credit and Benefit Caps. • Financial assumptions for bad debts amended. • Stress test financial plan for future impact based on worst case scenario.
Uncertainty over timing of Mulberry Park delivery and the planning application for Foxhill regeneration.	• Risk and potential opportunity. • Significant delay in delivering the units planned for Mulberry Park would lead to financial loss. • An adverse outcome for the planning at Foxhill could result in reputational damage.	• Prudent timetable and financial assumptions applied. • Strategic communication plan for Foxhill regeneration in place. • Comprehensive engagement with all key stakeholders.

Investment for the future

The Group is continually looking to improve its services to achieve its mission and vision 'to make a positive and profound contribution, inspiring and empowering people to succeed in life'.

The Group is committed to spending approximately £25m annually over the next 5 years to maintain and improve its existing housing stock. It tries to maintain a balance of 40:60 in spreading this expenditure between day to day responsive repairs and planned works such as cyclical decorations and the replacement and upgrading of roofing, kitchens, bathrooms and heating systems.

The Group has an active development programme and at the end of March 2016 has a development pipeline of 1,305 homes over the next few years. To enable the Group to maintain its social housing development it intends to undertake a programme of open market sales and has already committed to a major investments in site at Mulberry Park (Bath).

Value for Money Statement 2015-16

Our Value for Money ("VFM") statement covers:

1. VFM Strategy
2. VFM performance in 2015/16 as measured by operating margin, return on assets and social return on investment
3. The results of benchmarking performance against designated peer groups
4. VFM plans and targets for 2016/17

1. VFM Strategy

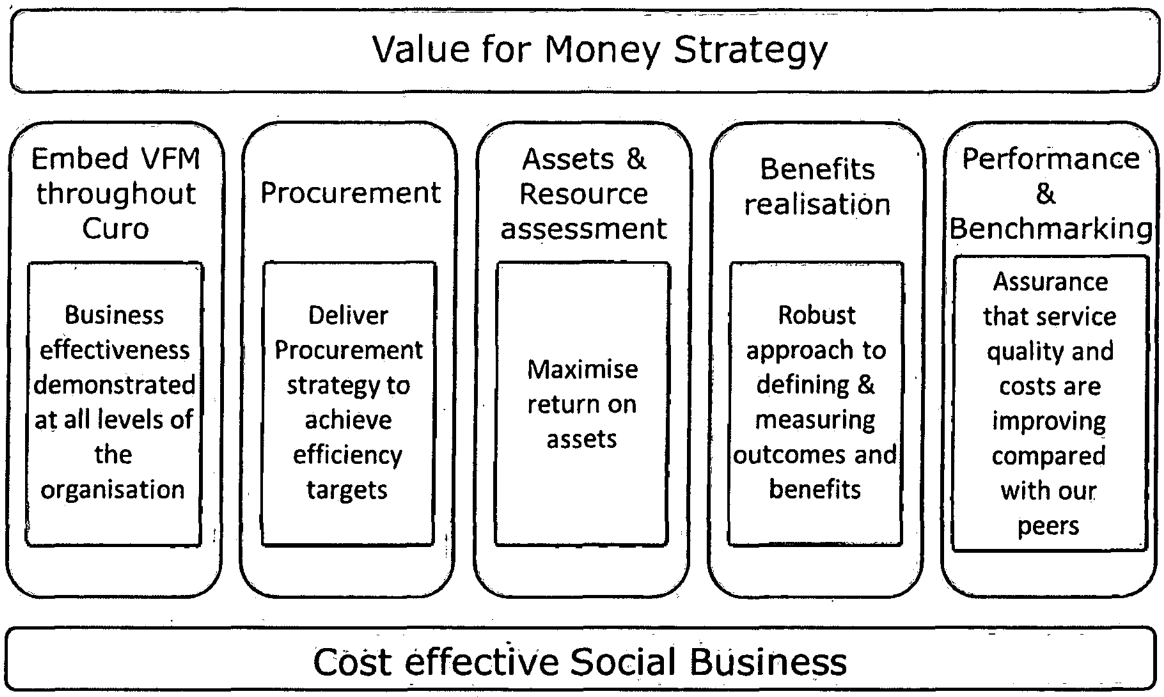
VFM is one of the economic standards within the regulatory framework of the Homes & Communities Agency (HCA) under which housing associations must articulate and deliver a comprehensive and strategic approach to achieving value for money in meeting their objectives.

Curo is currently four years into its five year corporate strategy entitled the "Big Plan" covering the years 2012/13 to 2016/17. Curo's VFM strategy is an integral part of how it delivers the outcomes that support the strategic priorities set out in the Big Plan, which are as follows:

- Renowned customer service
- Great properties and places
- Ethical care & support
- Happy, safe and popular neighbourhoods
- Helping people into work
- Lobbying for positive social change

Delivering these priorities requires Curo to have sufficient financial capacity to invest in new customer service platforms, refurbish its housing stock, build new homes and help its customers to be financially solvent. The financial capacity to invest in these areas requires Curo to ensure that its operations are cost-effective and represent value for money for its customers.

Our VFM strategy combines 5 activities which collectively ensure that we run a cost- effective social enterprise business by defining targets, setting plans to achieve these targets and measuring how we perform against those targets.



1.1 Embed VFM throughout Curo

Accountability and responsibility for cost and quality outcomes are reflected in budgets, team plans and individual performance objectives.

1.2 Procurement

Our procurement strategy has delivered £4.7m savings over the past 4 years.

1.3 Assets and resources assessment

Our development and asset management strategies seek to optimise our return on assets. We also measure return on assets in terms of social impact.

1.4 Benefits realisation

We set targets, monitor and report on all completed business projects, comparing the actual benefits realised against those planned.

1.5 Performance and Benchmarking

Operational performance indicators are reviewed from across Curo to ensure we are maintaining or improving service quality and cost effectiveness. Performance is reported and discussed with the Board regularly.

Benchmarking is also a key part of delivering VFM within Curo. As a member of the Housemark Benchmarking Club we share operational and financial information that allow cost and quality performance comparisons to be made. Curo is targeting an improvement trajectory to move to at least 2nd Quartile when compared to our peers in the West of England by end of 2017/18.

2. *VFM Performance 2015/16*

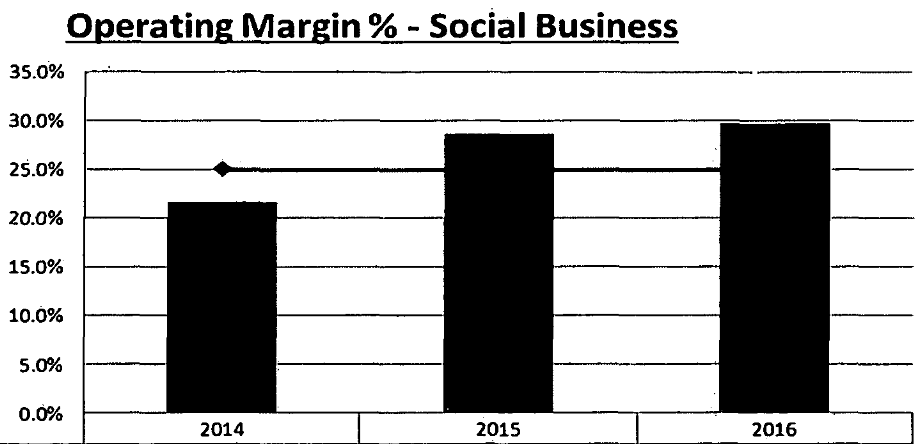
We measure our VFM performance against targets for Operating Margin, Return on Assets and Social Return on Investment:

2.1 Operating Margin

Our key focus for 2015/16 was on exceeding our target operating margin surplus of 25% for the social business, which excludes Curo Enterprise the newly established house-building business, which has its own set of targets. Curo ensures that it achieves VFM from its investment in Curo Enterprise by setting sales, operating margin, working capital and net surplus targets in the budget setting process and Financial Plan.

In 2015/16 the social business exceeded the 25% target increasing its operating margin from 28.6% to 29.7%. Note that all figures reported within the VFM statement for 2015/16 exclude the one-off non-operational impact of:

- Regeneration provision and associated impairment during the year (£6m increase in operating cost)
- Settlement of Avon Pension Fund (£2.5m reduction in operating cost)



	2014	2015	2016
Operating Margin %	21.6%	28.6%	29.7%
Target	25.0%	25.0%	25.0%

The principle driver behind the increase in the social business operating margin was the application of the VFM strategy. During the year Curo reduced its operating expenditure in the social business by £1m:

- £0.3m Business Improvement Programme (BIP) savings:

  Now in its second year, BIP has delivered cost and quality improvements driving value for money for our customers – this year's cost savings came from reductions in staffing costs across our Responsive Repairs, Asset Management, and Tenancy Management teams.

  Average cost of a repair fell to £110 (from £120 last year) following reduced use of sub-contractors, lower material costs and higher productivity.

  We changed the way we manage tenancy services moving away from a geographic to a functional approach – this has reduced the number of colleagues providing the service, but also increased our productivity and transaction end to end time for our customers.

- £0.3m procurement savings

  26 new contracts were signed during the year which delivered £0.3m cost savings including £140k on renewal of our group insurance and £60k with utility providers.

- £0.4m savings in staff and professional services

  Reduction to staffing in our back office functions of £100k and a £300k reduction in professional services expenditure.

In addition, further savings and efficiencies were achieved during the year:

- Management of empty homes improved during the year with average re-let time at 17 days, down from 24 days last year. General Needs & Housing for Older Persons void loss was 0.64% in 15/16. Void loss per property fell to £501 from £559 last year.

- Rent Arrears management improved with gross current tenant arrears (General Needs & Housing for Older Persons) at 2.43% compared with 3.10% last year – our arrears here reduced by £316k.

- Colleague sickness (average number of days sick per colleague) fell from 10.31 days in 2014/15 to 8.11 days in 2015/16. This reduced level of sickness represents an efficiency gain of £96k.

2.2 Return on Assets

The table below provides an overview of our asset base and its current and projected financial performance measured by the return on capital employed (ROCE). Prior year figures have been restated to be consistent with new FRS accounting standards.

	TOTAL	Social Rented	Shared ownership	Investment properties	House builder
Actual ROCE - 2014/15	3.5%	3.9%	5.6%	10.8%	-5.1%
Actual ROCE 2015/16	3.7%	4.4%	6.5%	10.8%	-3.2%
Forecast ROCE 2016/17	3.9%	3.8%	4.4%	9.7%	3.6%

ROCE improved during 2015/16 largely as a result of improved financial performance in our social rented homes. Overall ROCE at 3.7% was diluted by the investment in setting up Curo Enterprise our housebuilding company; however, the financial performance for Enterprise improved during the year and is projected to move to positive operating surplus position during 2016/17.

Social rented ROCE is projected to reduce during 2016/17 reflecting the reduction in rental income as a result of the government's ruling and an increased contingency for bad debts due to the imminent expansion of Universal Credit. Bath & North East Council are one of the first local authorities to roll out Universal Credit and we are projecting that 1,000 customers will transition during the coming year.

A key factor behind the improved performance on the return on social rented homes during 2015/16 was our ability to make more informed choices on whether to keep, convert or dispose of poor performing assets. We continued our Stock Condition survey programme and this now covers 92% of our stock (up from 64% last year) and we use this data to identify how properties are performing on both a financial and qualitative basis. The remaining 8% of properties are cases of 'no access' and we will attempt to survey these during 2016/17.

This stock condition data provides us with more accurate intelligence about safety issues, thermal efficiency and component condition to inform replacement priorities. We've profiled our stock and identified the worst 500 performers based on Net Present Value (NPV). When these properties become void, they are appraised and we determine whether we should dispose, change tenure or retain them.

We appraised 49 properties during 2015/16 (up from 32 last year):

- 12 were approved for disposal (9 properties disposed during 2015/16 generating surplus of £1.4m)
- 15 had tenure converted to market rent producing additional rental income of £26k over the year (equivalent to £78k annualised)
- 22 were retained for social rent (e.g. scarcity of product in rural areas)

The stock condition survey has also allowed us to better target our major works expenditure as follows:

- we can now exclude properties that we have identified as already having improvements carried out at void, responsive replacement or by customer improvement, which has improved the accuracy of budgets and forecasts
- we have stock condition photographs for key components so we can better review requests from customers and colleagues to renew components ahead of planned lifespan. This has reduced the need to send out surveyors to properties generating efficiencies equivalent to £5k)
- we considered those properties that had damp and mould issues to create the SHAW (Safe, Healthy, Affordable and Warm) program - this looked at the overall property rather than just component replacement for our poorest performing properties. 1,163 properties received works during 2015/16 and the average Standard Assessment Procedure (SAP) energy rating for these properties was 68.75% in 2015 and 72.42% in 2016

In last year's VFM statement we announced a program to install solar (PV) panels to our homes in a contract worth £12m to reduce energy costs for residents. This program was cancelled following a change in Government policy reducing the available subsidy as this made the contract uneconomic – one of the outcomes of the SHAW program is to increase the energy efficiency ratings for residents.

2.3 Social Return On Investment

We generated a Social Return on Investment (SROI) equivalent to £15.6m during 2015/16, up from £11m last year. This measures the value saved to the public purse by assessing the number of instances we have prevented State intervention (using independent standard reference cost figures) thus producing a monetary value for each social return outcome.

Last year we supported around 2600 people every week. Our SROI includes:

- prevention of 521 people becoming homeless
- prevention of 1,165 admissions to residential care
- prevention of 1,416 Accident & Emergency admissions
- prevention of 2,598 attendance to GP consultation

During 2015/16 we also:

- Delivered 2 apprenticeships in house
- Offered 15 university/school work placements to local students
- Helped 129 of our customers into work, education or training
- Achieved 2 apprenticeship places as a result of our procurement activity

3. VFM Benchmarks – analysis of comparative costs and quality

3.1 West Of England benchmark

We use the core benchmarking tool provided by Housemark to assess our relative cost and quality performance in comparison with a selection of our regional peers.

The table below shows our actual performance in 2014/15 and 2015/16 in terms of cost and quality in our main social housing business areas, and shows our performance quartile position relative to our peers. The 4 quartiles are represented by 4 colours – 1st Quartile performance is shown by the green box, 2nd Quartile is shown by the yellow box, 3rd quartile by amber and 4th Quartile by the red box.

Performance relative to our peers continues to improve when compared to the 2014/15 baseline performance.

The quartile position outlook for 2016/17 is based on approved targets compared to the same 2014/15 peer group outturn – we will review this later in 2016/17 when 2015/16 peer outturns are known.

Key Performance Indicators (KPIs)	14/15 Actual	15/16 Actual	16/17 Target
Cost per unit - major works and cyclical maintenance	£1,511	£1,495	£1,538
Quality of home satisfaction	79.0%	75.5%	81.0%
Cost per unit - response repairs and void works	£743	£697	£677
Average cost of a void repair	£2,053	£2,178	£1,849
Average cost of a responsive repair	£120	£110	£113
Customer satisfaction with last repair	84.0%	83.7%	85.5%
Cost per unit – lettings	£44	£44	£45
Void turnaround (General Needs & Housing for older persons)	24 days	17.2 days	18 days
Void losses (GN&HfOP)	0.65%	0.64%	0.66%
Customer satisfaction with Lettings	90%	89%	95%
Cost per unit - arrears management	£80	£83	£82
Rent arrears	3.10%	2.43%	2.28%
Cost per unit - estate services	£169	£181	£180
Customer satisfaction with Neighbourhood	79.0%	82.0%	83.5%
Cost per unit - tenancy management	£94	£77	£74
Overall customer satisfaction with services provided	79.0%	78.3%	82.0%
Colleague overall satisfaction	76.0%	85.6%	84.0%
Sickness absence working days/shifts lost	10.3	8.1	8.0

West of England Housing Associations based on Housemark 2014/15 outturn

At the end of 2015/16:

- Void turnaround improved from 3rd to 1st Quartile performance
- Rent arrears improved to 2nd Quartile performance
- Response repairs and void works Cost Per Unit (CPU) moved to 2nd Quartile
- Tenancy management CPU moved to 3rd Quartile
- Curo colleague (staff) overall satisfaction moved to 1st Quartile
- Cost per unit for estate services increased following £120k additional spend on grounds maintenance and shared areas cleaning – in the last quarter of the year customer satisfaction with Neighbourhood scored 83.7% (82% for the full 12 month period)

3.2 All England benchmark

The table below is an extract from the HCA Global Accounts database with Curo Places Limited costs compared to a much broader peer group. The costs referenced by the HCA only include the social housing lettings costs within Curo Places Limited and not the Bristol area (Curo Places (Bristol) Limited). These properties were transferred to Curo Places Limited on 31st March 2015 so future comparative data will be inclusive of all social housing costs.

The Housemark West of England and HCA Global Accounts benchmark analysis do not use the same methodology to apportion costs but provide a useful tool to help us understand our relative performance.

Entity	Closing social housing units managed	Headline social housing cost CPU (£k)	Management CPU (£k)	Service Charge CPU (£)	Maintenance CPU (£k)	Major repairs CPU(£k)	Other social housing costs CPU (£k)
Curo Places Limited	11,461	3.33	0.76	0.17	0.78	1.41	0.21
Sector level data							
Upper quartile		4.3	1.27	0.61	1.18	1.13	0.41
Median		3.55	0.95	0.36	0.98	0.80	0.20
Lower quartile		3.19	0.70	0.23	0.81	0.53	0.08

All England (more than 1000 units) HCA Global Accounts data 2014/15

We are 2nd Quartile when comparing our headline social housing Costs Per Unit (CPU), management CPU and other social housing costs CPU to all other England housing associations (greater than 1000 units). Our VFM strategy has contributed to us achieving this as we focus on decreasing costs and increasing our efficiency.

Major Works CPU is 4th Quartile compared to our peers. Curo has a legacy housing stock that had low levels of investment pre stock transfer and has required a sustained investment programme to extend the longevity of the fabric and components. The stock includes nearly 600 Georgian period properties that typically attract higher specialist and general maintenance costs – these Georgian properties contribute £200 to the major works CPU – excluding these costs brings us much closer to the upper quartile within the peer group.

4. VFM Plans and Targets for 2016/17

The VFM plans and targets for 2016/17 have been impacted by the government's imposition of a 1% rent reduction. The rent reduction reinforces the importance of our VFM strategy and the need for Curo to become more cost efficient, but it also reduces the return on a significant proportion of our assets.

Consequently our 3 VFM measures for 2016/17 are projected to be as follows:

- We are projecting to exceed our operating margin target for the social business, which remains unchanged at 25%, even though our rental income will reduce and the bad debt profile will deteriorate following the further roll out of Universal Credit.

- We project that we will increase our ROCE on assets from 3.7% to 3.9% in 2016/17 due to a combination of Curo Enterprise moving from loss to profit and the social business benefiting from our continued application of a rigorous options appraisal system for our voids even though returns have been reduced by the lower future rental streams.

- Our Social Return On Investment is projected to fall to £9.7m in 2016/17 because the opportunities for our Care & Support business will be limited by reductions in local authority spending.

In addition to our 3 key VFM measures above, we also expect to achieve targeted gains in the following areas:

- Improvements in the following key performance indicators relative to our West of England peers:

  - Cost Per Unit – tenancy management from 3rd Quartile to 2nd Quartile
  - Average cost of a void repair from 2nd Quartile to 1st Quartile
  - Customer satisfaction with last repair from 3rd Quartile to 1st Quartile

2016/17 is the last year of our current corporate strategy – the Big Plan. Our strategy will be reviewed and a new 5 year plan published during this financial year.

The implementation of the Big Plan, incorporating the VFM strategy, has resulted in considerable improvements in the cost effectiveness of Curo's operations and in the value for money for Curo's customers. By the end of 2016/17 we are projecting that the Business Improvement Programme (BIP) will have delivered £1.8m of annualised savings from the social business cost base, which have helped Curo to deliver on its target of performing at 2nd Quartile or better when compared to our peers in the West of England.

Financial performance progression

Financial performance for the last three years is as follows (£m).

Income and expenditure	2016	2015	2014
Turnover	74.7	69.7	63.3
Operating costs and cost of sales	(58.0)	(52.1)	(51.4)
Operating surplus	16.7	17.6	11.9
Net interest charge and other financing costs	(8.4)	(7.9)	(6.6)
Surplus on sale of assets	2.3	0.9	0.4
Fair value in investment properties	0.2	1.9	-
Corporation Tax	(0.2)	-	-
Surplus for the year	10.6	12.5	5.7
Balance sheet	**2016**	**2015**	**2014**
Housing properties at cost less depreciation	461.3	444.6	415.2
Investment properties at valuation	6.5	6.2	4.1
Fixed assets	467.8	450.8	419.3
Other tangible fixed assets & LT debtors	7.6	6.1	6.1
Net current assets/(liabilities)	61.0	50.4	36.9
Creditors due after one year	(434.8)	(401.9)	(361.8)
Pension provision	-	(13.2)	(8.8)
Net Assets	101.6	92.2	91.7
Reserves	101.6	92.2	91.7
Total Reserves	101.6	92.2	91.7

Nb. 2015 figures restated for FRS 102. 2014 balance sheet restated for FRS 102, all other 2014 figures as originally reported.

Financial review

The main accounting policies of the Group are set out on pages 29 to 37 of the financial statements.

The Group's finances are sound and a key objective is to maintain this financial strength so that we can continue to invest both in new homes and in our service improvements. The key financial indicators we use are:

- Operating margin, for the business as a whole and also specifically for social housing lettings – a measure of efficiency.
- Interest cover, measuring our ability to pay loan interest and ensure that operational cash flows cover costs of debt.
- Debt per unit managed, to measure borrowings against units in management

To show a true reflection of underlying operational performance, the key financial ratios are stated both including and excluding the £6m regeneration provision and impairment posted this year.

Financial Ratios (as reported)	2016	2015	2014
Operating margin – all activities	22.3%	25.3%	18.7%
Operating margin – on social housing lettings	21.2%	27.3%	18.1%
Operating cost per unit managed - £	£4,908	£4,492	£4,422
Interest cover – including asset sales	228.2%	220.0%	181.0%
Debt per unit managed - £	£24,834	£22,688	£18,921
Financial Ratios (adjusted to remove impact of regeneration provision/impairment)	**2016**	**2015**	**2014**
Operating margin – all activities	30.4%	25.3%	18.7%
Operating margin – on social housing lettings	30.7%	27.3%	18.1%
Operating cost per unit managed - £	£4,396	£4,492	£4,422
Interest cover – including asset sales	294.3%	220.0%	181.0%
Debt per unit managed - £	£24,834	£22,688	£18,921

We have also introduced 5 Financial Rules that provide internal parameters for us to operate within and include operating margin (of our social business), interest cover, investment in regeneration, investment in Curo Enterprise and the proportion of turnover derived from private house sales.

Income and expenditure

The Group operating surplus for 2015/16 of £16.7m was £0.9m lower than the previous year. The decrease in surplus was a result of accounting for impairment costs (£1.9m) and future works costs (£4.2m) relating to schemes identified for regeneration. Operating surplus excluding this one-off cost was £5.2m better than prior year.

Reserves

Net surplus for the year totalled £10.6m, increasing our revenue reserves to £119.6m as at 31 March 2016. We will invest this in delivery of new homes, maintaining and improving our existing homes and improving our services to residents.

Balance sheet

Some key balance sheet facts as at 31st March 2016 are:

- Housing properties depreciated cost £461m (an increase of £17m in the year).
- Homes in management now total 12,992, with 1,305 in the pipeline for development.
- £293m of loans had been drawn, leaving £57m undrawn.
- Net current assets were £61m, including £20m of cash at bank or on deposit.

Cash flow

Cash flows for the year are set out in the cash flow statement on page 28, which shows:

- Operating activities before termination of Avon Pension Scheme generated £8.2m (2015: £8.9m). Pension termination costs totalled £10.7m, taking the overall cash outflow from operating activities to £2.5m in the year.
- Our net interest charge was £9.0m, an increase of £1.1m on the prior year.

During the year £28m (2015: £40m) was spent on new properties and capital investment in existing homes. Social housing grant of £4.4m (2015: £5.7m) was received and net loans drawn were £30m (2015: £43m).

Capital structure and treasury strategy

The Group has a formal treasury management strategy, which is regularly reviewed. The purpose of the policy is to ensure that we sufficient funding for the medium term and to establish the framework within which the Group seeks to protect and control risk and exposure in respect of its borrowings and cash holdings. The treasury strategy addresses funding and liquidity risk and covenant compliance.

The Group has one active borrower; Curo Places Ltd. Curo Places Ltd is partly funded by syndicate loans provided through Curo Group (Albion) Ltd (the Group's parent company). The remaining borrowing is through bilateral loan agreements.

Borrowing and arranged facilities, as at 31 March 2016, can be summarised as follows:

	Arranged £m	Drawn £m
Curo Places	350.4	293.4

At 31st March 2016, the Group had £57.0m (2014: £87.2m) of arranged facilities that were not drawn. Cash held or on deposit at the year-end totalled £18.8m, leaving net debt of £274.6m (2015: £241.0).

The weighted average period for drawn debt is 20 years 6 months (2015: 20 years 1 month). Approximately £15m of existing drawn loans is due to be repaid in the next five years, ensuring the

Group has minimal refinancing risk. The weighted average cost of debt, inclusive of margins and hedging activities as at 31st March 2016 was 3.38% (2015: 3.46%).

There is one intercompany loan arrangement currently in place; £100m loan facility between Curo Places Ltd (lender) and Curo Enterprise Ltd (borrower). This facility is payable on demand.

Current liquidity

The Group's policy is to hold a minimum of £10 million in cash which is invested in overnight deposits. These deposits are spread over a number of banks which meet our investment criteria in respect of creditworthiness and approved limits. As at 31 March 2016, we were holding a higher cash balance than normal due to a delay in forecasted development expenditure.

Interest rate management

The Group has actively managed its loan portfolio, seeking to take advantage of the historically low long terms of interest rates. In this way the Group can achieve certainty in terms of interest rate cost but in the short term can still borrow at the very low variable rates currently on offer.

As at 31 March 2016, the percentage of fixed and variable role loans was as follows, fixed 70.0% (2015: 73.1%) variable 30.0% (2015: 26.9%). The level of fixed rate loans is within our treasury policy threshold and enables us to reduce uncertainty on future interest payments.

Loan covenant compliance

Loan covenants are primarily determined by interest cover and asset cover, based on social housing values. Both financial and non-financial covenants are monitored regularly and were met throughout the year and at the year end and for all loan facilities.

Statement of Board's responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law 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 group and the company and of the profit or loss of the company and group 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 accounting 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Social Housing in England 2012. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Group's board members who served during the year and up to the date of signing the financial statements are listed on page 1.

Report of the Board on Internal Control

The Board has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness.

The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk and can only provide reasonable assurance, and not absolute assurance, that key business objectives and expected outcomes will be achieved and that there will be no material misstatement of records or losses incurred. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Group's assets and interests.

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

The process adopted by the Board in reviewing the effectiveness of the system of internal control, together with some key elements of the control framework includes:

- *Identification and evaluation of key risks*

  Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and on-going process of management review in each area of the Group's activities. This process is coordinated through a regular reporting framework by the Audit and Assurance Committee. The Executive Team manage significant risks facing the Group and the Executive Team are responsible for reporting to the Board any significant changes affecting key risks.

- *Monitoring and corrective action*

  A process of control, self-assessment and regular management reporting on control issues provides hierarchical assurance to successive levels of management and to the Board. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those with a material impact on the financial statements.

- *Control environment and control procedures*

  The Board retains responsibility for a range of issues covering strategic, operational, financial and compliance issues including business planning. The Board has adopted the National Housing Federation Code of Governance 2015, which promotes excellence for Federation members in governing their organisations and being accountable, independent and diverse. The Board has conducted a review of its performance against this Code and can demonstrate compliance with one exception relating to the size of the Combined Board. The code has been translated into an appropriate framework of standing orders, financial regulations, policies and procedures which Board members and colleagues follow. These cover issues such as delegated authority, procurement, segregation of duties, accounting, treasury management, health and safety, data and asset protection and fraud prevention and detection.

- Together with the main Standing Orders and Financial Regulations the Board has also established additional policies, which are designed to provide effective internal control and achieve effective corporate governance. The main policies include Group-wide Treasury Policy Statement, Fraud, Health and Safety, Colleague Code of Conduct, Gifts and Hospitality, Security and Access, Procurement, Equality and Diversity, Public Interest Disclosure ("Whistle Blowing") and Data Protection together with policies covering all aspects of Employment Law and operational policies.

- *Information and financial reporting systems*

  Financial reporting procedures include the setting of an annual budget and management accounts reporting to Management Teams and the Executive Team on a monthly basis and on a quarterly basis to the Board. Long term Strategic Financial Plans are reviewed and approved by the Board and revised during the year if necessary. There is a fully inclusive approach with Board and colleagues in terms of updating the Business Plan and associated Financial Plan. The Board also regularly reviews key performance indicators on a quarterly basis to assess progress towards the achievement of key business objectives, targets and outcomes. Performance on key performance indicators is benchmarked nationally.

The internal control framework and the risk management process are subject to regular review by the Group's internal auditors who are responsible for providing independent assurance to the Board via the Audit and Assurance Committee. The Audit and Assurance Committee considers internal control and risk at each of its meetings during the year, with the risk registers being presented to the Audit and Assurance Committee and Boards at every meeting.

The Board has received the Audit and Assurance Committee's and the Executive Team's annual assurance report detailing the evidence to support the Group's review of the effectiveness of the Group's systems of internal control. This process involves Directors and Heads of Service reviewing and confirming to the Executive Team that throughout the year there was adequate systems of internal control in place. The Executive Team provide their assurance to the Audit and Assurance Committee whose chair provides a report for the Board. This system is supported by further evidence to provide the required level of assurance including details of the key policies and internal control systems together with external evidence from internal and external auditors and other key external stakeholders.

The Board has reviewed the Audit and Assurance Committee's and Executive Team's annual report, conducted its annual review of the effectiveness of the system of internal control and has taken account of any changes needed to maintain the effectiveness of the risk management and control process. Where issues have been identified action plans are in place and will be enacted.

Following the independent review of governance commissioned by Curo the findings were shared with our regulator the HCA in May 2016. The HCA has confirmed that whilst we are compliant with the governance standard it has reflected the need for improvements to governance in our G2 judgement. An action plan to return the organisation to G1 has been agreed with the HCA and is being enacted.

The Group has a Fraud Policy and associated register. The Fraud Register is made available to each meeting of the Audit and Assurance Committee, the composition of which includes Board representatives. Minutes from the Audit and Assurance Committee are made available at each Board meeting.

The Board confirms that there is an on-going process for identifying, evaluating and managing significant risks faced by the Group. This process has been in place throughout the year under review, up to the date of the annual report, and is regularly reviewed by the Board.

<u>Directors' indemnity statement</u>

All board members, committee members and colleagues of the Group are provided with Directors and Officers Liability insurance through the National Housing Federation to protect them from claims made against them in their capacity as representatives of the organisation.

<u>Colleagues</u>

Curo aims to recruit, develop and reward high quality colleagues. It aims to keep colleagues informed on matters affecting them and on the business of the Group as a whole so that their views can be taken into account when making decisions that are likely to affect their interests. This is carried out in a number of ways including departmental meetings, formal and informal briefings, a monthly colleague newsletter, an intranet site and a Group wide Colleague Network.

The Group aims to be an excellent employer and is committed to equality of opportunity throughout the organisation. The Group aims to develop a workforce that reflects the diversity of the community within which it works. The Group gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Group.

If colleagues become disabled the Group seeks, wherever possible, to continue employment either in the same or an alternative position, with appropriate retraining or assistance being given if necessary. Applications are encouraged from groups which are under-represented in the workforce when compared to our customer profile. This involves providing positive action with regards to people with disabilities and people who have been homeless, attendance at job fairs, work with voluntary groups representing disadvantaged people, training and development opportunities for colleagues from particular groups within the workforce. Training and development is therefore provided to colleagues according to individual and organisational needs. The Group's equality policy addresses the recruitment of colleagues.

Residents

The Group actively seeks and encourages residents' participation at levels of decision making from local groups to Board participation (there is currently one resident on the Combined Board). One of the major residents' groups is the Scrutiny Panel which reviews services and performance across the group.

Health & safety

The Board is aware of its responsibilities on all matters relating to health and safety. The Group has prepared detailed health and safety policies and provides colleague training and education on health and safety matters.

Equal opportunities

The Group is committed to an active Equal Opportunities Policy from recruitment and selection, through training and development, appraisals and promotion to retirement. It is our policy to promote an environment free from discrimination, harassment and victimisation, where everyone will receive equal treatment regardless of gender, gender reassignment, colour, ethnic or national origins, disability, hours of work, nationality, religion or belief, marital or civil partner status, disfigurement, political opinions or sexual orientation. All decisions relating to employment practices will be objective, free from bias and based solely upon work criteria and individual merit. The group is responsive to the needs of its colleagues, residents and the community at large and we are an organisation which uses everyone's talents and abilities and where diversity is valued.

In 2012, the Group became the first social housing provider to be awarded the Equality Standard Gold Award by Equality South West.

Going concern

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

Statement of compliance

In presenting the Strategic Report, the Board has endeavoured to follow the principles regarding purpose, audience, time-frame, reliability, comparability and financial and non-financial measures as set out in the Statement of Recommended Practice for Accounting by Registered Social Landlords 2014 Update.

Annual General Meeting

The Annual General Meeting will be held on 19 September 2016.

Disclosure of information to auditors

At the date of making this report each of the Group's Board members, as set out on page 1, confirm the following:

- So far as each Board member is aware, there is no relevant information needed by the group's auditors in connection with preparing their report of which the Group's auditors are unaware.
- Each Board member has taken all the steps that they ought to have taken as a Board member in order to make themselves aware of any relevant information needed by the Group's auditors in connection with preparing their report and to establish that the Group's auditors are aware of that information.

Independent auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

The Group Director's Report and the Group Strategic Report were approved by the Board on 18 July 2016 and signed on its behalf by:

....	....	....
Dermot Courtier	Brian Tapp	Victor da Cunha
Chair	Board Member	Group Chief Executive

Independent auditors' report to the members of Curo Group (Albion) Ltd

Report on the financial statements

Our opinion

In our opinion, Curo Group Albion Ltd's financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2016 and of the group's and the registered provider's results and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and Accounting Direction for Private Registered Providers of Social Housing from April 2015

What we have audited

The financial statements comprise:

- the group and company statement of financial position as at 31 March 2016;
- the group and company statement of comprehensive income for the year then ended;
- the group and company statements of changes in equity for the year then ended;
- the group cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Group Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 17, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the registered provider's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the Housing and Regeneration Act 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

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

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Lynn Pamment

Lynn Pamment (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
[illegible] July 2016

(a) The maintenance and integrity of Curo Places Ltd. website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated and Company Statement of Comprehensive Income
For the year ended 31 March 2016

	Note	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Turnover	5	74,643	69,716	7,640	5,614
Operating expenditure	5	(57,967)	(52,097)	(4,677)	(5,508)
Operating surplus	5	**16,676**	**17,619**	**2,963**	**106**
Gain on disposal of property, plant and equipment	7	2,284	886	-	-
Surplus on ordinary activities		18,960	18,505	2,963	106
Interest receivable	8	81	65	2,086	2,038
Interest payable and similar charges	9	(8,448)	(7,993)	(2,086)	(2,060)
Movement in fair value of investment properties	15	260	1,924	-	-
Surplus on ordinary activities before taxation		**10,853**	**12,501**	**2,963**	**84**
Taxation	13	(225)	-	(225)	-
Surplus for the year	10	**10,628**	**12,501**	**2,738**	**84**
Other comprehensive income:					
Change in fair value of hedged financial instruments		(963)	(7,485)	-	-
Actuarial loss on pension scheme	26	(261)	(4,542)	-	(1,349)
Other comprehensive expense		**(1,224)**	**(12,027)**	**-**	**(1,349)**
Total comprehensive income/(expense) for the year		**9,404**	**474**	**2,738**	**(1,265)**

Consolidated and Company Statement of Financial Position

As at 31 March 2016

	Note	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Fixed assets					
Housing properties	14	461,315	444,563	-	-
Investment properties	15	6,492	6,231	-	-
Other property, plant & equipment	16	5,339	5,988	-	-
Total fixed assets		**473,146**	**456,782**	**-**	**-**
Current assets					
Debtors: amounts falling due after more than one year	18	2,310	100	173,000	167,750
Stocks	17	62,680	61,329	-	-
Debtors: amounts falling due within one year	18	2,489	5,025	139	177
Cash and cash equivalents		20,441	22,237	740	12,877
		87,920	88,691	173,879	180,804
Creditors: amounts falling due within one year	19	(21,757)	(38,208)	(871)	(13,090)
Net current assets/(liabilities)		**66,163**	**50,483**	**173,008**	**167,714**
Total assets less current liabilities		**539,309**	**507,265**	**173,008**	**167,714**
Creditors: amounts falling due after more than one year	20	(437,736)	(401,867)	(173,000)	(167,750)
Pension provisions	26	-	(13,229)	-	(2,694)
Net assets / (liabilities)		**101,573**	**92,169**	**8**	**(2,730)**
Capital and reserves					
Revenue reserve		119,596	109,229	8	(2,730)
Cash flow hedge reserve		(18,023)	(17,060)	-	-
		101,573	**92,169**	**8**	**(2,730)**

The financial statements on pages 25 to 66 were authorised for issue by the Board of Directors on 18 July 2016 and were signed on its behalf.

Dermot Courtier
Chair

Brian Tapp
Board Member

Victor da Cunha
Group Chief Executive

Consolidated and Company Statement of Changes in Equity
For the year ended 31 March 2016

Group consolidated	Cash flow hedge reserve	Revenue reserve	Total
	£000	£000	£000
At 1 April 2014	(9,575)	101,270	91,695
Surplus for the year	-	12,501	12,501
Change in fair value of hedged financial instruments	(7,485)	-	(7,485)
Remeasurements of net defined benefit obligation	-	(4,542)	(4,542)
At 31 March 2015	**(17,060)**	**109,229**	**92,169**
Surplus for the year	-	10,628	10,628
Change in fair value of hedged financial instruments	(963)	-	(963)
Remeasurements of net defined benefit obligation	-	(261)	(261)
At 31 March 2016	**(18,023)**	**119,596**	**101,573**

Company	Revenue reserve	Total
	£000	£000
At 1 April 2014	(1,465)	(1,465)
Surplus for the year	84	84
Remeasurements of net defined benefit obligation	(1,349)	(1,349)
At 31 March 2015	**(2,730)**	**(2,730)**
Surplus for the year	2,738	2,738
At 31 March 2016	**8**	**8**

Consolidated Statement of Cash Flows
For the year ended 31 March 2016

	Notes	Group 2016 £000	Group 2015 £000
Net cash flow from operating activities	33	**(2,490)**	**8,875**
Cash flows from investing activities			
Purchase of fixed assets – housing properties		(27,520)	(39,661)
Purchase of fixed assets – other	16	(227)	(666)
Proceeds from sale of fixed assets		2,789	3,430
Grant received		4,423	5,719
Interest received		81	59
Net cash used in investing activities		**(20,454)**	**(31,178)**
Cash flows from financing activities			
Interest paid		(9,010)	(7,919)
New loans		72,000	79,750
Repayment of borrowings		(41,800)	(36,822)
Cash outflow for investments		-	603
Net cash generated from financing activities		**21,190**	**35,671**
(Decrease)/increase in cash and cash equivalents in the year		**(1,754)**	**13,368**
Cash and cash equivalents at the beginning of the year		22,195	8,827
Cash and cash equivalents at the end of the year		**20,441**	**22,195**

Curo Group – Accounting Policies

Notes to the Financial Statements for the Year ended 31 March 2016

1) General information

Curo Group (Albion) Limited ('the Company') and its subsidiaries (together "the Group") operate a not-for-profit housing and support organisation based in Bath, providing affordable homes and high quality care and support services across the West of England.

Curo Group (Albion) Ltd., a public benefit entity, is a private company limited by guarantee and is registered with the Homes and Communities Agency as a social housing provider. Curo Group (Albion) Ltd. registered office is The Maltings, River Place, Lower Bristol Road, Bath BA2 1EP.

2) Statement of compliance

The financial statements have been prepared in accordance with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice) which for the Group includes, the Companies Act 2006, the Cooperative and Community Benefit Societies Act 2014, FRS 102 "the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2014, the Accounting Direction for Private Registered Providers of Social Housing 2015.

3) Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. Details of the transition to FRS 102 are disclosed in note 34.

a) Basis of preparation

These consolidated and separate financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

b) Going concern

The Group meets its day-to-day working capital requirements through its bank facilities. The Group's forecasts and projections, taking account of reasonably possible changes in financial operating performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its financial statements.

c) Exemptions for qualifying entities under FRS 102

In preparing the separate financial statements of the parent company, advantage has been taken not to disclose a separate cash flow statement under FRS 102.

d) Basis of consolidation

The Group financial statements consolidate the financial statements of the Curo Group (Albion) Ltd. and all its subsidiaries up to 31 March 2016. Intra group sales and profits are eliminated fully on consolidation. The accounting treatment adopted for the consolidation of Curo Group (Albion) Ltd, Curo Places Ltd, Curo Choice Ltd and Curo Enterprise Ltd for the preparation of the consolidated financial statements is set out below. Accounting policies are consistent across the Group.

3) Summary of significant accounting policies (continued)

e) Revenue recognition

Turnover

The Group generates and recognises turnover from the following material income streams:-

Income Stream	Revenue Recognition
Rental income (net of losses from voids)	Recognised from the point when properties under development reach practical completion or otherwise become available for letting. Rental income is deferred to a future period where it does not relate to the current period.
Service Charge income (net of losses from voids)	The Group adopts the variable method for calculating and charging service charges to its tenants and leaseholders. Turnover is recognised when expenditure is occurred as this is considered to be the point at which the service has been performed and revenue recognition criteria met. The costs of providing these services is recognised in operating cost.
Support Income	Income relating to support services funded under Supporting People are recognised as they fall due under the contractual arrangements with the Administering Authority.
Disposal proceeds of current assets such as: • properties developed for outright sale; or • shared ownership first tranche sales	Proceeds on property sales are recognised on legal completion of the sale. Proceeds from first tranche disposals are accounted for as turnover in the Statement of Comprehensive Income of the period in which the disposal occurs and the cost of sale is transferred from current assets to operating costs. Proceeds from subsequent tranche sales are treated as disposals of fixed assets.
Other miscellaneous income sources	Recognised as receivable on the delivery of services provided.

f) Employee benefits

Pensions

Multi-employer defined benefit pension scheme – Social Housing Pension Scheme

The Group participates in an industry wide multi-employer defined benefit pension scheme where the scheme assets and liabilities cannot be separately identified for each employer. This is accounted for as a defined contribution scheme as there is insufficient information available to account for the scheme as defined benefit. For this multi-employer scheme, there is a contractual agreement between the scheme and the Group that determines how the deficit will be funded and a liability is recognised in the Statement of Financial Position and the resulting expense in surplus or deficit in the Statement of Comprehensive Income for the present value of the contributions payable that arise from the agreement to the extent that they relate to the deficit. This scheme was closed to new entrants in 2007.

3) Summary of significant accounting policies (continued)

Local Government Pension Scheme – Avon Pension Scheme

Up until 31 July 2015, the Group participated in the Avon Pension Scheme, a local government pension scheme which is a multi-employer defined benefit scheme where it is possible for individual employers as admitted bodies to identify their share of the assets and liabilities of the pension scheme.

For this scheme the amounts charged to operating surplus are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to revenue and included within interest payable and similar charges. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability.

In July 2007, the Group closed the Avon Pension Scheme to new entrants. On the 31st July 2015, the Group closed the Avon Pension Scheme to all existing members paying termination costs for full and final settlement of all future liabilities to existing members.

Defined contribution scheme

The Group participates in two defined contribution (DC) schemes (Aviva Group Life and SHPS DC pension scheme) where the amount charged to surplus or deficit in the Statement of Comprehensive Income in respect of pension costs and other post-retirement benefits is the contributions payable in the year. All existing and new colleagues are eligible to join these schemes. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

Under both schemes, colleagues have been allocated their own personal pension policy and can choose their own investment fund from the many offered. The assets of the scheme are separate from the Group and are invested by independent investment managers. The assets of the scheme are held separately from those of the company, invested in an independently administered fund. The pension cost charge in note 26 represents contributions payable by the company to all funds.

g) Taxation

Corporate tax

Provision has been made for corporation tax based upon the profits made in the year by Curo Group (Albion) Ltd and Curo Enterprise Ltd. Curo Places Ltd and Curo Choice Ltd both have charitable status and are not liable for corporation tax on their charitable activities. The current charge or credit for taxation is based on the surplus or deficit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

3) <u>Summary of significant accounting policies (continued)</u>

Value added tax (VAT)

The Group's primary income stream, rent, is exempt for VAT purposes. The vast majority of expenditure is subject to VAT, which the Group is unable to reclaim and hence expenditure is shown inclusive of VAT. Some VAT can be reclaimed under the partial exemption method; this is credited to the statement of comprehensive income in the relevant cost heading. All Curo companies, with the exception of Curo Enterprise Ltd, operate within one VAT group.

Curo Enterprise Ltd's primary income stream, the market sale of houses, is not exempt for VAT purposes. Expenditure for Curo Enterprise Ltd is stated net of input VAT as it is wholly recoverable.

h) <u>Tangible assets</u>

Housing properties

Housing properties are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price of the asset, the costs directly attributable to bringing the asset to its working condition for its intended use and interest charges incurred during the development period.

Interest incurred during the construction of a new development from acquisition to practical completion is capitalised to each scheme at the average interest rate incurred, unless the financing of the development has been specifically hedged against, in which case that interest rate will be used.

Overhead costs relating to development activities are capitalised on an apportionment of the colleague time spent on this activity.

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

Housing properties are split between the land, structure and those major components which have significantly different patterns of consumption of economic benefits. The replacement cost of components is capitalised. Each component is treated as separate assets and depreciated over their expected useful economic lives at the following annual rates:

Structure - General housing stock	100 years
Structure - Precast reinforced concrete (PRC) housing stock	30 years
Structure – Georgian housing stock	150 years
Kitchen	20 years
Bathroom	30 years
Boilers and Electrical Heating Systems	15-25 years
Heating distribution systems	30 years
Windows	30 years
Lifts	25 years

Properties held on long leases are depreciated over their estimated useful economic lives or the lease duration if shorter.

Land is not depreciated on account of its indefinite useful economic life.

Expenditure on major refurbishment to properties is capitalised where the works increase the net rental stream over the life of the property. An increase in the net rental stream may arise through an increase in the net rental income, a reduction in future maintenance costs, or a subsequent extension in the life of the property. All other repair and replacement expenditure is charged to the statement of comprehensive income.

3) Summary of significant accounting policies (continued)

Shared ownership

All shared ownership properties, including those under construction, are split between fixed assets and current assets. This split is determined by the percentage of the property to be sold under a first tranche sale, which is shown on initial recognition as a current asset, with the remainder classified as a fixed asset. Any surplus on disposal of the first tranche is limited to the overall surplus by adjusting the costs allocated to current or fixed assets. The overall surplus for these purposes is the difference between net present value of cash flows and cost.

Proceeds from the first tranche disposals are accounted for in the statement of comprehensive income in the period in which the disposal occurs. All subsequent tranche disposals are recognised in the statement of comprehensive income as a gain or loss on disposal of assets (note 7).

Allocation of costs for mixed tenure and shared ownership developments

Costs are allocated to the appropriate tenure where it is possible to specify which tenure the expense relates to. Where it is not possible to relate costs to a specific tenure costs are allocated on a floor area or unit basis depending on the appropriateness for each scheme.

Other fixed assets

Non-housing property, plant and equipment is stated at historic cost less accumulated depreciation and any provision for impairment. Non housing fixed asset expenditure under £1,000 is not capitalised.

Depreciation is provided on all non-housing property, plant and equipment, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Other fixed assets	
Computer equipment and IT software	3-5 years
Furniture and equipment	3-15 years
Office premises (freehold)	40 years

Impairment of fixed assets

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

The housing property portfolio for the Group is assessed for indicators of impairment at each balance sheet date. If such an indicator exists, an impairment assessment is carried out and an estimate of the recoverable amount of the asset or cash generating unit is made. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in the statement of comprehensive income. The recoverable amount of an asset is the higher of its value in use and fair value less costs to sell.

Where assets are held for their service potential, value in use is determined by the present value of the asset's remaining service potential plus the net amount expected to be received from its disposal. Depreciated replacement cost is taken as a suitable measurement model.

The Group defines cash generating units as neighbourhoods. Where the recoverable amount of an asset or cash generating unit is lower than its carrying value an impairment is recorded through a charge to the statement of comprehensive income.

Social housing grant

Government grant is accounted for using the accrual model set out in FRS 102 and the Housing SORP 2014. Grant is carried as deferred income in the balance sheet and released to the statement of comprehensive income on a systematic basis over the useful economic lives of the asset for which it was received. In accordance with Housing SORP 2014 the useful economic life of the housing property structure has been selected (see table of useful economic lives above in section h).

3) Summary of significant accounting policies (continued)

Recycled Capital Grant Fund

On the occurrence of certain relevant events, primarily the sale of dwellings, the HCA can direct the Group to recycle capital grants or to make repayments of the recoverable amount. The Group adopts a policy of recycling, for which a separate fund is maintained. If unused within a three year period, it will be repayable to the HCA with interest. Any unused recycled capital grant held within the recycled capital grant fund, which it is anticipated will not be used within one year is disclosed in the balance sheet under "creditors due after more than one year". The remainder is disclosed under "creditors due within one year".

Disposal proceeds fund

The disposal proceeds fund is an internal fund used to recycle the proceeds of sale under 'Right to Acquire' procedures and is included in the statement of financial position under creditors. The gross sale proceeds net of admissible expenses are credited to the fund. Any sales receipts less eligible expenses held within disposal proceeds fund, which it is anticipated will not be used within one year is disclosed in the balance sheet under "creditors due after more than one year". The remainder is disclosed under "creditors due within one year".

Sale of social housing properties

Under the terms of the transfer agreement, a proportion of the proceeds from right to buy sales made by Curo Places Ltd. are shared with Bath and North East Somerset Council. On completion of a right to buy sales contract the full proceeds are credited to the Statement of Comprehensive income and the share payable to the Council is treated as a cost of sale.

Investment properties

Investment properties consist of commercial properties and other properties, assets not held for social benefit or for use in the business. Investment properties under construction are held at cost. Investment properties are professionally valued on completion and subsequently every 5 years. The fair value of each property is assessed and updated annually using the most appropriate indexation information publically available. Any surplus or deficit arising is recognised in the Statement of Comprehensive Income for the period. Investment properties are not depreciated.

Investment in subsidiary undertakings

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

i) Stock

Stock

Stock and work in progress are valued at the lower of cost and net realisable value. Cost comprises of direct materials, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Land held for development, including land in the course of development, is initially recorded at cost. Where, through deferred purchase credit terms, the carrying value differs from the amount that will ultimately be paid in settling the liability, this difference is charged as a finance cost in the Statement of Comprehensive Income over the period of settlement.

Due to the scale of the company's developments, the company has to allocate site-wide development costs between units built in the current year and in future years. It also has to estimate costs to complete on such developments. In making these assessments, there is a degree of inherent uncertainty. The company has developed internal controls to assess and review carrying values and the appropriateness of estimates made.

For shared ownership properties the value held as stock is the estimated cost to be sold as a first tranche.

Where necessary, provision is made for obsolete, slow moving and defective stocks.

3) Summary of significant accounting policies (continued)

j) Debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses

Recoverable amount of rental and other trade receivables

The Group estimates the recoverable value of rental and other receivables and makes a provision for unrecoverable debt. When assessing the level of impairment it considers both the value and classification of debt to apply a tiered level of provision based on a prudent estimated risk of potential non-payment.

Rent and service charge agreements

The Group has made arrangement with customers for arrears payments of rent and service charges. These arrangements are effectively loans granted at nil interest rate.

Leasehold sinking funds

Unexpended amounts collected from leaseholders for major repairs on leasehold schemes and any interest received are included in creditors, either within amounts falling due within one year, or amounts falling due after more than one year, depending on when the funds are expected to be used.

k) Cash and cash equivalents

Cash

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with maturities of three months or less. Bank overdrafts, when applicable, are shown within current liabilities.

l) Financial instruments

Financial assets

Basic financial assets such as rent arrears, trade and other receivables and cash and cash equivalents are initially recorded at transaction price. If the arrangement constitutes a financing transaction then the transaction is measured at the present value of future receipts discounted at a market rate. The assets are subsequently carried at amortised cost using the effective interest rate method. At the end of each reporting period the amortised cost is assessed for evidence of impairment. Any impairment is recognised in the profit and loss account. A financial asset is derecognised when the contractual rights to the cash flows expire, or when the financial asset and all substantial risks and reward are transferred.

Financial Liabilities

Basic financial liabilities such as trade and other payables, bank loans and intercompany loans are initially recognised at transaction price. If the arrangement constitutes a financing transaction then the debt instrument will be measured at the present value of the future receipts discounted at a market rate of interest. The debt instrument is subsequently carried at the amortised cost, using the effective interest rate method.

Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in surplus or deficit immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in surplus or deficit depends on the nature of the hedge relationship.

3) Summary of significant accounting policies (continued)

m) Leased assets

Leased assets

At inception the Group assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Operating leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

n) Contingent liabilities

A contingent liability is recognised for a possible obligation, for which it is not yet confirmed that a present obligation exists that could lead to an outflow of resources; or for a present obligation that does not meet the definitions of a provision or a liability as it is not probable that an outflow of resources will be required to settle the obligation or when a sufficiently reliable estimate of the amount cannot be made.

A contingent liability exists on the debt on withdrawal from the SHPS pension scheme.

o) Related party transactions

The Group discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless separate disclosure is necessary to understand the effect of the transactions on the Group financial statements.

4) Critical accounting judgements and estimation uncertainty

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Significant management judgements

In preparing these financial statements, the key judgements have been made in respect of the following:

- **Impairment**: whether there are indicators of impairment of the group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit, incorporating any future regeneration plans. The Group have considered the measurement basis to determine the recoverable amount of assets based on depreciated replacement cost as the primary method of measurement. The Group have also considered impairment based on their assumptions to define cash generating units.
- **Stock value**: the anticipated costs to complete on a development scheme based on anticipated construction cost, effective rate of interest on loans during the construction period, legal costs and other costs. Based on the costs to complete, they then determine the recoverability of the cost of properties developed for outright sale and land held for sale. This judgement is also based on the Group's best estimate of sales value based on economic conditions within the area of development.

4) Critical accounting judgements and estimation uncertainty (continued)

- **Defined benefit pension liability**: the Group has obligations 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 determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

Estimation uncertainty

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Tangible fixed assets

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

For housing property assets, the assets are broken down into components based on management's assessment of the properties. Individual useful economic lives are assigned to these components.

Investment properties are professionally valued every 5 years and updated annually using the most appropriate indexation information publically available. Market values may change considerably year or year depending on fluctuations within the property market coupled with potential changes in interest rates. There is an inevitable degree of judgement involved in making this estimate that can only ultimately be reliably tested in the market itself.

Provision for bad or doubtful debts

The Group estimates the cost of irrecoverable debt linked to rent and service charge income. This provision is based on individual debtor balances, with increased levels of provision attributed to the highest risk cases primarily based on the size of the debt and dependant on whether the debtor is a remaining customer or not. Management estimates for provision levels aim to proportionately and prudently reflect the estimated cost of irrecoverable debt.

Defined benefit pension scheme

The Group has obligations to pay pension benefits to members of the SHPS fund. 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 for these factors in determining the net pension obligation in the balance sheet are provided independently by actuaries working for the Pension Trust. The assumptions reflect historical experience and current trends.

Regeneration Provision

Provision is made for decant, demolition and other works costs associated with sites approved for regeneration. These provisions require management's best estimate of the costs that will be incurred.

5) Particulars of turnover, operating expenditure and operating surplus

Group consolidated	Turnover	Operating costs	Operating surplus 2016	Operating surplus 2015
	£000	£000	£000	£000
Social housing lettings (Note 6)	63,140	49,782	13,358	16,773
Other social housing activities				
First tranche low cost home ownership sales	4,479	3,331	1,148	823
Charges for support services	2,627	2,497	130	111
Development administration	-	155	(155)	(101)
	7,106	5,983	1,123	833
Activities other than social housing				
Pension settlement	-	(2,541)	2,541	-
Market renting	1,453	1,058	395	576
Holiday letting	189	137	52	104
Commercial properties	302	39	263	280
Leasehold properties	934	973	(39)	(80)
Impairment of land for sale	-	-	-	(726)
Market sales management costs	400	2,383	(1,983)	(1,150)
Garages	1,119	153	966	907
Other	-	-	-	102
	4,397	2,202	2,195	13
Total	**74,643**	**57,967**	**16,676**	**17,619**

Company	Turnover	Operating costs	Operating surplus 2016	Operating surplus 2015
	£000	£000	£000	£000
Other social housing activities				
Group services	7,640	5,601	2,039	106
Activities other than social housing				
Pension settlement	-	(924)	924	-
Total	**7,640**	**4,677**	**2,963**	**106**

6) Income and expenditure from social housing lettings

Group consolidated	General needs 2016 £000	Affordable rent 2016 £000	Sheltered housing 2016 £000	Supported housing 2016 £000	Shared ownership 2016 £000	Rent to buy 2016 £000	Total 2016 £000	Total 2015 £000
Income from lettings								
Income from rents receivable	44,254	4,008	8,975	767	867	439	59,310	56,867
Service charges receivable	1,191	-	506	431	238	4	2,370	2,303
Amortised government grants	1,009	-	212	3	56	16	1,296	1,624
Other income from lettings	164	-	-	-	-	-	164	542
Total income from lettings	**46,618**	**4,008**	**9,693**	**1,201**	**1,161**	**459**	**63,140**	**61,336**
Service costs	1,214	-	516	439	243	4	2,416	2,481
Management costs	6,311	559	1,431	119	372	106	8,898	9,432
Routine maintenance	7,200	599	1,516	98	-	112	9,525	10,513
Rent losses from bad debts	678	60	143	18	17	7	923	636
Major repairs	7,923	659	1,668	27	-	124	10,401	10,290
Housing property depreciation	6,774	564	1,426	23	119	106	9,012	8,302
Impairment of housing property	1,530	-	321	-	-	-	1,851	517
Provision for regeneration works	4,185	-	-	-	-	-	4,185	-
Estate costs	987	82	415	3	55	15	1,557	1,384
Other expenditure	740	62	156	3	41	12	1,014	1,008
Operating expenditure on social housing lettings	**37,542**	**2,585**	**7,592**	**730**	**847**	**486**	**49,782**	**44,563**
Operating surplus/(deficit) on social housing activities	**9,076**	**1,423**	**2,101**	**471**	**314**	**(27)**	**13,358**	**16,773**
Void losses	292	14	131	75	77	4	593	625

7) Gain on disposal of property, plant and equipment

	Right to buy 2016	Shared ownership 2016	Other 2016	Group Total 2016	Group Total 2015
	£000	£000	£000	£000	£000
Proceed of sales	1,318	2,347	4,059	7,724	5,040
Cost of sales	(290)	(1,560)	(2,666)	(4,516)	(3,006)
Amount due to Bath & N.E. Somerset Council	(924)	-	-	(924)	(1,148)
	104	**787**	**1,393**	**2,284**	**886**

Cost of sales includes legal and valuation fees incurred in connection with the sale of properties as well as the net book value of the disposed properties.

Right to Buy is available to Curo Places Ltd. tenants who transferred from Bath and North East Somerset Council and who hold an assured protected tenancy and to certain tenants of Curo Places (Bristol) Ltd. These tenants are eligible for a percentage discount when applying to purchase their homes. Tenants applying under Right to Acquire are eligible for a lump sum discount. The levels of discount are governed by statute and contract.

Shared ownership sales relates to subsequent tranche disposals of low cost home ownership properties.

Other property sales is derived from open market disposals through our stock rationalisation asset management programme and sales to other registered providers.

8) Interest receivable

	Group 2016	Group 2015	Company 2016	Company 2015
	£000	£000	£000	£000
Interest receivable and similar income	81	59	-	-
Interest receivable from group undertakings	-	-	2,086	2,038
Net interest on defined benefit liability	-	6	-	-
	81	**65**	**2,086**	**2,038**

9) Interest payable and similar charges

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Bank loans and overdrafts	6,930	5,259	2,086	2,046
Right to buy interest	2	3	-	-
Sinking fund interest	-	1	-	-
Net interest on defined benefit liability	13	113	-	14
	6,945	5,376	2,086	2,060
Net cost on interest rate swaps	2,356	2,623	-	-
Capitalised interest	(786)	(719)	-	-
	8,515	7,280	2,086	2,060
(Gain)/losses on basic swap – derivative instruments	(67)	713	-	-
	8,448	**7,993**	**2,086**	**2,060**

Interest incurred during the construction of new developments, not for resale, is capitalised based on the weighted average borrowing rate for Curo Places Ltd. for the year of 3.38% (2015: 3.54%).

10) Surplus for the year

This is arrived at after charging:	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Depreciation on owned tangible fixed assets	9,839	9,128	-	-
Impairment of property, plant & equipment	1,851	517	-	-
Bad debts	923	636	-	-
Other operating lease rentals	518	492		-
Auditors' remuneration as statutory auditors	28	29	1	1
Auditors' remuneration – other services certification	2	2	-	-

11) Directors' emoluments

Directors are defined as the members of the Board (non-Executive Directors), the Group Chief Executive and the Executive Management Team as disclosed on page 1.

Fees of £95,000 (2015: £91,966) were paid to non-executive board members during the year. Expenses paid during the year to board members amounted to £5,519 (2015: £9,949).

Board/committee member	Pay	Member of					
		Group Board	Customer Services Committee	Audit & Assurance Committee	Finance Committee	Governance & Remuneration Committee	Curo Homes Committee
C.Roger Thomas	£15,000	•	•	•	•	•	•
Dermot Courtier	£7,500	•				•	
Alex Marsh	£5,000	•		•			
Brian Tapp	£7,500	•			•		•
Rob Appleyard	£7,500	•	•				
Claire Lerpiniere	£5,000	•	•				
Martin Nurse	£7,500	•		•			
Robert Durie	£6,000	•					•
Sandie Lewis	£5,000	•				•	
Gareth Lloyd	£5,000	•			•		
John Weir	£6,000	•					•
Nicola Ratcliffe Wilson	£4,000				•		
David Ashmore	£4,000						•
Stan Rodliffe	£4,000			•			
Chris Butler	£3,000			•			
David Haywood	£3,000					•	
Total	£95,000						

All members of the Executive Team receive remuneration from Curo Group (Albion) Ltd, with the exception of the Managing Director of Curo Homes who is remunerated through Curo Enterprise Ltd, with the associated costs presented in their entity financial statements.

Details of remuneration for the Company are as follows:

	Company 2016 £	**Company 2015 £**
Aggregate emoluments paid or receivable by the Executive Directors (Including pension contributions and benefits in kind)	585,455	544,338
Aggregate pension contributions paid for the Executive Directors (including the Group Chief Executive)	48,376	43,518
Emoluments paid to the highest paid director (Group Chief Executive) excluding pension contributions	166,133	150,738

The highest paid director (Group Chief Executive) is a member of the Aviva Group Life defined contribution pension scheme. As a member of this scheme, the pension entitlement of the Chief Executive is identical to those of other members.

No compensation payments for loss of office were paid to directors during the year (2015: nil).

12) Employees

The average number of full time equivalents (37 hour week) employed during the year was as follows:

	Group 2016 Number	Group 2015 Number	Company 2016 Number	Company 2015 Number
Housing, support & administration	354	364	89	99
Direct maintenance	90	97	-	-
Total	**444**	**461**	**89**	**99**

Staff costs	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Wages and salaries	14,813	14,559	4,142	4,245
Social security costs	1,395	1,296	395	406
Other pension costs	1,209	1,314	372	332
	17,417	17,169	4,909	4,983
Pension settlement benefit	(2,541)	-	(924)	-
	14,876	**17,169**	**3,985**	**4,983**

During the financial year Curo Places Ltd closed the Avon Pension Scheme to existing members. The pension settlement benefit reported above represents the reduction in operating costs in the year being the difference between the provision at 31 March 2015 and the amount paid to close the fund.

The full time equivalent number of colleagues who received emoluments, including pension contributions and payments for loss of office, during the year were:

	Group 2016 Number	Group 2015 Number	Company 2016 Number	Company 2015 Number
£60,000 - £69,999	8	4	4	2
£70,000 - £79,999	3	4	2	2
£80,000 - £89,999	4	1	2	1
£90,000 - £99,999	3	2	-	-
£100,000 - £109,999	2	1	-	-
£110,000 - £119,999	-	1	-	1
£120,000 - £129,999	2	2	2	2
£130,000 - £139,999	-	-	-	-
£140,000 - £149,999	1	1	1	-
£150,000 - £159,999	2	1	1	1
Total	**25**	**17**	**12**	**9**

13) Tax

a) Tax expense included in statement of comprehensive income

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
UK corporation tax on surpluses for the year	225	-	225	-

b) Reconciliation of tax charge

Tax assessed for the period is lower (2015: nil) than the standard rate of corporation tax of 20%. The differences are explained below:

	Company 2016 £000	Company 2015 £000
Surplus on ordinary activities before taxation	2,963	84
Surplus multiplied by standard rate of tax (20%)	593	17
Release of pension provision not subject to tax	(539)	-
Net tax adjustments and transfer	16	-
Unrecognised deferred tax	155	(17)
	225	-

14) Fixed assets – Housing properties
Group Consolidated

	Housing properties completed freehold	Housing properties completed long term leasehold	Housing properties under construction	Housing properties shared ownership	Group Total
	£000	£000	£000	£000	£000
Cost					
At 1 April 2015	463,738	884	31,709	22,880	519,211
Additions	-	-	25,635	-	25,635
Components capitalised	7,082	-	-	-	7,082
Works to existing properties	608	-	-	-	608
Disposals	(2,301)	-	-	(5,064)	(7,365)
Transfer	28,754	-	(33,460)	4,706	-
At 31 March 2016	**497,881**	**884**	**23,884**	**22,522**	**545,171**
Accumulated depreciation & impairment					
At 1 April 2015	73,671	137	-	840	74,648
Charge in year	8,887	6	-	119	9,012
Impairment	1,851	-	-	-	1,851
Disposals	(1,611)	-	-	(44)	(1,655)
At 31 March 2016	**82,798**	**143**	**-**	**915**	**83,856**
Net book value					
At 31 March 2016	**415,083**	**741**	**23,884**	**21,607**	**461,315**
At 31 March 2015	390,067	747	31,709	22,040	444,563

The impairment charge of £1.9m during the year relates to the full net book value write down of costs associated with 3 schemes identified and approved by the Board for future regeneration. Each specific scheme is treated as a cash generating unit. The schemes are assumed to have no land value in line with agreed contractual arrangements for sale to Curo Enterprise Ltd.

15) Fixed assets – Investment properties

Group Consolidated

	Group Total
	£000
Cost/Valuation	
At 1 April 2015	6,232
Revaluation in the year	260
At 31 March 2016	**6,492**

Investment properties consist of commercial properties and other properties, assets not held for social benefit or for use in the business. Investment properties are professionally valued on completion and subsequently every 5 years. The fair value of each property is assessed and updated annually using the most appropriate indexation information publically available.

16) Fixed Assets – other property, plant and equipment

	Computer equipment and IT software	Office premises (freehold)	Furniture and equipment	Group Total
	£000	**£000**	**£000**	**£000**
Cost				
At 1 April 2015	2,999	7,540	1,270	11,809
Additions	204	20	3	227
Disposals	(49)	-	-	(49)
At 31 March 2016	**3,154**	**7,560**	**1,273**	**11,987**
Accumulated depreciation				
At 1 April 2015	1,899	2,818	1,104	5,821
Charge for the year	476	315	36	827
At 31 March 2016	**2,375**	**3,133**	**1,140**	**6,648**
Net book value				
31 March 2016	**779**	**4,427**	**133**	**5,339**
31 March 2015	1,100	4,722	166	5,988

17) Stocks

	First tranche SO properties	Outright market sales	Group Total	Group Total
	2016	2016	2016	2015
Properties for sale	£000	£000	£000	£000
Properties under construction	66	-	66	-
Completed properties	677	61,812	62,489	61,279
	743	61,812	62,555	61,279
Consumable maintenance stock				
Stock			250	143
Stock provision			(125)	(93)
			125	50
Total			**62,680**	**61,329**

18) Debtors

	Group	Group	Company	Company
	2016	2015	2016	2015
Amounts falling due within one year	£000	£000	£000	£000
Rental arrears	2,333	2,759	-	-
Net present value adjustment	(122)	-	-	-
Less provision for bad debts	(1,850)	(1,732)	-	-
	361	**1,027**	-	-
Other debtors	970	1,938	3	5
Amounts owed by group undertakings	-	-	90	154
Prepayments and accrued income	1,158	1,031	46	18
Social housing grant receivable	-	1,029	-	-
	2,489	**5,025**	**139**	**177**
Amounts falling due after more than one year				
Loan notes	100	100	-	-
Margin call debtor	2,210	-	-	-
Amounts owed by group undertakings	-	-	173,000	167,750
	2,310	**100**	**173,000**	**167,750**

19) Creditors: amounts falling due within one year

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Bank overdraft	-	42	-	-
Rent paid in advance	1,394	1,406	-	-
Trade creditors	8,334	23,897	-	-
Amounts owed to group undertakings	-	-	62	12,783
Other creditors	1,505	891	708	307
Housing loans due within one year (note 21)	43	47	-	-
Social housing grant received in advance	63	-	-	-
Disposal proceeds fund (note 24)	224	-	-	-
Regeneration provision	1,312	-	-	-
Taxation and Social Security	421	66	101	-
Accruals and deferred income	5,860	9,571	-	-
Right to buy accruals	912	1,146	-	-
Sinking fund liabilities	720	400	-	-
Recycled capital grant (note 23)	307	182	-	-
Retentions	662	560	-	-
	21,757	**38,208**	**871**	**13,090**

20) Creditors: amounts falling due after more than one year

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Loans and borrowing (note 21)	293,313	263,109	173,000	167,750
Derivative financial instruments	18,669	17,773	-	-
Deferred capital grants (note 22)	118,518	117,444	-	-
Recycled capital grant fund (note 23)	1,201	489	-	-
Disposal proceeds fund (note 24)	1,424	1,519	-	-
Pension deficit liability (note 26)	781	612	-	-
Regeneration provision	2,872	-	-	-
Leaseholder sinking fund balances	958	921	-	-
	437,736	**401,867**	**173,000**	**167,750**

Provision has been made representing the value of contributions paid in advance by leaseholders at 31 March 2016 in respect of their share of future planned maintenance.

21) Loans and borrowing

Maturity of debt:	Group	Group	Company	Company
	2016	2015	2016	2015
Banks and mortgages amounts falling due:	**£000**	**£000**	**£000**	**£000**
Between one and two years	3,316	97	2,860	-
Between two and five years	11,454	9,517	10,010	8,265
Over five years, not payable by instalments	278,586	253,542	160,130	159,485
	293,356	**263,156**	**173,000**	**167,750**
Less due within one year	(43)	(47)	-	-
	293,313	**263,109**	**173,000**	**167,750**

Housing loans

At 31 March 2016 the Group had a borrowing facility of £350.4 million (2015: £350.4 million) of which an amount of £293.4 million (2015: £263.2 million) had been drawn at the year end.

The interest rate profile of the Group's financial liabilities was:

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Variable Rate	89,000	70,726	143,000	137,750
Fixed Rate	204,356	192,430	30,000	30,000
	293,356	**263,156**	**173,000**	**167,750**

The weighted average period for loans that are fixed was 20 years 6 months (2015: 20 years 1 months) and the weighted average interest rate was 4.16% (2015: 4.11%).

Fair value of financial liabilities

The Group has applied FRS 102 to its financial instruments as the Group and accounted for our derivative financial instruments on the balance sheet. The following disclosures have been made in relation to its interest rate swaps. At the 31 March 2016 Curo Places Ltd. had the following swaps:

- £20 million fixed interest rate swap which matures on 29 March 2037. This swap has a fixed interest rate of 5.13%.
- £52 million forward starting interest rate swap which matures on 20 June 2026. This swap fixes the interest rate at 3.165%.

The Group's interest rate risk management policy is designed to reduce volatility in cash flows and earnings over the year. Of particular importance is the reduction of potential increases in net interest payable (as a result of adverse movements in short and long term interest rates) to an acceptable level.

The currency, size and maturity of debt is matched and hedged using a combination of various interest rate hedge instruments. The Group's policy is to maintain a level of fixed rate debt of between 40% to 70% of total debt.

The Trust had hedge instruments in place at year end with the following fair values:

	2016 £000	2015 £000
Fair value of interest rate swaps	(18,669)	(17,773)

21) Loans and borrowing (continued)

Curo Places Ltd has recognised that a portion of the £20 million swap is ineffective and created a liability under FRS 102. At 31 March 2016, the ineffective hedge creates a liability of £646,000 which has been recognised in the income statement.

	£000
Ineffective hedge balance at 31 March 2015	713
Movement in income statement 31 March 2016	(67)
Ineffective hedge balance at 31 March 2016	**646**

The fair value of the interest rate swaps has been determined by discounting the cash flows at prevailing interest rates and has been derived from the Group's Treasury advisor's proprietary models.

22) Deferred capital grants

	Group 2016 £000	Group 2015 £000
At 1 April	117,444	110,808
Grants received during the year	3,332	9,272
Recycled capital grants	(962)	(1,763)
Amortisation to Statement of Comprehensive Income	(1,296)	(873)
At 31 March	**118,518**	**117,444**

The total accumulated amount of capital grant received or receivable, before amortisation to the statement of comprehensive income, at the balance sheet date is £129.2 million (2015: £126.8m).

23) Recycled capital grant fund

	Group 2016 £000	Group 2015 £000
At 1 April	671	341
Inputs to recycled capital grant fund		
Grants recycled	849	349
Interest accrued	3	-
Recycling of grant		
Withdrawals	(15)	(19)
At 31 March	**1,508**	**671**

Recycled capital grant as at 31 March 2016 is less than 3 years old and relates to funding provided by the HCA (2015: all less than 3 years old).

	Group 2016 £000	Group 2015 £000
To be used within one year	307	182
To be used after more than one year	1,201	489
At 31 March	**1,508**	**671**

24) Disposal proceeds fund

	Group 2016 £000	Group 2015 £000
At 1 April	1,519	263
Inputs to disposal proceeds fund		
Net right to acquire receipts	121	1,414
Interest accrued	8	2
Use/allocation of funds		
New build	-	(160)
At 31 March	**1,648**	**1,519**

	Group 2016 £000	Group 2015 £000
To be used within one year	224	-
To be used after more than one year	1,424	1,519
At 31 March	**1,648**	**1,519**

Disposal proceed funds as at 31 March 2016 is less than 3 years old (2015: all less than 3 years old).

25) Financial derivatives

The Group and the Company has the following financial instruments:

i). Financial instruments that are debt instruments measured at amortised cost.

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Trade receivables	361	1,027	-	-
Amounts owed by group undertakings	-	-	90	154
Social housing grant receivable	-	1,029	-	-
Other receivables	970	1,938	3	5
	1,331	**3,994**	**93**	**159**

ii). Financial instruments measured at fair value through cash flow hedge reserve.

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Derivative financial instruments	18,669	17,773	-	-
	18,669	**17,773**	**-**	**-**

25) Financial derivatives (continued)

Curo Places Ltd enters into interest rate swaps to mitigate the risk from interest rate movements on its variable rate debt. As at 31 March 2016, the following interest rate swaps were outstanding:

- £65 million interest rate swap which matures on 20 June 2026. The swap has a fixed interest rate of 3.165%
- £20 million interest rate swap which matures on 29 March 2037. The swap has a fixed interest rate of 5.13%

The fair value of the interest rate swaps has been determined by discounting the cash flows at prevailing interest rates and has been derived from Curo Places Ltd.'s Treasury advisor's proprietary models.

iii). Financial liabilities measured at amortised cost.

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Bank loans and overdrafts	293,313	263,151	173,000	167,750
Trade creditors	8,334	23,897	-	-
Amounts owed to group undertakings	-	-	62	12,783
Other creditors	7,168	4,915	810	307
	308,815	291,963	173,872	180,840

26) Pensions

Curo Group operates a number of pension schemes for its colleagues:

- Social Housing Pension Scheme (SHPS)
- Avon Pension Scheme
- Aviva Group Life Pension Scheme

The amount recognised in the Statement of Comprehensive Income is as follows:-

	Group 2016	Group 2015
Amounts recognised in operating costs	£000	£000
Current service cost	1,111	1,038
Past service cost	98	276
	1,209	1,314
Release from settlement of Avon Pension Scheme	(2,541)	-
	(1,332)	**1,314**
Amounts recognised in other finance costs		
Net interest cost	13	113
Analysis of actuarial loss recognised in other comprehensive income – Remeasurements		
Impact of any change in assumptions	(5)	(4,542)
Amendment to the contribution cycle	266	-
	261	**(4,542)**

26) Pensions (continued)

Avon Pension Scheme

Up until 31 July 2015, the Group participated in the Avon Pension Scheme, a local government pension scheme which is a multi-employer scheme defined benefit where it is possible for individual employers as admitted bodies to identify their share of the assets and liabilities of the pension scheme.

The difference between the fair value of the assets held in the Group's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the 'projected unit method' are recognised in Curo Places Ltd's balance sheet as a 'pension liability'. Changes in the defined benefit pension scheme liability arising from factors other than cash contribution by the Group are charged to the Income and Expenditure account or the statement of recognised surpluses and deficits.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability.

In July 2007, the Group closed the Avon Pension Scheme to new entrants. On the 31 July 2015, the Group closed the Avon Pension Scheme to all existing members paying termination costs for full and final settlement of all future liabilities to existing members. The financial impact of this settlement is summarised below:

	Pension Liability at 31 Mar 2015	Pension Settlement	Movement
	£000	£000	£000
Curo Group (Albion) Ltd	2,694	1,770	924
Curo Places Ltd	10,449	8,890	1,559
Curo Choice Ltd	86	28	58
	13,229	**10,688**	**(2,541)**

An actuarial valuation of the Avon Pension Scheme was carried out on 31 March 2015 by Mercer Human Resource Consulting Limited for Curo Group (Albion) Ltd, Curo Places Ltd. and Curo Choice Ltd. using the projected unit method. The major assumptions used by the actuary were:

	2016			2015		
	Curo Group	Curo Places	Curo Choice	Curo Group	Curo Places	Curo Choice
Discount rate	n/a	n/a	n/a	3.40%	3.30%	3.30%
Inflation rate	n/a	n/a	n/a	2.10%	2.00%	2.00%
Increase to pensions in payments	n/a	n/a	n/a	2.10%	2.00%	2.00%
Salary increases	n/a	n/a	n/a	3.60%	3.50%	3.50%

The mortality assumptions, common across all companies, were as follows:

	2016 Years	2015 Years
Longevity at age 65 for current pensioners		
- Men	n/a	23.4
- Women	n/a	25.9
Longevity at age 65 for future pensioners		
- Men	n/a	25.8
- Women	n/a	28.8

26) Pensions (continued)

The consolidated assets in the scheme and the expected rate of return were:

	2016 Long term rate of return expected	2016 Group Value	2015 Long term rate of return expected	2015 Group Value
	%	£000	%	£000
Equities	n/a	-	6.50	17,077
Government Bonds	n/a	-	2.20	4,074
Other Bonds	n/a	-	2.90	2,561
Property	n/a	-	5.90	2,444
Cash/liquidity	n/a	-	0.50	698
Other	n/a	-	6.50	2,241
Total market value of assets		-		29,095
Present value of scheme liabilities		-		(42,324)
Net pension liability		**-**		**(13,229)**

Deferred tax assets exist but have not been recognised as it is considered that there will not be suitable taxable profits against which the reversal of the underlying short term timing differences can be set.

Reconciliation of present value of consolidated scheme liabilities

	Group 2016 £000	Group 2015 £000
At 1 April	42,324	34,112
Current service cost	-	723
Interest cost on pension liabilities	-	1,549
Member contributions	-	261
Actuarial losses of liabilities	-	6,517
Settlements	(42,324)	-
Benefits/transfers paid	-	(838)
At 31 March	**-**	**42,324**

Reconciliation of fair value of consolidated scheme assets

	Group 2016 £000	Group 2015 £000
At 1 April	29,095	25,342
Expected return of scheme assets	-	1,462
Actuarial gains on assets	-	2,008
Settlements	(29,095)	-
Employer contributions	-	860
Member contributions	-	261
Benefits/transfers paid	-	(838)
At 31 March	**-**	**29,095**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investment are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

26) Pensions (continued)

Social Housing Pension Scheme

The Group 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 Curo Places Ltd to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

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

A full actuarial valuation for the scheme was carried out at 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:

Tier 1 - From 1 April 2016 to 30 September 2020

£40.6m per annum, payable monthly and increasing by 4.7% each year on 1st April.

Tier 2 - From 1 April 2016 to 30 September 2023

£28.6m per annum, payable monthly and increasing by 4.7% each year on 1st April.

Tier 3 - From 1 April 2016 to 30 September 2026

£32.7m per annum, payable monthly and increasing by 3.0% each year on 1st April.

Tier 4 - From 1 April 2016 to 30 September 2026

£31.7m per annum, payable monthly and increasing by 3.0% each year on 1st 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 £2,062m, liabilities of £3,097m and a deficit of £1,035m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions.

Where the scheme is in deficit and where the organisation has agreed to a deficit funding arrangement, the company 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 detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

	Group 2016 £000	Group 2015 £000
Present value of provision	886	690

26) Pensions (continued)

Reconciliation of opening and closing provisions	**Group**	**Group**
	2016	**2015**
	£000	**£000**
Provision at start of period	690	712
Unwinding of discount factor (interest expense)	13	20
Deficit contribution paid	(78)	(75)
Remeasurements – impact of any changes in assumptions	(5)	33
Remeasurements – amendments to the contribution schedule	266	-
Provision at end of period	**886**	**690**

Assumptions	**2016**	**2015**
	%	**%**
Rate of discount	2.06	1.92

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

Defined contribution scheme

Following the closure of both defined benefit pension schemes to new entrants in 2007, the Group now participates in two defined contribution schemes (Aviva Group Life and SHPS) where the amount charged to surplus or deficit in the Statement of Comprehensive Income in respect of pension costs and other post-retirement benefits is the contributions payable in the year. All existing and new colleagues are eligible to join these schemes. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

Under the schemes, colleagues have been allocated their own personal pension policy and can choose their own investment fund from the many offered. The assets of the scheme are separate from the Group and are invested by independent investment managers. The assets of the scheme are held separately from those of the company, invested in an independently administered fund.

27) Contingent liability

Curo Places Ltd. has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme (SHPS) based on the financial position of the Scheme as at 30 September 2015. As of this date the estimated employer debt for Curo Places Ltd was £4,215,855 (£3,815,000 as of September 2014).

The employer will be deemed to have withdrawn from the Scheme on the date that the last active member leaves pensionable service. As at 31 March 2016, the Company had 4 colleagues (2015: 5) who were active members of the SHPS scheme.

28) Capital commitments

	Group 2016 £000	Group 2015 £000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	25,882	47,287
Capital expenditure that has been authorised by the Board but not yet contracted for	8,214	3,729
	34,096	**51,016**

Capital commitments for the Group will be funded as follows:

	Group 2016 £000	Group 2015 £000
Social Housing Grant	111	3,246
New loans	31,435	46,070
Sales of properties	2,550	1,700
	34,096	**51,016**

29) Operating leases

The Group holds non-cancellable operating leases for vehicles, photocopiers and a franking machine. There were no leases relating to land during the financial year. At 31 March 2016, the Group had the following commitments under these leases:

	Group 2016 £000	Group 2015 £000
Leases expiring within one year	30	-
Leases expiring between two and five years	915	1,506
	945	**1,506**

30) Related party transactions

The related undertakings whose results or financial performance principally affect the figures shown in the consolidated financial statements are as follows:

Name	Interest
Curo Group (Albion) Ltd	Parent
Curo Places Ltd	Wholly owned
Curo Choice Ltd	Wholly owned
Curo Enterprise Ltd	Wholly owned
Somer Contract Services Ltd (Dormant)	Wholly owned
Lantern Homes Ltd (Dormant)	Wholly owned
Curo Four Ltd (Dormant)	Wholly owned

30) Related party transactions (continued)

Legal status of associated companies

Curo Group (Albion) Ltd. is the ultimate controlling party and ultimate parent undertaking of Curo Places Ltd, Curo Choice Ltd. and Curo Enterprise Ltd. It has the right to appoint their board members. The consolidated financial statements of Curo Group (Albion) Ltd. are available from The Maltings, River Place, Lower Bristol Road, Bath, BA2 1EP.

Curo Places Ltd. – a charitable Community Benefit Society registered with Financial Conduct Authority and a Registered Social Landlord.

Curo Choice Ltd. – a charitable Community Benefit Society.

Curo Enterprise Ltd. - a company limited by shares.

Somer Contract Services Ltd - a company limited by shares.

Lantern Homes Ltd - a company limited by shares.

Curo Four Ltd - a company limited by guarantee.

Transactions with associated companies

Curo Group (Albion) Ltd provide management services to the companies within the Group. The most significant element of this is staff costs for the provision of group-wide central services including the Executive Management Team, Finance, IT, Human Resources, Development, Communications etc. Costs are apportioned within the group based on a combination of turnover and units in management. Group services are provided at arm's length based on commercial terms.

Curo Choice Ltd and Curo Places Ltd provide housing management services to group members. Inter company charges are based on pre-agreed resources required to deliver this service. Charges are calculated on a management cost per property basis.

Curo Places Ltd has provided an arm's length loan facility of up to £100m to Curo Enterprise Ltd. The funding facility is available for up to 10 years at a cost of 1.0% above the Curo Places Ltd. cost of funding. Loans drawn as at 31 March 2016 totalled £77.4m (2015 £45.6m).

The table below summarises the intra company charges by services and by legal entity for the year:

Intra Group Service provided Income/(costs) (£000)	Curo Group (Albion) Ltd.	Curo Places Ltd.	Curo Choice Ltd.	Curo Enterprise Ltd.
Group management services	6,987	(6,637)	(175)	(175)
Development services	553	(653)	-	100
Housing Management services	-	(281)	298	(17)
Intra group interest charges	-	2,119	-	(2,119)
Total	7,540	(5,452)	123	(2,211)

Board members

There is currently one board member of Curo Places Ltd who is a tenant holding an assured tenancy agreement. Curo Places Ltd. board members are required to fulfil the same obligations and receive the same benefit as other tenants. As at 31 March 2016 the tenant board member had no arrears (2015 nil).

One of Curo Places Ltd. board members is also a councillor for Bath and North East Somerset Council.

All transactions with Bath and North East Somerset Council are made at arm's length, on normal commercial terms. Transactions cover a wide range of services and include repayment of right to buy surpluses, council tax and other costs.

31) *Fixed asset investments*

Curo Group (Albion) Ltd. owns a single £1 share in Curo Choice Ltd. Curo Choice Ltd. is a non-profit making charitable Community Benefit Society whose principal activity is the provision of assistance, support, housing and associated services for people in need. Curo Choice Ltd. had issued share capital at 31 March 2016 to the value of £13. The other share holding members of Curo Choice Ltd. have no rights to economic benefits, may only hold a single £1 share, may not transfer their share (unless they are holding the share as a nominee of an unincorporated body) and may not hold shares in joint names. Curo Choice Ltd. became a subsidiary of Curo Group (Albion) Ltd. in 2002 by amending its Rules.

Curo Group (Albion) Ltd. is a member of Curo Places Ltd. and has agreed to contribute £1 in the event of the winding up of Curo Places Ltd. Curo Places Ltd. became a subsidiary of Curo Group (Albion) Ltd. in 2002 by amending its Memorandum and Articles of Association.

Curo Group (Albion) Ltd. exercises control over Curo Places Ltd and Curo Choice Ltd. by virtue of its right to appoint and remove the Board members of the organisations, and the need for its consent to any constitutional amendments.

Curo Group (Albion) Ltd. is the sole shareholder of Curo Enterprise Ltd.

The directors believe that the carrying value of the investments is supported by their underlying net assets.

32) Homes and bed spaces in management

	Group 2016 Number	Group 2015 Number
General needs housing	8,533	8,478
Affordable rent	710	581
Sheltered housing	1,796	1,795
Supported housing	165	165
Shared ownership	473	428
Rent to buy	134	150
Total social housing units	**11,811**	**11,597**
Market renting	194	170
Holiday let	5	5
Leasehold	982	1,090
Total non-social units	**1,181**	**1,265**
Total homes in management	**12,992**	**12,862**

There were 290 housing properties in the pipeline for development at 31 March 2016 (2015: 624).
Curo Places Ltd own 181 housing properties that are managed by external organisations (2015: 74).

33) Net cash inflow from operating activities

	2016	2015
	£000	£000
Operating surplus	16,676	17,619
Add back: Pension adjustment	-	(137)
Depreciation of tangible fixed assets	9,839	9,129
Amortisation of grant	(1,296)	(1,624)
Impairment of tangible fixed assets	1,851	517
Increase in stocks	(1,351)	(18,340)
Increase in debtors	(703)	(137)
Decrease in trade creditors	(15,563)	(1,532)
Increase/(decrease) in accruals and provisions	(11,943)	3,380
Cash from operations	**(2,490)**	**8,875**

34) Transition to FRS 102

This is the first year that the Group has presented its results under FRS 102, restated effective from 1st April 2014. The last financial statements prepared under the previous UK GAAP were for the year ended 31 March 2015. Set out below are the changes in accounting policies which reconcile surplus for the financial year ended 31 March 2015 and the total equity as at 1 April 2014 and 31 March 2015 between UK GAAP as previously reported and FRS 102. Separate reconciliations have been provided to differentiate between the changes to the Company and the Group consolidation.

a). Nature of changes in accounting policy

i). Grant accounting

Social Housing Grant can no longer be offset against housing property within fixed assets and under section 24 of FRS 102, where housing properties are held at cost, the related social housing grant will be recognised using the 'accrual model' with the grant amortised over the life of the structure and components of the property.

The effect on the 1 April 2015 Statement of Financial Position is the movement of £118.0 million of social housing grant to long term creditors. Consequently in Statement of Comprehensive Income, depreciation for the year ending 31 March 2015 has increased by £0.9 million and amortised grant increased by £1.6 million. The net difference of £0.7 million results in an increase in reserves.

ii). Investment properties

Properties held to earn commercial rentals or for capital appreciation, or both, must be treated as investment properties under FRS 102. Curo Places Ltd own 35 shops that have historically not been recognised in the Statement of Financial Position.

The effect on the 1 April 2014 Statement of Financial Position is an increase of £3.0 million in Fixed Assets - Investment Properties, reflecting the fair value of these assets at this point in time. In the year to 31 March 2015 the fair value of these assets increased by £0.2 million, reflected in net surplus within the Statement of Comprehensive Income, increasing the asset value to £3.1 million as at 31 March 2015.

iii). Holiday pay accrual

FRS 102 requires short term employee benefits to be charged in surplus or deficit to the Statement of Comprehensive Income as the employee service is received. This has resulted in Curo Places Ltd recognising a liability for holiday pay of £330,000 on transition to FRS 102 as at 1 April 2014. Previously holiday pay accruals were not recognised and were charged to the Income and Expenditure account as they were paid. In the year to 31 March 2015, outstanding holiday not taken had reduced to £148,000 resulting in reduction in operating costs of £182,000 recognised in the Statement of Comprehensive Income for the period.

34) Transition to FRS 102 (continued)

iv). Multi-employer defined benefit pension scheme

Under previous UK GAAP the Social Housing Pension Scheme (SHPS), a multi-employer defined benefit pension scheme of which Curo Places Ltd is a member, was accounted for by the Group as a defined contribution scheme. It is not possible for Curo Places Ltd to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme and so continues to account for the scheme as a defined contribution scheme. Where the scheme is in deficit and where an organisation has agreed to a deficit funding arrangement the organisation now 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 unwinding of the discount rate is recognised as a finance cost. This adjustment has resulted in a decrease to the opening reserves position of £712,000 at 1 April 2014. In the year to 31 March 2015 a benefit of £22,000 was recognised in the Statement of Comprehensive Income and the liability at 31 March 2015 was £690,000.

v). Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to interest rate movements. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in surplus or deficit immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in surplus or deficit depends on the nature of the hedge relationship.

The effect on the 1 April 2014 Statement of Financial Position is an increase of £9.6 million in long term creditors, reflecting the fair value of this financial instrument offset by a cash flow hedge reserve of the same value. In the year to 31 March 2015, the fair value of the instrument increased by £8.2 million, of which £0.7m is reflected in a reduction in net surplus within the Statement of Comprehensive Income (interest payable), and the remaining £7.5m increasing the cash flow hedge reserve balance.

b). Statement of changes to Statement of Financial Position

Group	Notes	At 1 April 2014 As previously stated £000	At 1 April 2014 Effect of transition £000	At 1 April 2014 FRS 102 (restated) £000	At 31 March 2015 As previously stated £000	At 31 March 2015 Effect of transition £000	At 31 March 2015 FRS 102 (restated) £000
Fixed assets							
Housing properties	14	302,956	112,196	415,152	324,402	120,161	444,563
Investment properties	15	1,153	2,980	4,133	3,085	3,146	6,231
Other property, plant and equipment	16	6,148	-	6,148	5,988	-	5,988
Total fixed assets		**310,257**	**115,176**	**425,433**	**333,475**	**123,307**	**456,782**
Current Assets							
Debtors: amounts falling due after more than one year	18	100	-	100	100	-	100
Stock	17	42,989	-	42,989	61,329	-	61,329
Debtors: amounts falling due within one year	18	5,114	-	5,114	5,025	-	5,025
Investments		603	-	603	-	-	-
Cash and cash equivalents		8,829	-	8,829	22,237	-	22,237
		57,635	-	57,635	88,691	-	88,691
Creditors: amounts falling due within one year	19	(20,373)	(405)	(20,778)	(37,982)	(226)	(38,208)
Net current assets		**37,262**	**(405)**	**36,857**	**50,709**	**(226)**	**50,483**
Total assets less current liabilities		**347,519**	**114,771**	**462,290**	**384,184**	**123,081**	**507,265**
Creditors: amounts falling due after one year	20	(241,390)	(120,435)	(361,825)	(266,038)	(135,829)	(401,867)
Pension provisions	26	(8,770)	-	(8,770)	(13,229)	-	(13,229)
Net Assets		**97,359**	**(5,664)**	**91,695**	**104,917**	**(12,748)**	**92,169**
Capital and reserves							
Revenue reserves		96,689	4,581	101,270	102,490	6,739	109,229
Revaluation reserves		670	(670)	-	2,427	(2,427)	-
Cash flow hedge reserves		-	(9,575)	(9,575)	-	(17,060)	(17,060)
		97,359	**(5,664)**	**91,695**	**104,917**	**(12,748)**	**92,169**

b). Statement of changes to Statement of Financial Position

Company	Note	At 1 April 2014 As previously stated £000	At 1 April 2014 Effect of transition £000	At 1 April 2014 FRS 102 (restated) £000	At 31 March 2015 As previously stated £000	At 31 March 2015 Effect of transition £000	At 31 March 2015 FRS 102 (restated) £000
Current assets							
Debtors: amounts falling due after more than one year	18	159,750	-	159,750	167,750	-	167,750
Debtors: amounts falling due within one year	18	467	-	467	177	-	177
Cash and cash equivalents		5,818	-	5,818	12,877	-	12,877
		166,035	-	166,035	180,804	-	180,804
Creditors: amounts falling due within one year	19	(6,278)	(102)	(6,380)	(13,047)	(43)	(13,090)
Net current assets / (liabilities)		**159,757**	**(102)**	**159,655**	**167,757**	**(43)**	**167,714**
Total assets less current liabilities		**159,757**	**(102)**	**159,655**	**167,757**	**(43)**	**167,714**
Creditors: amounts falling due after one year	20	(159,750)	-	(159,750)	(167,750)	-	(167,750)
Pension provisions	26	(1,370)	-	(1,370)	(2,694)	-	(2,694)
Net liability		**(1,363)**	**(102)**	**(1,465)**	**(2,687)**	**(43)**	**(2,730)**
Capital and reserves							
Revenue reserves		(1,363)	(102)	(1,465)	(2,687)	(43)	(2,730)
		(1,363)	**(102)**	**(1,465)**	**(2,687)**	**(43)**	**(2,730)**

c). Statement of changes to Income & Expenditure account

Group	Note	As previously stated	31 March 2015 Effect of transition	FRS 102 (restated)
		£000	£000	£000
Turnover	5	68,092	1,624	69,716
Operating expenditure	5	(51,473)	(624)	(52,097)
Operating surplus		**16,619**	**1,000**	**17,619**
Gain/result on disposal of property, plant and equipment	7	886	-	886
Surplus on ordinary activities		17,505	1,000	18,505
Interest receivable	8	59	6	65
Interest payable and similar charges	9	(7,167)	(826)	(7,993)
Other financing costs		(87)	87	-
Movement in fair value of investment properties	15	-	1,924	1,924
Surplus on ordinary activities before taxation		**10,310**	**2,191**	**12,501**
Taxation		-	-	-
Surplus for the year	10	**10,310**	**2,191**	**12,501**

Company	Note	As previously stated	31 March 2015 Effect of transition	FRS 102 (restated)
		£000	£000	£000
Turnover	5	5,614	-	5,614
Operating expenditure	5	(5,567)	59	(5,508)
Operating surplus		**47**	**59**	**106**
Result on disposal of property, plant and equipment	7	-	-	-
Surplus on ordinary activities		47	59	106
Interest receivable	8	2,038	-	2,038
Interest payable and similar charges	9	(2,046)	(14)	(2,060)
Other financing costs		(14)	14	-
Surplus on ordinary activities before taxation		**25**	**59**	**84**
Taxation		-	-	-
Surplus for the year	10	**25**	**59**	**84**

d). Statement of other comprehensive income

Group	31 March 2015 As previously stated £000	Effect of transition £000	FRS 102 (restated) £000
Surplus for the year	**10,310**	**2,191**	**12,501**
Other comprehensive expense:			
Change in fair value of hedged financial instruments	-	(7,485)	(7,485)
Actuarial loss on pension scheme	(4,509)	(33)	(4,542)
Other comprehensive expense	**(4,509)**	**(7,518)**	**(12,027)**
Total comprehensive income/(expense) for the year	**5,801**	**(5,327)**	**474**

Company	31 March 2015 As previously stated £000	Effect of transition £000	FRS 102 (restated) £000
Surplus for the year	**25**	**59**	**84**
Other comprehensive expense:			
Actuarial loss on pension scheme	(1,349)	-	(1,349)
Other comprehensive expense	**(1,349)**	**-**	**(1,349)**
Total comprehensive (expense)/income for the year	**(1,324)**	**59**	**(1,265)**

e). Statement of changes in equity

Group - Revenue Reserves	Year ended 31 March 2015 As previously stated £000	Effect of transition £000	FRS 102 (restated) £000
Balance as at 1 April 2014	96,689	4,581	101,270
Surplus for the year	10,310	2,191	12,501
Other comprehensive expense:			
Actuarial loss on pension scheme	(4,509)	(33)	(4,542)
Balance as at 31 March 2015	**102,490**	**6,739**	**109,229**

Group - Revaluation Reserves	Year ended 31 March 2015		
	As previously stated	Effect of transition	FRS 102 (restated)
	£000	£000	£000
Balance as at 1 April 2014	670	(670)	-
Surplus/(deficit) for the year	1,757	(1,757)	-
Balance as at 31 March 2015	**2,427**	**(2,427)**	**-**

Group - Cash Flow Hedge Reserves	Year ended 31 March 2015		
	As previously stated	Effect of transition	FRS 102 (restated)
	£000	£000	£000
Balance as at 1 April 2014	-	(9,575)	(9,575)
Other comprehensive expense:			
Change in fair value of hedged financial instruments	-	(7,485)	(7,485)
Balance as at 31 March 2015	**-**	**(17,060)**	**(17,060)**

Company - Revenue Reserves	Year ended 31 March 2015		
	As previously stated	Effect of transition	FRS 102 (restated)
	£000	£000	£000
Balance as at 1 April 2014	(1,363)	(102)	(1,465)
Surplus for the year	25	59	84
Other comprehensive expense:			
Actuarial loss on pension scheme	(1,349)	-	(1,349)
Balance as at 31 March 2015	**(2,687)**	**(43)**	**(2,730)**