Tristar Homes

Registered Company Number: 04373638
HCA Registration Number: L4622

TRISTAR HOMES LIMITED

Annual Report and Financial Statements

Year Ended 31 March 2015

Contents

Employee Benefits

We confirm that we have made you aware of all employee benefit schemes in which employees of the company participate.

Contractual arrangements/agreements

All contractual arrangements (including side-letters to agreements) entered into by the company have been properly reflected in the accounting records or, where material (or potentially material) to the financial statements, have been disclosed to you.

Litigation and claims

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and such matters have been appropriately accounted for and disclosed in accordance with UK GAAP.

Taxation

We have complied with the taxation requirements of all countries within which we operate and have brought to account all liabilities for taxation due to the relevant tax authorities whether in respect of any corporation or other direct tax or any indirect taxes. We are not aware of any non-compliance that would give rise to additional liabilities by way of penalty or interest and we have made full disclosure regarding any Revenue Authority queries or investigations that we are aware of or that are ongoing.

In managing the tax affairs of the company, we have taken into account any special provisions such as transfer pricing, debt cap, tax avoidance disclosure and controlled foreign companies legislation as applied in different tax jurisdictions.

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(Chairman) (Secretary)

MARK SIMPSON LINDA MINNS

For and on behalf of Tristar Homes Limited

Date: 1 September 2015

Related parties and related party transactions appendix

Thirteen Housing Group Limited
Housing Hartlepool Limited
Tees Valley Housing Limited
Erimus Housing Limited
Portico Homes Limited
Partnering Plus Limited
Optimus Homes Limited
Thirteen Care and Support Limited
Catalyst
Cummins Inc
Stockton Residents and Community Groups
St. Anns Partnership
The Willows Centre
Stockton Borough Council
The Quality Assurance Agency
British Society of Criminology
The Princess Trust
Tees Valley Leisure Ltd
Teeside University
Park End Primary School

Tristar Homes

Part of the Thirteen Group

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Windward Way
Middlesbrough
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E customeraccounts@thirteengroup.co.uk
www.tristarhomes.co.uk

PricewaterhouseCoopers LLP
Central Square South
Orchard Street
Newcastle upon Tyne
NE1 3AZ

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of Tristar Homes Limited (the "company") for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view, have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP), and have been prepared in accordance with the Companies Act 2006,the Housing and Regeneration Act 2008 and the Accounting Direction for Social Housing in England 2012.

We confirm that the following representations are made on the basis of enquiries of management and staff of the company with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation sufficient to satisfy ourselves that we can properly make each of the following representations to you.

We confirm, for all directors at the time the directors' report is approved, to the best of our knowledge and belief, and having made the appropriate enquiries, the following representations:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated 28 January 2015, for the preparation of the financial statements in accordance with UK GAAP, the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Social Housing in England 2012; in particular the financial statements give a true and fair view in accordance therewith.

- All transactions have been recorded in the accounting records and are reflected in the financial statements.

- Significant assumptions used by us in making accounting estimates, including those surrounding measurement at fair value, are reasonable.

- All events subsequent to the date of the financial statements for which UK GAAP requires adjustment or disclosure have been adjusted or disclosed.

Information Provided

- Each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that you (the company's auditors) are aware of that information.

- We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the company from whom you determined it necessary to obtain audit evidence.

- So far as each director is aware, there is no relevant audit information of which you are unaware.

Fraud and non-compliance with laws and regulations

- We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the company and involves:

  - Management;
  - Employees who have significant roles in internal control; or
  - Others where the fraud could have a material effect on the financial statements.

- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the company's financial statements communicated by employees, former employees, analysts, regulators or others.

- We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

Related party transactions

We confirm that the ultimate controlling party of the company is Thirteen Housing Group Limited

We confirm that the attached appendix to this letter is a complete list of the company's related parties. All transfer of resources, services or obligations between the company and these parties have been disclosed to you, regardless of whether a price is charged. We are unaware of any other related parties, or transactions between disclosed related parties.

Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of FRS 8 and the Statement of Recommended Practice Accounting by registered social landlords ("the SORP") or other requirements, for example, the Companies Act 2006.

Board Members, Executive Directors, Advisors and Bankers

Registered Numbers

Registered as a company limited by guarantee	04373638
Registered by the Homes and Communities Agency	L4622
Registered Charity	1138807

Registered Office	Tristar House Lockheed Court Preston Farm Industrial Estate Stockton-on-Tees TS18 3SH
Board	
Chair	John McDougall (to 15 September 2014) Mark Simpson (from 15 September 2014)
Other Members	Geoffrey Lee (to 15 September 2014) Steve Nelson Robert Gibson O.B.E. (to 16 February 2015) Tina Large (to 10 June 2015) Norma Stephenson O.B.E. (to 10 June 2015) Paul Thomas Michelle Bendelow (to 29 May 2015) Denise Ross Glen Rudd Annette Clark (from 15 September 2014) Neil Pattison (from 16 February 2015)
Lead Executive	David Pickard (from 1 April 2014)
Co-opted Board Member	Stan Irwin (from 1 April to September 2014)
Company Secretary	Linda Minns
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Central Square South Orchard Street Newcastle upon Tyne NE1 3AZ
Solicitors	Bond Dickinson One Trinity Broad Chare Newcastle upon Tyne NE1 2HF
Bankers	Royal Bank of Scotland North East Corporate Office 2nd Floor Keel Row House 1 Sandgate Quayside Newcastle upon Tyne NE1 2NG

Strategic Report

Corporate Structure

Tristar Homes Limited (the company) is a company limited by guarantee, charity registered with the Charity Commission and Registered Provider with the HCA.

During the financial year the company was a wholly owned subsidiary of Thirteen Housing Group Limited ('Thirteen'). Thirteen is the non-asset owning, non-charitable parent which is a company limited by guarantee and also a Registered Provider within the HCA regulatory context.

Thirteen was formed in April 2014 from the coming together of the two existing housing groups of Fabrick Housing Group Limited and Vela Homes Limited. Both of these established groups already operated in a defined geographical location, primarily the Tees Valley area but extending across the North Yorkshire and North East of England.

As landlord and service provider Thirteen directly reaches out to more than 70,000 people. It had a first year turnover of over £150 million and an asset base approaching £1 billion.

As well as owning and managing over 32,000 properties in total, Thirteen is a major developer of new affordable housing, with its subsidiary Tees Valley Housing Limited being the lead partner in the Spirit development consortia and operating under a framework delivery agreement with the HCA.

Thirteen has four other subsidiaries in addition to Tristar Homes Limited. These are:

- **Housing Hartlepool** - a company limited by guarantee, charity registered with the Charity Commission and Registered Provider with the HCA.
- **Tees Valley Housing Limited** – a Registered Society under the Co-operative and Community Benefit Societies Act 2014, operating under charitable rules and also a Registered Provider with the HCA. Tees Valley Housing Limited has a further two subsidiaries, **Portico Homes Limited** and **Partnering Plus Limited,** both of which are private limited companies.
- **Erimus Housing Limted** – a company limited by guarantee, a charity registered with the Charity Commission and a Registered Provider with the HCA. Erimus Housing Limited has a further subsidiary, **Optimus Homes Limited**, which is a private limited company.
- **Thirteen Care and Support Limited** – a company limited by guarantee and charity registered with the Charity Commission.

Principal Activities and Geographical Focus

The key activities undertaken by Tristar Homes Limited are:

- Landlord and Registered Provider - managing around 10,400 properties in total and lead partner in the Stockton area
- Provision of general needs affordable rented homes
- Extra care housing for the elderly and those with related support needs
- Leasehold management
- Regeneration and development of new properties
- Provision of repairs and maintenance services
- Employability services

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During the financial year Tristar Homes Limited held stock in the local authority areas detailed below. The company's stock profile at 31 March 2015 is as follows:

Local Authority	31/03/2015	31/03/2014
Darlington	36	0
Durham	17	27
Gateshead	28	17
Middlesbrough	82	2
Redcar	20	6
Stockton	9,922	10,061
Sunderland	19	2
Total	**10,124**	**10,115**

**Source: NROSH+ data 2015 and 2014 – 2015 data includes stock we have on a lease where for HROSH purposes we are classifying as owning.*

Thirteen's collective values

Tristar Homes Limited, along with all partners within the Thirteen, has agreed clear values that reflect not only the history and record of the predecessor Fabrick Housing Group Limited and Vela Homes Limited, but also the ambitions and culture of the new group and the Thirteen partner boards, as follows:

- passionate about our social purpose
- flexible and open minded
- professional and accountable
- supporting entrepreneurship and solutions that deliver
- showing respect and optimism
- credible and ethical

These values help the Company demonstrate how it cares about the people and communities it serves and the partnerships it develops. They illustrate the kinds of partners it wants to work with; those which share its values, passion and commitment to help bring to life the business it is striving to create.

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Business environment, risks and priorities

This Operating and Financial Review takes place once again in the face of very difficult and enduring external circumstances.

In common with all housing providers, Tristar Homes Limited faces immense challenges within the current and immediate social and economic climate. The economy remains located within a period of protracted slow growth and public expenditure is likely to remain highly restricted.

The 2015 Summer Budget announced by the Chancellor of the Exchequer in July 2015, introduced reforms to the welfare system to make it more affordable, which included reducing rents in the social housing sector by 1% each year for four years from April 2016, along with other policies which have had a significant impact on our business. The government manifesto also includes a commitment to extend the Right to Buy scheme to registered providers which will also have an impact on our business going forward.

We have considered these reforms and built them into our revised business plan along with mitigating actions, including cost and activity reductions. The resulting long-term business plan for the company shows that it is able to service its debt facilities whilst continuing to comply with lender's covenants.

The Tristar Homes Limited board remains very much aware of the many key challenges, including:

- Continuing uncertainty within the economic and housing market despite some modest improvement in the availability of mortgage finance.
- The change in Government and proposed new policy development, specifically relating to Right to Buy/Acquire.
- A continuing pressure on the financial position and status of many of our customers and local communities, with greatly reduced prospects, particularly for those in the 16 to 24 age bands.
- More directly, pressures resulting from the impact of welfare reforms - most notably the 'bedroom tax' and now Universal Credit - hardening the operating environment for social housing providers, and creating greater uncertainty for both individuals, communities and social housing businesses.
- Signs of increased confidence in the housing market with sales increasing.
- Social and demographic changes that continue to present specific needs' gaps for those who are very elderly, in poor health or disabled and for others who, collectively, remain the most vulnerable members of our communities.
- The challenge of meeting the regulatory requirements of the HCA, most specifically in terms of the revised Viability Standard requiring a comprehensive Assets and Liabilities Register.

This context also provides the challenge within which Tristar Homes Limited and Thirteen will flourish, drawing upon the immense capacity and capability the new group has created.

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Strategic Risks

The Thirteen Board together with all Partner Boards, including Tristar Homes Limited, reviewed and agreed the key strategic risks linked to Thirteen's strategic objectives as being:

- Significant service delivery quality or failure
- The volatility of our operating environment, and uncertainty of the political landscape, impacts on activity
- Failure to maximise use of assets to achieve Thirteen objectives
- Failure to deliver efficiencies specified in business case for merger
- Failure to secure funding and revenue - to deliver core business plus other opportunities
- Failure to identify, understand and react to changes in market and impact of diversifying into non-core business activity
- Failure of, or too many, complex projects and/or opportunities, including partnership working issues
- Regulatory failure due to poor governance / assurance
- Failure to merge and integrate Thirteen effectively / demonstrate effective leadership
- FRS102 and the impact that will have on decision making

Strategic Priorities

In the face of such challenges the Thirteen board, along with the partner boards, continue to focus on the following strategic priorities which inform and frame the focus of Thirteen's work and activities:

- **Building a Great Organisation**
  - Delivering profit for social purpose;
  - Delivering great services;
  - Generating social capital;
  - Doing business in an ethical way;
  - Investing, learning and innovating;
  - Being well led and accountable.

- **Promoting Resilience and Sustainability**
  In our:
  - Business;
  - Assets;
  - Customers and clients;
  - Neighbourhoods and communities.

- **Committed to Growth and Adding Value**
  - Developing aspirational homes and community facilities;
  - Ensuring existing partnerships deliver;
  - Forging new partnerships and making connections.

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During the first year of operation, the focus was very much on the integration of staff and services. As we begin our second year of operation as Thirteen, it's board and the five partner boards, together with the executive and wider management team, have collectively aligned themselves behind the immediate aim for 2015/16 of **"Laying Firm Foundations"**.

This strategic statement of intent re-emphasises the short-medium term objectives of prioritising those activities that are core to our business and central to underpinning our future growth, and enabling Thirteen to become the organisation it aspires to be in the future.

More specifically, the key priorities are:

- Letting, managing and maintaining good quality homes;
- Maximising rental and other income;
- Completing a series of office accommodation moves;
- Preparing for and implementing an integrated property and customer services system;
- Keeping us legal and safe; and
- Continuing our work developing people and teams

Operating Review

The adjusted operating surplus referred to through this report has been calculated based on the information set out in the primary financial statements as follows:

	2015 £'000	2014 £'000
Operating surplus/deficit) as per the Income and Expenditure account set out on page 37	6,549	(2,008)
Add back: - Exceptional restructuring costs	541	973
Adjusted operating surplus	7,090	1,035

The adjusted operating surplus has been used throughout the Strategic Report to report on performance of the company and has been adjusted to remove the one-off, non-recurring costs in the year relating to the restructuring that has taken place.

Tristar Homes Limited maintains a rolling 5 year business plan. This has been updated for the year 2015/16. Reflecting on progress during the period 2014/15, the board made significant progress with its strategic priorities, as follows:

1. **Building a great organisation**

   - The integration of services across the Thirteen is on track and regular updates are provided to Board.
   - A review of group wide key operational strategies was undertaken during 2014/15 and a schedule of new strategies developed and reported to the board. Priority was given to customer interfaces and intelligence, including the Customer Service Strategy, Customer Involvement Framework and Communications Strategy.

- In addition essential corporate strategies were developed, such as the Assurance Strategy, ICT Strategy and Asset Management Strategy.
- One of the key objectives for Tristar Homes Limited and Thirteen was to achieve value for money and efficiencies on service delivery. Tristar Homes Limited's 2013/14 Value for Money Self-Assessment was completed, published by the deadline of 30 September 2014 and approved by the HCA. A customer friendly version was also published on the Company's website.
- Another key priority was to regain the G1 regulatory status for governance and retain V1 status for financial viability. Both of these outcomes were achieved and processes put in place to ensure standards are maintained.
- Project appraisal and procurement initiation processes were developed to identify initiatives and undertake cost benefit analyses and risk assessments prior to commencement.
- The performance of Tristar Homes Limited in relation to its key performance indicators was within projections. Performance outturns, actions and revised measures were reported to the board throughout the year.
- The Thirteen Customer Involvement framework was developed and implemented during 2014/15, and this includes the Thirteen Complaints Panel which the board has approved as the company's designated complaints panel.
- The Asset Management Strategy was approved in February 2015, including the 2015/16 capital investment plan.
- The Allocations and Empty Homes Strategy has been reviewed to promote tenancy sustainability and incorporates the provision of quality home fixtures and fittings, including carpets, white goods and decoration.
- An environmental improvement programme has been delivered in partnership with Groundworks

2. Promoting Resilience and Sustainability

- Committed regeneration activity on Swainby Road, Victoria and Mandale has been delivered in accordance with the programme.
- Mitigation of the effects of welfare reform was at the forefront in 2014/15. A number of initiatives were implemented and the impact and outcomes reported to the board.
- Tristar Homes Limited and Thirteen are committed to adding value to the communities in which they operate through social investment. The Inclusion Strategy was approved in 2014/15, which outlines Thirteen's commitment to financial and digital inclusion for customers.
- Initiatives to help customers and communities included the Big Lottery funded Know your Money (KYM) project which supports customers with money management, promoting the local Credit Union and addressing fuel poverty through investment in fuel efficient technologies.
- A Corporate Social Responsibility Strategy is being developed. The Housing Associations Charitable Trust (HACT) model of calculating social value has been implemented and initiatives are being assessed for added value.

- The Employability Service has been reviewed and will be supported by the Corporate Social Responsibility Strategy.

3. Committed to Growth and Adding Value

- The Development Strategy and delivery plan were agreed by the Board and the main elements of our bid approved by the HCA.
- The potential for specialist developments such as Extra Care, retirement village and student accommodation has been considered in the Development Strategy and Older Persons Strategy.
- Working groups were established to consider and develop market rented proposals and to consider marketing social housing to new market groups/clients.
- The aim to review the commercial premises service to provide advice linking to neighbourhood sustainability has been deferred for future consideration.

Value for Money (VFM)

Value for money (VFM) is fundamental to Tristar Homes Limited and all partners within Thirteen. The creation of Thirteen epitomised our commitment to achieving VFM, optimising future returns on assets, delivering quality services and having a positive impact on our customers and communities.

Thirteen is committed to ensuring VFM in the delivery and procurement of excellent goods and services, whilst also providing social value to support our customers and neighbourhoods.

In developing the VFM strategic framework, we have reviewed and built on established good practice to achieve increased financial, social and environmental value and achieve organisational objectives and legislative requirements for VFM.

The VFM framework, which is equally applicable to Tristar Homes Limited and all Companies within Thirteen, aims to consolidate our approach to VFM, ensuring it is embedded throughout Thirteen and an integral part of all policy development, project initiation and evaluation and recommendations to Board.

It supports and consolidates a number of corporate strategies including:

- Financial Strategy (pending approval)
- Governance Framework
- Business Planning Framework
- Performance Management Framework
- Customer Involvement Strategy
- Asset Management Strategy
- Procurement Strategy
- Corporate Social Responsibility Strategy (pending approval)

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Decision Making

One of the early priorities for Thirteen was to establish an effective governance framework that ensured the accountability of Thirteen and Partner organisations and facilitated an environment that encouraged scrutiny and challenge prior to the approval of key business decisions. During our first year of operation the governance framework has been further enhanced to meet the high standards expected of Thirteen as well as the requirements of the revised HCA regulatory framework and our adopted Code of Governance (NHF 2015 Edition), to enable us to be vigilant and resilient in the face of increasing economic and policy challenges.

The Thirteen Board, which oversees the business and strategic direction of Thirteen, has the legal responsibility to lead and direct the affairs of Thirteen within a framework of sound governance, continuous improvement, VFM and effective control, enabling risks to be properly assessed and managed.

The Partner Boards are responsible for ensuring their business is carried out in accordance with their constitution, the intragroup agreement and agreed business plans. They are able to influence strategies and policies to reflect their priorities, and ensure accountability with regard to landlord services and local communities. They scrutinise and challenge financial plans and operational performance, ensuring that services provided to customers are effective, appropriate and delivering VFM.

The work of the Boards is supported by three Thirteen Committees – Remuneration, Audit & Risk and Treasury & Investment - which act on behalf of all Boards within Thirteen and consider and influence relevant aspects of VFM.

The Thirteen Customer Council, which holds Thirteen to account on delivering VFM services, is involved in the development and review of VFM processes and Thirteen's annual self-assessment.

The business planning process evolves through a series of board development days, reflecting on current business priorities, changes in the external and internal environment, exploring new business needs and priorities and identifying key delivery projects. These are brought together during late autumn into each new year to provide a draft business plan. This is then further scrutinised by the Board and subjected to detailed stress testing and scenario planning to consider how the organisation can react to unforeseen events, exploring financial and physical resource responses.

Within Thirteen's structure the proposed business plan is further subjected to scrutiny by Thirteen's Treasury and Investment Committee, considering here the overall impact of Partner business plans and financial capacity in preparation for review and adoption by Thirteen Board. During 2014 the Thirteen Board (including Partner Chairs) and Group Executive collectively undertook further scenario testing via an HQN led 'Iron Grip' risk modelling training event.

The Financial Strategy linking to the Treasury Strategy sets out our approach to getting the most out of our financial resources and achieving sustainability. Assessing the organisation's financial needs and the sources of funding required in order to meet the objectives of the business plan, whilst also planning for continued growth to enable stability, in the face of both national and regional socio-economic factors impacting on the organisation.

The Thirteen Asset Management Strategy 2015 to 2019 covers the homes owned by the stock holding companies of Erimus Housing Limited, Housing Hartlepool, Tees Valley Housing Limited and Tristar Homes Limited and reflects on past achievements and present issues in order to learn about the future way forward. The strategy responds to a number of unprecedented threats to our

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core business and the overall sustainability of our homes and neighbourhoods. Thirteen's structure also includes a Care and Support arm which provides specialist services for older people and clients with extreme needs. This continues to be a significant growth area and one which presents a number of challenges which must be taken into account when managing present and future stock assets.

The strategy has been purposely developed to take into account the individualities of each landlord company, the different stages of stock investment, and as such individual sections within the Strategy are bespoke to each Company.

Historically, asset management strategies concentrated on covering a plethora of 'bricks and mortar' issues to account for where resources were to be spent. However, effective asset management recognises many social and economic factors and interacts with all service delivery teams and key stakeholders to consider all aspects of successful property management during these times of change.

Using the asset management modelling criteria, areas with long term high turnover of properties and high void costs have been reviewed with a view to addressing the issues. Alternative uses have been considered but have not been implemented. As a result, decisions have been taken on three schemes to sell the properties on the open market as and when they become vacant and a fourth scheme is to be considered for an alternative use in partnership with a regional mental health trust with a view to helping those leaving care and support homes to have good quality, well managed homes outside of the hospital environment.

The full Value for Money Self-Assessment can be accessed using the link: http://www.tristarhomes.co.uk/rte.asp?id=349

Return on assets

We appreciate the importance of our assets, in ensuring that they generate a return in terms of their financial, social and environmental impact, and of maintaining our assets, particularly our housing properties, so that they provide good quality homes for our tenants to live in, and that they last for generations to come.

One measure of the return on assets is in terms of generating a surplus that can be reinvested in our business to support our objectives going forward, which is shown in the table below.

Return on Assets	2015	Global benchmark 2014 £m	2014	2013	2012	2011
Adjusted operating surplus/(deficit) £'000	7,090	1,553	(1,035)	(4,116)	6,405	5,945
Housing property value £'000	179,887	29,778	169,743	146,802	127,163	98,150
Return on assets	3.9%	5.2%	-0.6%	-2.8%	5.0%	6.1%

The return on assets ratio shows a decline over the last 5 year period with the figure being below the sector average benchmark.

The main reason for this is that Tristar Homes Limited is in the initial years of fulfilling the promises to tenants following the large scale voluntary transfer that took place on 13 December 2010. This includes a significant investment in our properties which is shown in the table below, with investment in our Housing Properties of £27.5million during 2014/15. Had this investment not

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taken place the return on Assets would have been 5.55%. Once the promises have been met then we would expect the return on investments to increase to be in line with the sector norm.

Value of assets – Housing Properties

The properties are valued above based on their ability to generate income (rental income less expenditure on management and maintenance etc.) which is based on an independent valuation by a qualified valuer and produces a net present value (NPV) per property. We have analysed our properties further by looking at a number of indicators including demand, voids and bad debts along with maintenance costs, and this has assisted our Board in making investment decisions on our properties.

During the year we have developed the option appraisal of our housing properties further which can be summarised as follows;

The responsibility of appraising Thirteen stock rests with the Companies Asset Management Section.

As well as having a technical surveying team who will invasively inspect properties, through a combination of 'income v. expenditure' assessments and GIS mapping we are able understand the current and potential future performance of homes.

In brief we are able to:

- assess current refurbishment requirements and costs
- examine historic repair costs and predict future trends
- check the 30 year financial business plan to identify programmed works/costs
- examine neighbourhood indicators such void costs and rent loss

Through this analytic method we are able to identify assets that make healthy returns and those that do not, as well as to map areas and trends within estates which can be usefully used to deploy staff to areas of tenancy management in most need of attention.

Since the creation of Thirteen, a number of schemes/property archetypes have been or are in the process of being appraised with further details being included in our full value for money statement.

Investment in existing properties

As mentioned above, Tristar Homes Limited has made a significant investment in its properties to meet the promises to tenants following the large scale voluntary transfer (LSVT) from Stockton-On-Tees Borough Council. The table below shows the level of major repairs carried out over the past 5 years.

Major repairs	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Expensed	10,274	20,934	22,425	3,990	694
Capitalised	17,191	9,605	8,642	5,799	224
Total	**27,465**	**30,539**	**31,067**	**9,789**	**918**

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The average benchmark* for the housing sector for major repairs per property in 2013/14 was £1,179 for LSVTs, with the comparable figure for Tristar Homes Limited being £2,236. This demonstrates the significant investment in Housing Properties made during this year.

All properties achieve Decent Home standard and continue to invest in energy efficiency programmes to raise further existing good performance levels.

New development

During the year we used the capacity created from our existing assets, along with grant funding and loans to develop 141 new properties in line with our objective Creating Communities and Changing Lives.

We plan to develop a further 385 new properties over the next 5 years. Each development scheme is assessed using our development appraisal model, inputting data at a property level, which produces long term cash flows, an NPV and payback period. The assumptions used are in line with our long term business plan and each scheme is approved by the Board.

It is recognised that new schemes do not provide a financial return in the short term, but do provide a social benefit in providing homes for those in need, and are included in the long term business plan to ensure that financial viability is maintained.

The appraisal method used allows us to compare schemes and assists with capital rationing across Thirteen linking to our Development Strategy.

Debt per social housing property

The impact of our strategy for investing in new and existing properties on our debt per property is shown in the following table.

Debt per social housing unit	**2015**	**Global benchmark 2014**	**2014**	**2013**	**2012**	**2011**
Total Debt £'000	63,000		39,000	10,000	4,000	0
Total social housing units	10,419		10,395	10,073	10,188	10,329
Debt per unit	**6,047**	**17,238**	**3,752**	**993**	**393**	**0**

The table shows an increase in debt per unit in delivering new units and investing in existing housing assets, however this remains well below the sector average benchmark and is expected to rise further as we complete our promises to tenants. The Tristar Homes Limited 30 year business plan shows that these objectives can be met from within existing facility levels and with no breach to financial covenants.

**The benchmarks shown are from the Homes and Communities Agency 2014 Global Accounts of Housing Providers with more than 1,000 social homes and also from the Housemark Benchmark service matched against those for a range of Large Scale Voluntary Transfer Associations (LSVT National of 7,500 units or more).*

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Financial and operational performance

Thirteen uses the HCA global accounts and FVA returns to compare high level financial indicators to national averages. For a number of years Tristar Homes Limited has also worked with its peers in the north east region to compile a suite of performance data from FVA returns that compare each other's financial performance.

We also benchmark key performance indicators with the Housemark National Benchmarking Club and complete the Housemark Core Resource Benchmarking exercise annually to benchmark performance and costs.

Overall financial performance compares favourably with the global accounts, however there are some key operational indicators that are lower or median quartile when compared with the National Benchmarking Club.

The key financial and operational indicators are presented below:

Management Costs £/unit	**2015**	**Global benchmark 2014**	**2014**	**2013**	**2012**	**2011**
Erimus	533	936	506	614	594	585
Tees Valley	637	1,033	692	569	445	413
Housing Hartlepool	516	936	654	593	575	573
Tristar	596	936	676	967	904	801

Maintenance Costs £/unit	**2015**	**Global benchmark 2014**	**2014**	**2013**	**2012**	**2011**
Erimus	924	1,035	860	825	863	699
Tees Valley	718	1,000	678	543	463	533
Housing Hartlepool	955	1,035	896	976	1,007	920
Tristar	1,070	1,035	948	920	1,109	916

Management costs compare favourably with national averages, although we recognise that there are inconsistencies between landlords. Maintenance costs are more in line with national averages and marginally up on previous years, reflecting the current position with regard to post-transfer investment.

Strategic Report

Tenancy Management	**2015 Outturn**	**2014 Benchmark**	**2014**	**2013**	**2012**	**2011**
Tenancy Turnover %	12%	Lower Quartile	14.5%	11.0%	9.9%	10.3%
Satisfaction with service %	86%	Median Quartile	86.0%	86.0%	86.0%	83.0%

Tenancy turnover became lower quartile nationally at the end of 2013/14 but stabilised and has reduced marginally during 2014/15, assisted by a number of local neighbourhood interventions including a 'support to stay' programme targeted at vulnerable households. Neighbourhood plans are also being further developed and reviewed to address specific local issues as well as more detailed asset management appraisals of individual problem schemes or blocks.

Customer satisfaction benchmark measures for Tristar Homes Limited remain based upon the 2012 (STAR) customer survey, whilst elsewhere in Thirteen this includes other surveys from 2013 to 2014. This measure also influences other VFM related benchmark measures. We recognise therefore that we will need to undertake a further group-wide STAR survey and this is provisionally planned for the early Spring of 2016. A suited programme of rolling baseline satisfaction measures has commenced to provide an interim measure and to help inform specific service customer delivery areas.

Property Maintenance	**2015 Outturn**	**2014 Benchmark**	**2014**	**2013**	**2012**	**2011**
Average time to complete repairs (days)	12.3	Lower Quartile	10.2	12.8	19.0	17.0
Satisfaction with service (%)	80%	Lower/Median Quartile	80%	80%	80%	77%
Satisfaction with quality of home (%)	83%	Lower/Median Quartile	83%	83%	83%	81%
Average energy efficiency rating (SAP rate)	71.73	Lower/Median Quartile	69.5	69.5	68.7	69.0

Housemark benchmarking breaks the maintenance costs down into responsive repairs service and major work.

After a period of reducing average completion times for repairs, this year has seen this increase to just over 12 days average. We continue to focus attention on reducing the number of emergency repairs being carried out and are working towards a more useful measure of '1st time completions' on repairs, as reflected by customer feedback. On this Tristar Homes Limited is currently measuring around 91% performance, up from earlier figures of 86.3% in 2012/13 and 90.3% in 2013/14. We are not currently able to compare this figure across all of the Thirteen landlords due to data collection limitations within the current ICT systems, but this is due to be resolved during 2015/16.

As noted above, satisfaction levels are based on the 2012 STAR survey which is lower/median quartile performance. However, we know that our own in-house satisfaction testing, carried out at the point of repairs completion, does show extremely high levels of satisfaction: a concern remains however at the number of recall jobs which do reduce efficiency and impair excellent customer standards and this relates again to the 'right 1st time' objective.

Overall property maintenance performance is good with all homes meeting the Decent Homes standard and a high average energy efficient rating, increasing as we continue to invest in extensive energy efficiency works helping customers save on fuel costs, as well as a number of environmental works to help improve the very local environment.

Voids % of Debit	2015	Global benchmark 2014	2014	2013	2012	2011
Erimus	2.4%	1.7%	2.0%	1.4%	1.2%	1.2%
Tees Valley	3.4%	2.0%	2.9%	1.6%	1.8%	1.3%
Housing Hartlepool	1.7%	1.7%	1.8%	1.6%	1.2%	1.4%
Tristar	5.3%	1.7%	2.0%	1.5%	2.0%	1.9%

Bad Debts % of Debit	2015	Global benchmark 2014	2014	2013	2012	2011
Erimus	1.9%	1.0%	1.2%	0.9%	0.8%	0.7%
Tees Valley	1.1%	1.0%	0.5%	0.7%	0.2%	0.4%
Housing Hartlepool	-0.5%	1.0%	1.4%	1.9%	2.1%	0.8%
Tristar	0.5%	1.0%	0.5%	2.0%	3.9%	2.3%

Voids as a percentage of the debit has increased significantly from 2% in 2013/14 to 5.3% in 2014/15 which is some distance above the national average and above the rate of increase seen elsewhere within Thirteen. Bad debt as a percentage of the debit has remained steady from 2013/14 and remains below the national average.

Empty Properties	2015 Outturn	2014 Benchmark	2014	2013	2012	2011
Properties empty and available to let (% of total stock)	3.2%	Lower Quartile	1.5%	1.2%	0.8%	0.9%
Average relet time (days)	78.2	Lower Quartile	34.3	19.8	21.8	25.8
Void rent loss (% of rent debit)	3.4%	Lower Quartile	2.3%	1.5%	1.9%	2.3%

The number of empty homes available to let increased significantly into 2014/15, reflecting once again the challenges of welfare reform, but also most significantly, the local housing market and demographic position.

Stockton demonstrates a relatively level social housing demand, compared with much of the rest of the country, especially the central urban areas of the district. Here there is a stagnant private housing market which has created a highly competitive private rented sector operating at the lower end of the market, often benefiting from a substantial supply of small 2 bedroomed terraced housing in the area. Again, our empty property strategy has been designed to address this competition through better marketing and improved presentational standards.

This has become a key priority for our operational teams, developing and then seeking to implement a series of marketing and lettings initiatives to over-turn weakening performance and to compete with the private sector. By the last quarter of 2014/15 this had already begun to have a significant impact which should feed into the next financial year's results.

The impact of long-term vacancies then being let towards the year-end has kept the re-let time high. It is not expected that this can drastically reduce in the short-term, with further long-term vacancies coming back into letting, but again the more recent performance continues to show a capacity to address the lettings and empty homes challenge. Further work on considering and reviewing poorer performing housing assets will also see some of this stock being taken out of the current portfolio, or redesigned for alternative management uses. For Tristar Homes Limited a major focus of this work over the next 2-3 years will be in the clearance and redevelopment of the central Victoria estate.

As a consequence of high numbers of empty properties and the time taken to let properties, void rent loss has continued to increase, up to 3.4% in 2014/15, but with the expectation that this will fall in 2015/16 in line with the above commentary.

Current Tenant Arrears	**2015**	**Global benchmark 2014**	**2014**	**2013**	**2012**	**2011**
Erimus	7.2%	4.1%	6.8%	5.1%	4.8%	4.6%
Tees Valley	3.5%	5.1%	2.3%	3.3%	3.3%	2.8%
Housing Hartlepool	6.6%	4.1%	4.9%	5.9%	3.8%	4.9%
Tristar	2.9%	4.1%	2.9%	4.7%	6.5%	16.2%

Rent Collection	**2015 Outturn**	**2014 Benchmark**	**2014**	**2013**	**2012**	**2011**
Rent collected (% of rent due)	101.6%	Lower/Median Quartile	99.0 %	97.4%	97.3%	97.6%

Trends for arrears and bad debts are harder to compare from year end to year end as they are affected by the timing of benefit payments.

However across Thirteen, the continuing impact of welfare reform and wider austerity has been seen in terms of further difficulties in maintaining clear rent accounts and in pursuing outstanding debt. Performance for Tristar Homes Limited on rent collection does however show consistency in performance against a challenging environment, notwithstanding the year-end housing benefit cycle noted earlier. A renewed income management strategy including much greater localised and targeted support, as well as proposals for the introduction of a tenant reward scheme, are intended to further support rent collection and recovery activity. It should also be noted that the cost of delivering the rent service is still within the median quartile within the Housemark resource benchmarking report at 2014.

Adjusted Operating Margin	2015	Global benchmark 2014	2014	2013	2012	2011
Erimus	26.2%	27.2%	23.5%	16.4%	15.5%	18.8%
Tees Valley	30.9%	26.1%	26.7%	28.1%	25.2%	31.3%
Housing Hartlepool	23.2%	27.2%	26.2%	19.1%	4.9%	17.8%
Tristar	16.0%	27.2%	-2.7%	-10.1%	17.3%	21.4%

Growth in Turnover	2015	Global benchmark 2014	2014	2013	2012	2011
Erimus	3.5%	4.3%	7.8%	11.0%	6.6%	15.6%
Tees Valley	-20.4%	5.7%	-5.4%	0.8%	8.8%	1.6%
Housing Hartlepool	3.1%	4.3%	-1.9%	10.1%	6.3%	9.6%
Tristar	4.0%	4.3%	4.4%	10.7%	47.0%	29.4%

Growth in total Assets	2015	Global benchmark 2014	2014	2013	2012	2011
Erimus	5.4%	7.7%	5.1%	19.3%	8.6%	5.5%
Tees Valley	-1.0%	4.4%	2.3%	0.9%	19.2%	8.8%
Housing Hartlepool	13.8%	7.7%	9.4%	11.3%	12.5%	5.1%
Tristar	14.5%	7.7%	0.5%	-0.5%	8.4%	n/a

Operating margins are affected by the level of investment work being carried out on existing homes, with £25m expenditure being charged to the Income and Expenditure Account in 2014/15 which increases to £49m when capitalised expenditure is included. Tristar Homes Limited is a relatively recent stock transfer organisation expensing £10m on this type of work during 2014/15 which has resulted in the operating margin being significantly below the benchmark.

Turnover had grown steadily across all landlords until 2014/15 with the exception of Tees Valley Housing Limited which is explained below.

In 2015 the figures for Tees Valley Housing Limited and Erimus Housing Limited now include a full year of activity following the intergroup stock transfer which took place in October 2013. The turnover of Tees Valley Housing Limited has been further reduced by the transfer of Supporting People activity to their partner group company Thirteen Care and Support, which has seen a reduction of £3.2m of turnover, with similar reductions in expenditure.

Strategic Report

Total assets for Erimus Housing Limited, Housing Hartlepool and Tristar Homes Limited have seen steady growth in 2015 with new property handovers and increased property valuations along with additional cash drawn by Tristar Homes Limited and Housing Hartlepool in anticipation of future development and investment expenditure.

The total assets for Tees Valley Housing Limited have decreased slightly in 2015 despite an increase in housing properties of 5.3%, as cash and investments (within current assets) have decreased by £9m which has funded the investment in new and existing properties.

Gearing	**2015**	**Global benchmark 2014**	**2014**	**2013**	**2012**	**2011**
Erimus	31.9%	202.2%	33.8%	35.5%	31.4%	32.9%
Tees Valley	54.2%	73.8%	49.5%	56.0%	57.3%	54.2%
Housing Hartlepool	44.3%	202.2%	27.6%	28.8%	34.9%	39.2%
Tristar	37.1%	202.2%	11.6%	3.0%	1.2%	0.0%

Effective Interest rate (y/end)	**2015**	**Global benchmark 2014**	**2014**	**2013**	**2012**	**2011**
Erimus	4.3%	4.5%	4.5%	3.9%	4.8%	4.4%
Tees Valley	4.6%	4.8%	4.5%	4.5%	4.6%	5.6%
Housing Hartlepool	4.2%	4.5%	5.6%	5.5%	5.4%	4.1%
Tristar	3.7%	4.5%	3.9%	6.9%	7.3%	0.0%

All four organisations are less highly geared than the national average and this is consistent with the debt per unit also being lower than average.
All companies are also experiencing interest rates that are lower than average which, coupled with the lower levels of debt, means that they are paying less than average to service debt.

Value for Money Savings

As reported in last year's VFM self-assessments, the case for merger included a range of projected efficiency savings over the first five years, with projected savings at the end of year 1 of £3.0m, consisting of procurement, staff and office savings.

Thirteen's staffing costs (unadjusted for any potential pay award) for 2015/16 show a saving of **£3.3m** from 2014/15, which is a considerable element of the efficiency saving estimated from the merger and has been achieved a full year ahead of our original estimate.

Further details on our efficiency savings, which benefit all Companies within Thirteen including Tristar Homes Limited, are provided below:

Strategic Report

1. Service Reviews

We forecast savings of £415k in 2014/15 as a result of the review of the Lettings, Estate and Customer Involvement services. The reviews and restructuring have now been completed, and this shows a reduction in pay costs of **£780k**.

Innovative ways of working have been developed to help realise the efficiency savings anticipated. Service developments include:

- **Group Sign Ups**

Individual tenancy sign-ups can take considerable time. We introduced group sign ups whereby a number of new tenants are invited into the office for a comprehensive presentation of the tenancy agreement, their obligations and other relevant information. This has reduced the amount of staff resources needed, and enables informed and detailed discussions. This was reflected in the new structure for the Operations Directorate allowing resources to be redirected.

- **Key Safes**

Access to empty properties has been made more efficient through the implementation of key safes. Previously keys were kept in a central location and signed for as they were used. The key safe (a strong metal box with a combination lock attached to the door of the property and containing the keys) means that anyone requiring access can go direct to the property. The initial outlay for key safes was £29,900, and while it is difficult to quantify efficiency savings financially, the time saved through reduced aborted visits as a result of keys not being available and/or travelling time to key-holding offices has been beneficial.

- **Mobysoft Rent Sense and Text Messages**

Introduced as a pilot system in partner landlord Tristar Homes Limited, this system prompts customers in arrears via text message to contact us to discuss their accounts. As a result, staff resource can be focussed on cases based around income trends, rather than the traditional "non-payment" trigger, resulting in fewer cases to look at, and allowing time to be spent on more complex cases.

In the current economic climate and with the impact of welfare reform, rent collection is increasingly challenging. While rent arrears have not reduced as a result of this initiative, the increase in cases in Tristar Homes Limited has been less than in the other group landlords. This system will be rolled out across Thirteen with the implementation of the new integrated property and customer system.

2. Property Adaptations

Medical referrals for adaptations were previously taken on face value and completed to our properties based on an occupational therapist's assessed need of their client. This was costly, our housing stock was becoming top heavy with adaptations and difficult to relet through the Choice Based Lettings scheme, and often resulted in loss of revenue and additional costs to remove the adaptations to make the property available for general needs housing.

Through a pilot scheme introduced into Erimus Housing Limited and Tees Valley Housing Limited properties, exploring alternative solutions to the provision of adaptations to our housing stock, we have been able to make best use of adapted properties, as well as allocating our previously adapted stock appropriately to clients who have been assessed as requiring the specific adaptations within them.

As a result of this initiative, recycling products and accessing the statutory Disabled Facility Grant funded through the local authority, savings of **£242k** have been realised, which have been re-invested in the service.

3. Mitigation of Impact of Welfare Reforms – Re-designation of High Rise Accommodation

Each tenancy turnover event can cost the organisation on average £3k, and we have considered a number of innovative solutions to sustain tenancies and reduce turnover. The re-designation of low demand high rise accommodation to meet the higher demand for smaller properties proved successful with more properties being let. The lost income from rent reduction is more than offset by improved demand and alleviating the difficulty in collecting rent and service charges not covered by welfare benefits.

A saving of **£117k** has been saved on void turnover and during 2014/15 the numbers of high rise tenants owing more than £50 fell from 36% to 31%.

4. Employability Team Outcomes

The employability advisers continue to support tenants into training and employment. In 2014/15 the advisers achieved 384 outcomes for customers:

- 97 into employment
- 244 into training
- 43 into work experience

This brings an **Added Social Value** of:

- **£205k** relating to training
- **£ 88k** relating to employment

In addition the team supported the '**Routeways to Employment'** initiative, in partnership with a local company, Vacant Property Services (VPS), where customers complete a programme of training, learning and work experience in a particular service area or company and are offered a guaranteed interview if this has been completed, in order to compete for a job vacancy.

- 13 participants in total received training and work experience:
  - 7 participants completed the Routeways programme
  - 6 were successful in gaining employment - two with VPS; one with another local company; and three with Thirteen (two obtained fixed term roles as Online Skills Support Officers and one was employed as an Assistant Concierge at Thirteen)

- This equates to an **Added Social Value** of **£61k**

5. Fuel Card Providers

A review was carried out to consolidate fuel card provision across Thirteen.

Previously Fabrick Housing Group Limited used 'All Star':

- Cost of fuel – approximately 2.5 pence per litre
- Charge of £5.00 a year for use of wild cards

- An additional charge of £1.65 was added on all cards per transaction
- Rigid service in terms of monitoring

Vela Homes Limited used 'Fuel Card Services':

- Cost of fuel – approximately 1.95 pence per litre
- No additional charge for use of wild cards
- Flexible service in terms of monitoring usage online

Fuel Card Services were selected as the provider to Thirteen, and based on set charges this gives a saving of at least **£9k** per year.

6. In-house Legal Services

Thirteen's in-house Legal Services team comprises a Thirteen Solicitor supported by two Legal Executives and one Legal Secretary. A significant proportion of Thirteen's day to day and operational activity is now carried out in-house.

The cost of external solicitor costs for 2013/14 was £1.6m compared to 2014/15 costs of £310k, a saving of **£1.3m**.

7. Procurement Savings

The formation of the Thirteen has provided the opportunity for all partners to benefit from group-wide procurement savings.
The last year has seen a number of contracts becoming due for renewal and new contracts being procured. When procuring for renewal of existing contracts, the actual savings against the existing cost can be calculated. If the contract to be procured is new, the procurement initiation procedure requires the budget holder to provide the estimated cost of the contract to be procured. In such cases the saving is calculated against the budget provided.

- Existing contract renewal has realised *actual* savings of over **£3m** taking into account the period covered by the contracts. This equates to a saving of **£624k** for 2014/15.

- For new contracts, the *actual* saving against the proposed budget of **£7.4m,** taking into account the period covered by the contracts, was **£1.3m.** For 2014/15 this equated to a saving of **£1.2m.**

As the *actual* savings above are based on the whole contract renewal, the savings shown for 2014/15 have been calculated as a proportion of the lifespan of the contract. These savings will be 'locked in' by reducing future years' budgets, allowing resources to be redirected as appropriate to meet the group and company's objectives

Strategic Report

Financial review

The board is pleased to report a surplus of £4.7million (2014: deficit £2.6million) for the financial year ended 31 March 2015. We have continued to invest in our existing housing stock as well developing new properties during the year.

The company has delivered 141 (2014: 128) new housing units in the financial year as described on page 13. The continued economic difficulties have meant that the company has had to adopt a flexible, and at times innovative, approach to development in order to meet its strategic objectives in this area.

In order to ensure that it can achieve its investment and regulatory objectives, the company has continued to develop its excellent working relationships with the Homes and Communities Agency (HCA) and the Regulatory Committee. The most recent HCA Annual Viability Report (issued in October 2014) again confirmed that Tristar Homes Limited, together with all of Thirteen, meets the requirements on viability set out in the Governance and Financial Viability standard and has the capacity to mitigate its exposures effectively.

This judgement is unchanged from the grading of the previous Annual Viability Report published in November 2013. The HCA further confirmed that Tristar Homes Limited meets the expectations of the regulatory framework as evidenced in the following areas, in that:

- Having a business plan funded until June 2017.
- Meeting and forecast to meet loan covenants.
- Using reasonable assumptions in its business plan.
- Meeting the requirements of the decent home standard.
- Meeting the provisions of rent restructuring and complying with rent influencing regime.
- Having no significant issues raised within the 2013/14 financial statements of auditor's management letter.

Tristar Homes Limited is committed to providing neighbourhoods that are sustainable in the long term. It is therefore continuing to invest heavily in its existing homes and neighbourhoods. Alongside that investment, the company is also continuing to develop the range of social investment activities it undertakes.

Financial Position

The company's income and expenditure account is shown on page 37 of the financial statements, and its balance sheet as at 31 March 2015 is shown on page 38. The income and expenditure accounts and balance sheets of the company for the last five years are summarised in the table on page 27.

Accounting Policies

The company's principal accounting policies are set out in the notes to the financial statements on pages 41-46. The policies that are most critical to the understanding of the financial results relate to accounting for housing properties and include the statement of the housing properties at valuation, the capitalisation of costs, the deduction of capital grant from the cost of assets, housing property depreciation and the treatment of shared ownership properties. A set of harmonised accounting policies have been implemented for Thirteen. The main change in policy for Tristar Homes Limited is the capitalisation of development period interest and development administration costs which has been introduced in 2014/15. A prior year adjustment was not carried out as the impact was judged to be not material.

Strategic Report

Pension Costs

The company participates in two pension schemes; the Social Housing Pension Scheme (SHPS), and the Teesside Pension Fund (TPF). Both of these are defined benefit schemes offering comparable benefits to staff.

The company has contributed to each scheme, in accordance with the levels set by the scheme actuaries, between 10.6% and 18.5%. The last full actuarial valuation of the TPF was undertaken at 31 March 2013 and of the SHPS was at 30 September 2011.

Details of the actuarial assumptions used for both schemes are shown in note 9 to the financial statements.

Housing Properties

At 31 March 2015, the company owned 10,110 properties and managed a further 309 properties (2014: owned 10,092 and managed 303).

The board appointed external professional valuers to carry out an annual valuation of the company's housing properties for financial statement purposes as at 31 March 2015. The value of the properties on an existing use for social housing basis, including properties under construction, was £179.9million (2014: £159.3million), and this valuation has been reflected in the valuation of the properties in the financial statements. On valuation, the surplus of £4.5million (2014: deficit £0.1million) has been taken to a revaluation reserve. It should be noted that the valuer also reported on the value of the properties for loan security purposes (excluding properties under construction), which is reported as £154million (2014: £148.5million). An impairment adjustment of £3.1m was made during the financial year (2014: £0m).

The company's investment in housing properties this financial year was funded through a mixture of social housing grant, loan finance and internally generated cash surpluses. The company's treasury management arrangements are described below.

Cash Flows

Cash inflows and outflows during the financial year are shown in the cash flow statement on page 40 of the financial statements.

The company experienced a cash inflow from operating activities of £15.8million (2014: outflow £4.3million). This is after charging major repairs to the housing stock of £10.3million to the income and expenditure account (2014: £20.2million). The cash inflow generated by operating activities was mainly used to fund the purchase and construction of housing properties, resulting in a net decrease in cash of £0.02million (2014: increase of £1.4million).

Payment of Creditors

Thirteen processes and pays supplier invoices on behalf of the group. Thirteen's policy is to pay purchase invoices within 30 days of the invoice date, or earlier if agreed with the supplier. During the financial year the average time taken to pay suppliers was 40 days from the date of the invoice (2014: 29 days). The main reason for this increase was staff shortages in accounts payable in the early days of Thirteen. This has been addressed and we are now seeing improvements in performance.

Restructure Costs

Restructuring costs have been included in operating costs in 2013/14 and 2014/15 and relate to redundancy and associated costs following the formation of Thirteen.

Strategic Report

Surplus for the Year

The surplus for the financial year transferred to reserves was £4.7million (2014: deficit £2.6million).

Reserves

After the transfer of the surplus for the financial year of £4.7million (2014: deficit £2.6million) at the financial year end, the company's reserves amounted to £124million (2014: £150.5million), including a revaluation surplus on housing properties of £125.7million (2014: £121million).

Capital Structure and Treasury Policy

The company has loan facilities in place totalling £87.5million. This consists of a loan facility with the Royal Bank of Scotland.
At the financial year end company borrowings amounted to £63million (2014: £39million) which falls due to be repaid as shown below:

Maturity	**2015 £million**	**2014 £million**
Within one year or on demand	33	19
Between two and five years	-	-
After five years	30	20
	63	39

The company borrows principally from banks and building societies at both fixed and floating rates of interest. Embedded fixed rate loans are used to generate the desired interest rate profile and to manage the company's exposure to interest rate fluctuations. The company's policy is to continue to monitor variable interest rates and to consider additional fixed debt should the rate reach 3.5%. At the financial year end 48% of the company's borrowings were at fixed rates with no cancellable fixed rates (2014: 61%).

The fixed rates of interest, excluding the margin, range from 4.50% to 5.06% which compares to the current market, where comparable fixed rates are around 4% (2014: 5%).

Gearing, calculated as total loans as a percentage of total assets less current liabilities, was 37% as at 31 March 2015 (2014: 26%) with loans of £24million being drawn during the financial year. Gearing is expected to remain constant over the next twelve months with finance for new developments coming from loans, capital grants and our revenue surplus.

The company's lending agreements require compliance with a number of financial and non-financial covenants. The company's position is monitored on an ongoing basis and reported to the board each quarter. The most recent report confirmed that the company was in compliance with its loan covenants at the balance sheet date and the board expects to remain compliant for the foreseeable future.

The company has cash and investment balances of £11.4m at 31 March 2015 (2014: £1.6m) and the current ratio stands at 0.5 (2014: 0.4). The company monitors cash flow forecasts closely to ensure that sufficient funds are available to meet liabilities when they fall due, whilst not incurring unnecessary finance costs, by only drawing on loan facilities when required.

Strategic Report

Future Developments

A key influence on the timing of borrowings is the rate at which development activity takes place and the levels of grant funding available. The board has approved plans to deliver 385 new properties over the next 5 years at a total cost of £28.4million. This investment will be funded from new borrowings, social housing grant from the Homes and Communities Agency along with internally generated surplus. Undrawn loan facilities of £24.5million are available under existing arrangements.

A full stock condition survey of the company's housing stock was carried out in 2013. The survey is reviewed annually and used to update the 30 year Business Plan. The company plans to invest £17.6million in its major repairs programme during the 2015/16 financial year.

The company continues to assess the impact of government policy on its business plan and intended future developments. The company's resources are only committed to a scheme once funding has been secured.

Statement of Compliance

In preparing this Strategic Report, the board has followed the principles set out in the Companies Act 2006 and the SORP 2010.

Strategic Report

Company highlights, five year summary

For the year ended 31 March	2015	2014 Restated	2013 Restated	2012 Restated	2011 Restated
Income and Expenditure Account (£'000)					
Turnover	44,434	42,741	40,939	36,997	25,157
Income from lettings	42,431	41,107	40,100	36,027	10,574
Operating surplus/(deficit)	6,549	(2,008)	(4,116)	6,405	5,945
Surplus/(deficit) for the financial year transferred to reserves	4,706	(2,574)	(4,419)	6,882	5,941
Balance sheet (£'000)					
Housing properties	179,887	159,318	146,172	127,030	98,150
Other fixed assets	13,904	9,564	630	133	136
Total fixed assets	193,791	168,882	146,802	127,163	98,286
Net current assets/ (liabilities)	(24,052)	(18,394)	(3,395)	4,581	(1,183)
Total assets less current liabilities	**169,739**	**150,488**	**143,407**	**131,744**	**97,103**
Creditors: amounts falling due after more than one year	30,141	20,000	10,077	4,195	181
Pensions Liability	15,618	11,410	12,313	12,717	3,963
Reserves : designated	5,341	4,254	2,690	40	0
: revenue	(3,443)	(6,157)	(4,693)	(507)	288
: revaluation	122,082	120,981	123,020	115,299	92,671
: total	123,980	119,078	121,017	114,832	92,959
Total financing and reserves	**169,739**	**150,488**	**143,407**	**131,744**	**97,103**
Accommodation figures					
Social housing stock owned at year end	10,110	10,092	10,073	10,188	10,263
Non-social housing	1,863	1,851	1,851	1,851	1,851

The figures for 2014 and previous years have been restated in line with the harmonisation of accounting policies.

The Strategic Report was approved by the Board on 1 September 2015 and signed on behalf of the Board by:

Director
MARK SIMPSON

Report of the Board

The board of Tristar Homes Limited is pleased to present its report together with the audited financial statements of Tristar Homes Limited (the company), a company limited by guarantee, for the year ended 31 March 2015.

Details of the company's principal activities, its performance during the financial year and factors likely to affect its future development are contained within the Strategic Report which precedes this report.

Board Members and Lead Executive

The Board members and the executive director of the company who were in office during the year and up to the date of signing the financial statements are set out on page 2. Board members have been selected to achieve a complementary blend of skills and experience to ensure that the Board possesses the necessary skills and competencies to carry out its duties. This is supported by a Board appraisal system and a programme of Board development and training. At 31 March 2015, the Board was made up of four nominees from Stockton Borough Council, four tenants, three independents (selected for their specific skills) and one lead executive director.

The lead executive for the Tristar Homes Limited Board is David Pickard, Group Director of Operations. He held no interest in the company's shares and acted as an executive within the authority delegated by the Board. The Board also has the power to co-opt additional members should this be required.

No remuneration was paid to non-executive directors in the financial year (2014: £nil).

Service contracts

The lead executive is employed on the same terms as other staff, except that his notice period is three months and he receives a car allowance in addition to his basic salary.

Pensions

The lead executive is a member of the Teesside Pension Fund, a defined benefit final salary pension scheme. The executive director participated in the scheme on the same terms as all other eligible staff. The company contributed to the scheme on behalf of its employees.

The company has insurance policies that indemnify its board members against liability when acting for the company.

Directors' Indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Employees

The strength of the company lies in the quality of its employees. In particular, our ability to meet our objectives and commitments to tenants and other service users in an efficient and effective manner depends on their contribution.

The company shares information on its objectives, progress and activities through regular directorate and team meetings, as well as through updates sent to all staff and shared on Thirteen's intranet.

Report of the Board

A consultation and negotiation framework was developed and established during the year, consisting of trade union and staff representatives as well as employers, to ensure a robust means of communication and negotiation is in place between the employer and employees.

Tristar Homes Limited is committed to equal opportunities and supports the employment of disabled people, both in recruitment and in the retention of employees who become disabled whilst in the employment of the company. A People Strategy for Thirteen has been approved and is currently being implemented, and Thirteen will be assessed for Investors in People accreditation during 2015/16.

The Board is aware of its responsibilities on all matters relating to health and safety. The Health and Safety framework includes a group-wide Health and Safety Committee and work groups with representatives from all directorates. A Health and Safety policy statement, supported by detailed health and safety policies and procedures, has been developed, and training and education is provided for staff on health and safety matters.

Donations

The company made no donations in its own right in 2015 (total donations in 2014: £nil) and made no political donations (2014: £nil). Details of donations made by Thirteen on behalf of all group companies are contained in Report of the Board of Thirteen Housing Group Limited.

Financial Risk Management Objectives and Policies

The company uses various financial instruments including loans and cash, and other items such as rental arrears and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

The existence of these financial instruments exposes the company to a number of financial risks. The main risks arising from the company's financial instruments are considered by the directors to be interest rate risk, liquidity risk, counterparty and credit risk. The board review and agree policies for managing each of these risks and they are summarised below.

The company borrows and lends only in sterling and so is not exposed to currency risk.

Interest rate risk

The company finances its operations through a mixture of retained surpluses and bank borrowings. The company's exposure to interest fluctuations is managed by the use of both fixed and variable rate facilities, which have been set out on page 25 of the Strategic Report.

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and invest cash assets safely and profitably.

The maturity of borrowings is set out in note 23. In addition to drawn borrowings the company has £24.5million of undrawn committed facilities (2014: £48.5million).

Counterparty risk

The company's policy requires counterparties to reach a minimum standard based on a combination of rating agency ratings along with credit default swaps. All counterparties met this requirement at the balance sheet date.

Credit risk

The company's principal credit risk related to tenant arrears. This risk is managed by providing support to tenants with applications for housing benefit and to closely monitor the arrears of all tenants. As noted in the Operating and Financial Review, proposed changes to the benefits system has been identified as a key risk to the company.

Report of the Board

Going Concern

The company's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. The company has in place long-term debt facilities, including £24.5million of undrawn facilities at 31 March 2015, which provide adequate resources to finance committed reinvestment and development programmes along with the company's day to day operations.

The 2015 Summer Budget announced by the Chancellor of the Exchequer in July 2015, introduced reforms to the welfare system to make it more affordable, which included reducing rents in the social housing sector by 1% each year for four years from April 2016, along with other policies which have had a significant impact on our business. The government manifesto also includes a commitment to extend the Right to Buy scheme to registered providers which will also have an impact on our business going forward.

We have considered these reforms and built them into our revised business plan along with mitigating actions, including cost and activity reductions. The resulting long-term business plan for the company shows that it is able to service its debt facilities whilst continuing to comply with lender's covenants.

On this basis, the board has a reasonable expectation that the company has sufficient 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.

Internal Controls Assurance

The Board acknowledges its overall responsibility, applicable to all organisations within Thirteen, for establishing and maintaining a comprehensive system of internal control and risk management, and for reviewing its effectiveness.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by Thirteen is ongoing and has been in place throughout the year commencing 1 April 2014 up to the date of approval of the report and financial statements.

Key elements of the internal control framework include:

- Board approved terms of reference and delegated authorities for Thirteen's Audit and Risk, Remuneration and Treasury and Investment Committees;
- Standing orders, financial regulations and scheme of delegation approved by Audit and Risk Committee;
- Robust strategic and business planning processes with detailed financial budgets and forecasts;
- Clearly defined management responsibility for the identification, evaluation and control of significant risks;
- Development of a strategic risk register and subsequent quarterly detailed reviews by the Audit and Risk Committee and Board;
- Development of Directorate risk registers owned and regularly reviewed by each Directorate's senior management team.

Report of the Board

- Consideration of risks as part of decision making process at each Board meeting;
- Formal recruitment, retention, training and development policies for employees and Board Directors;
- Established projects and planning framework, with authorisation and appraisal procedures for all significant new initiatives and commitments;
- A considered and prudent approach to treasury management which is subject to review on an annual basis;
- Regular reporting of key performance indicators to Boards and senior management to assess progress towards the achievement of key business objectives, targets and outcomes;
- Board approved whistle-blowing, probity and financial impropriety (anti money laundering, fraud and bribery) policies;
- Regular monitoring of loan covenants and requirements for new loan facilities;
- Regular scenario and stress testing of business plans; and
- Detailed policies and procedures in each service area.

An exceptional events register is maintained and is reviewed by the Audit and Risk Committee on a quarterly basis. This records any suspected incidents of fraud and serious crime, breaches of governance policies including ICT and data governance and any other exceptional events including whistleblowing.

The purpose of the register is to demonstrate to the Audit and Risk Committee that the internal controls are operating, that appropriate policies are being adhered to and, where necessary, appropriate action has been taken to prevent similar occurrences and, where relevant, incidents have been reported to the HCA or other regulatory authority.

The Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the Audit and Risk Committee to regularly review the effectiveness of Thirteen's internal controls. The Board receives annual assurance reports from the Audit and Risk Committee and minutes of all Audit and Risk Committee meetings. The Audit and Risk Committee has received the Group Chief Executive's annual review of the effectiveness of the system of internal control for Thirteen, and the annual report of the internal auditor, and has reported its findings to the Board.

NHF Code of Governance

The Tristar Homes Limited Board, in line with the rest of Thirteen, has adopted the NHF Code of Governance (2015 edition) and complies with the principal recommendations within the Code.

The Audit and Risk Committee has agreed a protocol with the independent auditors, which sets out policies for determining the non-audit work that can be undertaken by the independent auditors and procedures for periodic review and selection of independent auditors. The level of fees paid for their work is set out in note 5 to the financial statements.

Report of the Board

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, Annual 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 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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and 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 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 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 Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditors

In accordance with Section 418, directors' reports shall include a statement, in the case of each director in office at the date the directors' report is approved, that:

(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and

(b) each director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Annual General Meeting

The annual general meeting will be held on 1 September 2015.

Independent Auditors

Following a comprehensive tender process, PricewaterhouseCoopers LLP were appointed as Independent Auditors for the Thirteen Housing Group Limited following approval by the Audit and Risk Committee in November 2014.

Report of the Board

The report of the Board was approved by the Board on 1 September 2015 and signed by order of the Board by:

Linda Minns
Company Secretary

Independent Auditors' Report to the Members of Tristar Homes Limited

Report on the financial statements

Our opinion

In our opinion, Tristar Homes Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the registered provider's affairs as at 31 March 2015 and of the registered provider's surplus 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 the Accounting Direction for Social Housing in England 2012.

What we have audited

The financial statements comprise:

- the registered provider balance sheet as at 31 March 2015;
- the registered provider income and expenditure account and statement of total recognised surpluses and deficits for the year then ended;
- the registered provider statement of historical cost surpluses and deficits for the year then ended;
- the reconciliation of movement in registered provider funds;
- the registered provider 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 applicable law and United Kingdom Accounting Standards (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 Strategic Report and the Report of the Board 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 or returns adequate for our audit have not been received from branches not visited by us; or

Independent Auditors' Report to the Members of Tristar Homes Limited

- the registered provider 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 Statement of Directors' Responsibilities set out on page 32, 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 and 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 and 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 registered provider'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 and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially

Independent Auditors' Report to the Members of Tristar Homes Limited

Greg Wilson

Greg Wilson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
25 September 2015

The maintenance and integrity of the Tristar Homes Limited 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.

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

Income and Expenditure Account

	Note	2015 £'000	2014 Restated £'000
Turnover	3	44,434	42,741
Cost of sales	3	(351)	-
Operating costs	3	(37,534)	(44,749)
Operating surplus/(deficit)	5	6,549	(2,008)
(Deficit)/Surplus on sale of fixed assets - housing properties	6	(367)	707
Interest receivable and other income	7	20	24
Interest payable and similar charges	8	(1,884)	(1,529)
Other finance income	9	388	232
Surplus/(deficit) on ordinary activities before taxation		4,706	(2,574)
Tax on surplus/(deficit) on ordinary activities	11	-	-
Surplus/(deficit) for the year	21	4,706	(2,574)

The company's results relate wholly to continuing activities.

The accompanying notes form part of these financial statements.

The financial statements on pages 37 to 70 were approved and authorised for issue by the Board of Directors on 1 September 2015 and signed on its behalf by:

Director

MARK SIMPSON

Director

JAMES NEIL PATTISON

Statement of Total Recognised Surpluses and Deficits

	2015 £'000	2014 £'000
Surplus/(deficit) for the year	4,706	(2,574)
Unrealised surplus/(deficit) on revaluation of housing properties	4,533	(307)
Unrealised surplus on revaluation of non-housing properties	156	250
Release of revaluation uplift on demolition of housing properties	-	(540)
Actuarial (deficit)/surplus relating to pension scheme	(4,493)	1,232
Total recognised surpluses and deficits relating to the year	4,902	(1,939)

Note of Historical Cost Surpluses and Deficits

	2015 £'000	2014 £'000
Reported surplus/(deficit) on ordinary activities before taxation	4,706	(2,574)
Realisation of property revaluation gains	3,172	482
Excess of actual depreciation and impairment charge over historical cost depreciation and impairment	416	960
Historical cost surplus/(deficit) on ordinary activities before taxation	8,294	(1,132)
Historical cost retained surplus/(deficit)	8,294	(1,132)

Reconciliation of Movement in Company's Funds

	2015 £'000	2014 £'000
Opening total funds	119,078	121,017
Total recognised surpluses/(deficits) relating to the year	4,902	(1,939)
Closing total funds	123,980	119,078

The accompanying notes form part of these financial statements.

Balance Sheet

	Note	2015	2014 Restated
		£'000	£'000
Fixed assets			
Housing properties	12	179,887	159,318
Other fixed assets	13	13,904	9,564
Total fixed assets		193,791	168,882
Current assets			
Properties for sale	14	2,991	2,099
Stocks	15	209	130
Debtors	16	5,510	11,071
Investments	17	11,447	1,547
Cash at bank and in hand		27	51
		20,184	14,898
Creditors: amounts falling due within one year	18	(44,236)	(33,292)
Net current liabilities		(24,052)	(18,394)
Total assets less current liabilities		169,739	150,488
Creditors: amounts falling due after more than one year	19	30,141	20,000
Net pension liability	9	15,618	11,410
		45,759	31,410
Capital and reserves			
Revaluation reserve	21	122,082	120,981
Designated reserves	21	5,341	4,254
Revenue reserve	21	(3,443)	(6,157)
Company's funds		123,980	119,078
		169,739	150,488

The accompanying notes form part of the financial statements.

The financial statements on pages 37 to 70 were approved and authorised for issue by the Board of Directors on 1 September 2015 and signed on its behalf by:

Director

MARK SIMPSON
Tristar Homes Limited
Company number 04373638

Director

JAMES NEIL PATTISON

Cash Flow Statement

	Note	2015 £'000	2014 £'000
Net cash inflow/(outflow) from operating activities	24	15,793	(4,286)
Returns on investments and servicing of finance			
Interest received		20	24
Interest paid		(2,412)	(1,383)
Net cash outflow from returns on investments and servicing of finance		(2,392)	(1,359)
Capital expenditure and financial investment			
Purchase and construction of housing properties		(10,961)	(17,328)
Capitalised works to existing properties		(17,191)	(9,605)
Social housing grant received		3,362	4,506
Purchase of other fixed assets		(4,772)	(897)
Sale of housing properties		2,037	1,353
Net cash outflow from capital expenditure and financial investment		(27,525)	(21,971)
Management of liquid resources			
Cash withdrawn placed with money market deposit accounts		(9,900)	-
Net cash outflow before financing		(24,024)	(27,616)
Financing			
Loans received		24,000	29,000
Net cash inflow from financing		24,000	29,000
(Decrease)/increase in cash	26	(24)	1,384

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

1. Legal status

The company is registered under the Companies Act 2006 and is registered with the Homes and Communities Agency as a housing provider.

2. Accounting policies

Basis of accounting

The financial statements of the company are prepared in accordance with UK Generally Accepted Accounting Principles (UK GAAP), the Companies Act 2006 and the Statement of Recommended Practice (SORP): accounting by Registered Housing Providers Update 2010 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2012. Accounting policies have been applied consistently throughout the year. The financial statements are prepared on a going concern basis, under the historical cost convention as modified by valuation of certain assets.

A true and fair override of the Companies Act 2006 has been made in respect of the treatment of capital grants. Further detail as to the reasons for this are provided below.

Turnover

Turnover comprises income from lettings, revenue grants and contract income, income from properties built for outright sale and first tranche shared ownership sales and income from the supply of other goods and services.

Rents and service charges from lettings are recognised net of losses from voids. Income is recognised from the date the property is first let.

Income from first tranche shared ownership sales and properties built for outright sale is recognised at the point of legal completion of the sale.

Income from the supply of other goods and services is recognised at the invoiced amount, net of VAT, in the period that the goods or services were supplied.

Grants relating to revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which they relate.

Supporting People and other contract income is recognised when it is entitled to be received under the terms of the contract.

Value added tax

The company charges VAT on a small part of its income and is able to recover VAT on expenditure related to that income. The company also operates a partial exemption method that allows it to reclaim VAT on a proportion of its overheads.

The company has in place an agreement with the local authority to improve existing properties. This agreement allows the company to recover VAT on the improvement works to existing properties that fall under the terms of the agreement.

The financial statements of the company include VAT to the extent that it is borne by the company and not recoverable from HM Revenue and Customs. The balance of VAT receivable or payable is included in debtors or creditors.

2. Accounting policies

Interest Receivable and Payable

Interest is capitalised on borrowings to finance developments, to the extent that it accrues in the financial year of development, if it represents either interest on borrowings specifically financing the development programme after the deduction of Social Housing Grant (SHG) in advance or interest on the borrowings of the company as a whole after deduction of SHG in advance, to the extent that they can be deemed to be financing the development programme. In the latter case a weighted average cost of borrowing is used.

Other interest payable and interest receivable is charged or credited to the income and expenditure account in the financial year in which it accrues.

Schemes managed by agents

The treatment of income and expenditure in respect of schemes managed by agents depends on the nature of the management arrangement and whether the company retains the financial risk.

Where the company retains the financial risk, all of the scheme's income and expenditure is included in the company income and expenditure account.

Where the agent carries the financial risk, the income and expenditure account includes only that income and expenditure that relates solely to the company.

Interests in joint arrangements

The company has contractual agreements with other participants to engage in joint activities that do not create an entity carrying on trade or business of its own. The company accounts for its own share of assets, liabilities and cash flows in such joint arrangements, measured in accordance with the terms of the arrangement.

Leased assets

The rental payable under operating leases is charged to the income and expenditure account on a straight-line basis over the term of the lease.

Retirement benefits

The company participates in the Teesside Pension Fund (TPF).

For the TPF the net scheme asset or liability is recognised in the balance sheet. The operating costs of providing retirement benefits to participating employees are recognised in the financial years in which the benefits are earned. The related finance costs, expected return on assets and any other changes in fair value of the assets and liabilities are recognised in the financial year in which they arise. The operating costs, finance costs and expected return on assets are recognised in the income and expenditure account with any other changes in fair value of assets and liabilities being recognised in the statement of total recognised surpluses and deficits.

2. Accounting policies

Taxation

Any charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Income and capital gains are generally exempt from tax if applied for charitable purposes

Housing Properties

Housing properties are principally properties available for rent and properties subject to shared ownership leases.

Completed housing properties and housing properties under construction are measured initially at cost less related social housing grant and other capital grants. Costs include the direct costs of acquisition including fees, development staff costs, development period interest and expenditure incurred on improvements.

Completed housing properties are stated at cost or valuation depending on the category of asset as follows:

- Social Housing properties – Existing use value for social housing (EUV-SH)
- Intermediate Market Rent – historic cost net of depreciation provided this approximates to Open Market Value
- Market Rent – Existing use value for social housing (EUV-SH)
- Other non-social housing – historic cost net of depreciation
- Commercial properties - Existing use value for social housing (EUV-SH)

Expenditure on improvements that enhance the economic benefits of an asset by increasing its rental stream, reducing future maintenance costs or significantly extending its useful economic life, or that restores or replaces a component that has been treated separately for depreciation purposes, is capitalised.

Shared ownership and other shared equity schemes

The cost of unsold shared ownership properties, including those under construction, are split proportionally between current and fixed assets according to the expected percentage of the first tranche sale. The cost of the expected first tranche is included in current assets with the remainder being included in fixed assets.

Loans to purchasers of properties sold under shared equity schemes are included in fixed asset investments.

2. Accounting policies

Depreciation of Housing Properties

Freehold land is not depreciated. Depreciation of buildings is provided on the cost net of social housing grant, or valuation, so as to write down the net book value of housing properties to their estimated residual value. Depreciation is calculated on a straight line basis over the useful economic life of the building. Rates range from 0.8% - 1.25% per annum.

Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

Major components are treated as separable assets and depreciated over their expected useful economic lives, or the lives of the structure to which they relate if shorter. The rates are as follows:

Land	Not depreciated
Structure	0.8% - 4%
Roofs	2%
Kitchens	5%
Bathrooms	3.33%
Windows	3.33%
Doors	3.33%
Electrical	2%
Heating	6.67%
PV Panels	4%

Other tangible fixed assets

Other fixed assets are measured at cost. Only costs that can be directly attributed to acquiring the asset and bringing it into use are capitalised. Other fixed assets are depreciated over their useful economic lives on a straight line basis to their residual value. Freehold land is not depreciated.

The principal annual rates used for the depreciation of other fixed assets are:

Freehold buildings	0.8% - 4%
Leasehold property	Over life of lease
Furniture and fittings	20%
Computers and office	20%
Motor vehicles	20%
Other plant and equipment	10%
Market rented equipment	10%
Service chargeable fittings	4% - 20%

Impairment

Fixed assets with a remaining useful economic life in excess of 50 years are subject to an annual impairment review. Other fixed assets are reviewed for impairment if there is an indication that impairment may have taken place.

Where there is evidence of impairment, fixed assets are written down to their recoverable amount, being the higher of the net realisable value and the value-in-use. Any such write down is charged to the operating surplus, unless it is a reversal of a past revaluation surplus in which case it is taken to the statement of total recognised surpluses and deficits.

Notes to the Financial Statements

2. Accounting policies

Social Housing Grant

Social Housing Grant (SHG) is receivable from the Homes and Communities Agency (HCA) and is utilised to reduce the capital cost of housing properties including land costs. It is allocated to the land and structure components in proportion to their cost. SHG due from the HCA or received in advance is included as a current asset or liability. SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same financial year as the expenditure to which it relates.

SHG is subordinated to the repayment of loans by agreement with the HCA.

SHG released on the sale of a property may be repayable but is normally available to be recycled and is credited to the RCGF and included in the balance sheet in creditors.

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which has been allocated to the component is released to the income and expenditure account. Upon disposal of the associated property, the company is required to recycle these proceeds. A contingent liability is disclosed to reflect this.

Stocks and Work-in-progress

Stocks of properties for sale including shared ownership first tranche sales, completed properties for outright sale and properties under construction, are valued at the lower of cost and net realisable value. Cost includes direct costs, attributable overheads and development period interest. Net realisable value is based on estimated sales price after allowing for further costs of completion and disposal.

Stocks of repair materials are valued at the lower of cost and net realisable value.

Agreement to Improve Existing Properties

The company entered into an agreement to purchase improved properties from the local authority and, at the same time, entered into a sub-contracting agreement to carry out those improvements on behalf of the local authority for a fixed sum established in advance.

The impact of these two transactions is that, whilst the local authority has a legal obligation to the company to complete the refurbishment works, this work has been contracted back to the company which is also legally obligated.

The underlying substance of the transaction is therefore that the company has acquired the properties in their existing condition at their agreed value, and will complete certain repairs and improvements in line with the legal agreement.

In the opinion of the directors, the commercial effect of these transactions, when viewed as whole, does not in practice create separate assets and liabilities for reporting purposes. Therefore the resulting debit and credit balances relating to the legal obligation of the council to complete the refurbishment works for the company and the equal and opposite legal obligation of the company to perform the refurbishment works for the council have been offset, and are not recorded in the balance sheet.

Notes to the Financial Statements

2. Accounting policies

Disposal Proceeds Fund

As required by Section 177 of the Housing and Regeneration Act 2008, the company credits to a Disposal Proceeds Fund the net disposal proceeds from Right to Acquire sales. Net disposal proceeds comprise gross disposal proceeds less eligible deductions. The purpose of the DPF is to provide replacement properties and its use is subject to certain conditions. The balance of the DPF is included in creditors.

Reserves

The company establishes designated reserves for funds that are internally earmarked for a particular purpose and restricted reserves for funds that are subject to external restrictions.

Where properties are held at valuation, the difference between the valuation and the carrying value of the housing properties is credited to the revaluation reserve.

Notes to the Financial Statements

3. Particulars of turnover, cost of sales, operating costs and operating surplus/(deficit)

Continuing activities

2015

	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus/ (deficit) £'000
Social housing lettings	42,431	-	(35,445)	6,986
Other social housing activities				
Current asset property sales	558	(351)	-	207
Charges for support services	-	-	(19)	(19)
Development costs not capitalised	-	-	(174)	(174)
Management services	-	-	(91)	(91)
Regeneration activities	33	-	(886)	(853)
Other	619	-	(380)	239
	1,210	(351)	(1,550)	(691)
Non-social housing activities				
Lettings	614	-	(31)	583
Development for sale	-	-	-	-
Management services	(1)	-	-	(1)
Restructuring Costs	-	-	(541)	(541)
Other	180	-	33	213
	793	-	(539)	254
	44,434	(351)	(37,534)	6,549

2014 Restated

	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus/ (deficit) £'000
Social housing lettings	41,107	-	(41,985)	(878)
Other social housing activities				
Current asset property sales	-	-	-	-
Charges for support services	-	-	-	-
Development costs not capitalised	-	-	(101)	(101)
Management services	33	-	-	33
Regeneration Activities	-	-	(987)	(987)
Other	800	-	(402)	398
	833	-	(1,490)	(657)
Non-social housing activities				
Lettings	620	-	(41)	579
Development for sale	-	-	-	-
Management services	-	-	-	-
Restructuring Costs	-	-	(973)	(973)
Other	181	-	(260)	(79)
	801	-	(1,274)	(473)
	42,741	-	(44,749)	(2,008)

3. Particulars of income and expenditure from social housing lettings

	General needs housing £'000	Supported housing and housing for older people £'000	Low cost home ownership £'000	2015 Total £'000	2014 Total £'000
Rent receivable net of identifiable service charges	41,012	277	24	41,313	39,771
Service charge income	1,118	-	-	1,118	1,336
Turnover from social housing lettings	42,130	277	24	42,431	41,107
Management	(6,103)	(97)	(10)	(6,210)	(7,538)
Service charge costs	(2,021)	(44)	(2)	(2,067)	(1,279)
Routine maintenance	(9,365)	(36)	(16)	(9,417)	(8,381)
Planned maintenance	(1,721)	(9)	(3)	(1,733)	(1,858)
Major repairs expenditure	(10,274)	-	-	(10,274)	(20,230)
Bad debts	(202)	(1)	-	(203)	(616)
Depreciation of housing properties	(2,449)	(9)	(4)	(2,462)	(2,083)
Impairment of housing properties	(3,062)	(12)	(5)	(3,079)	-
Operating costs on social housing lettings	(35,197)	(208)	(40)	(35,445)	(41,985)
Operating surplus on social housing lettings	6,933	69	(16)	6,986	(878)
Void losses	(1,184)	(3)	-	(1,187)	(822)

Particulars of turnover from non-social housing lettings

	2015 £'000	2014 £'000
Non-social housing		
Commercial units	188	185
Garages	426	435
	614	620

4. Accommodation in management and development

At the end of the year accommodation in management for each class of accommodation was as follows:

	2015 No. of properties	2014 No. of properties
Social housing		
General housing		
- social rent	8,922	9,303
- affordable rent	1,059	770
Supported housing and housing for older people	85	17
Low cost home ownership	44	2
Total owned	10,110	10,092
General housing managed for others	9	9
Leasehold properties	300	294
Total owned and managed	10,419	10,395
Other property types		
Commercial units	60	60
Garage sites	297	297
Leased garages	1,494	1,494
Non-social housing leasehold	12	-
Total owned and managed	1,863	1,851
Accommodation in development at the year end	214	403

5. Operating surplus/(deficit)

	2015 £'000	2014 Restated £'000
This is arrived after charging:		
Depreciation of social housing properties	2,462	1,993
Impairment of housing properties	3,079	-
Depreciation of other tangible fixed assets	302	319
Operating lease rentals		
- Land and buildings	116	338
- Office equipment and computers	3	6
- Motor vehicles	150	-
Auditors' remuneration (excluding VAT)		
- for audit services	-	14

Audit fees of £89,940 (2014 restated: £90,277) for the entire Thirteen Housing Group Limited are recognised in the ultimate parent undertaking.

6. (Deficit)/surplus on sale of fixed assets

	2015 £'000	2014 £'000
Housing properties		
Disposal proceeds	1,468	1,449
Repayable to the local authority	(269)	(89)
Carrying value of fixed assets	(1,425)	(644)
Administrative costs of sale	-	(9)
	(226)	707
Disposal proceeds fund (note 20)	(141)	-
	(367)	707

7. Interest receivable and other income

	2015 £'000	2014 £'000
Bank interest receivable and similar income	20	24
	20	24

8. Interest payable and similar charges

	2015 £'000	2014 £'000
Loans and bank overdrafts	2,304	1,372
Interest payable capitalised on housing properties under construction	(420)	-
Other interest payable	-	157
	1,884	1,529
Average interest rate used to determine the amount of finance costs capitalised during the financial year	3.89%	-

Notes to the Financial Statements

9. Employees

Average monthly number of employees:	**2015 Number**	**2014 Number**
Housing, support and care	249	323
	249	323

Expressed as full time equivalents:	**2015 Number**	**2014 Number Restated**
Housing, support and care	232	288
	232	288

Employee costs:

	2015 £'000	**2014 £'000 Restated**
Wages and salaries	7,301	8,054
Social security costs	509	559
Other pension costs	730	712
	8,540	9,325
Restructuring costs	541	457
	9,081	9,782

Other pension costs exclude current service costs accounted for under FRS17. These service costs amounted to £103k for the financial year (2014: £561k).

Past service deficits payments to the Teesside Pension Fund are also excluded. These payments amount to £267k for the financial year (2014: £0).

Restructuring costs have been included in operating costs in 2013/14 and 2014/15 and relate to redundancy and associated costs following the formation of Thirteen Housing Group Limited.

9. Employees

The company participates in two pension schemes, the Social Housing Pension Scheme and the Teesside Pension Fund. Both are defined benefit multi-employer schemes.

The Social Housing Pension Scheme

The Social Housing Pension Scheme (the Scheme) is a defined benefit multi-employer scheme. The Scheme is funded and is contracted-out of the State Pension scheme.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the Scheme is a multi-employer scheme where the Scheme assets are co-mingled for investment purposes, and benefits are paid from total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the year under FRS17 represents the employer contribution payable. During the year the company contributed £40,623 (2014: £8,082) to the Scheme.

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

The last formal valuation of the Scheme was performed as at 30 September 2011 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £2,062 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035 million, equivalent to a past service funding level of 67%.

The Scheme Actuary is currently finalising the 2014 valuation but key provisional results have been confirmed. As at 30 September 2014 the market value of the Scheme's assets was £3,123 million. There was a shortfall of assets compared with the value of liabilities of £1,323 million, equivalent to a past service funding level of 70%.Tristar Homes Limited is not currently obligated to contribute to the funding of past deficits.

The company has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme based on the financial position of the Scheme as at 30 September 2014. As of this date the estimated employer debt for the company was £nil.

Teesside Pension Fund

The company participates in the Teesside Pension Fund Scheme, a multi-employer defined benefit scheme with more than one participating employer, which is administered by Middlesbrough Council under the regulations governing the Local Government Pension Scheme (LGPS). Triennial actuarial valuations of the pension scheme are performed by an independent, professionally qualified actuary using the projected unit method. The most recent formal actuarial valuation was completed as at 31 March 2013.

The employer's contributions to the Teesside Pension Fund by Tristar Homes Limited for the year ended 31 March 2015 were £1,555,000 (2014: £876,000). The employer's contribution rate was fixed as 14.8% of pensionable pay until 31 March 2017.

Financial assumptions	**31 March 2015**	**31 March 2014**
	% p.a.	**% p.a.**
Discount rate	3.2	4.3
RPI Inflation	2.9	3.4
CPI Inflation	1.8	2.4
Rate of increase to pensions in payment	1.8	2.4
Rate of increase to deferred pensions	1.8	2.4
Rate of general increase in salaries	3.3	3.9

9. Employees

Teesside Pension Fund (continued)

Mortality assumptions

The mortality assumptions are based on the recent actual mortality experience of members within the fund and allow for expected future mortality improvements.

Post retirement mortality (retirement in normal health)

2015 and **2014**: Year of birth base table, scaling 100% standard SAPS Normal Health All Amounts (S1NMA Male/ SINFA Female). CMI 2012 with a long term rate of improvement of 1.5% p.a.

Future lifetime from age 65:		31 March 2015	31 March 2014
		No. of years	**No. of years**
Aged 65 at accounting date	Males	23.0	22.9
	Females	25.2	25.4
Aged 45 at accounting date	Males	25.5	25.1
	Females	27.8	27.7

Commutation

Each member is assumed to surrender pension on retirement, such that total cash received (including any lump sum from pre 2008 service) is 80% of the permitted maximum.

Analysis of the amount charged to the income and expenditure account

	2015 £'000	2014 £'000
Current service cost	1,372	1,437
Amounts charged to operating costs	1,372	1,437

	2015 £'000	2014 £'000
Expected return on scheme assets	2,346	2,177
Interest on scheme liabilities	(1,958)	(1,945)
Amounts credited to other finance income	388	232
Actual return on scheme assets	3,138	1,751

Notes to the Financial Statements

9. Employees

Teesside Pension Fund (continued)

Statement of total recognised surpluses and deficits

	2015 £'000	2014 £'000
Actuarial (loss)/gain in pension scheme recognised in STRSD	(4,493)	1,232
	(4,493)	1,232
Cumulative actuarial loss recognised in STRSD	(8,955)	(4,462)

Amounts recognised in the balance sheet

Net pension liability	2015 £'000	2014 £'000
Present value of funded obligation	(53,182)	(45,111)
Fair value of scheme assets	37,564	33,701
Net liability recognised in the balance sheet	(15,618)	(11,410)

Reconciliation of opening and closing balances of the present value of scheme liabilities

	2015 £'000	2014 £'000
Opening scheme liabilities	(45,111)	(43,578)
Current service cost	(1,372)	(1,437)
Interest cost	(1,958)	(1,945)
Actuarial (losses)/gains	(5,285)	1,658
Benefits paid	1,280	616
Contributions by scheme participants	(450)	(425)
Past service cost	(286)	-
Closing scheme liabilities	(53,182)	(45,111)

9. Employees

Teesside Pension Fund (continued)

Reconciliation of opening and closing balances of the fair value of scheme assets

	2015 £'000	2014 £'000
Opening fair value of scheme assets	33,701	31,265
Expected return on scheme assets	2,346	2,177
Actuarial gains/(losses)	792	(426)
Contributions by employer	1,555	876
Contributions by scheme participants	450	425
Benefits paid	(1,280)	(616)
Closing fair value of scheme assets	37,564	33,701

Amounts for the current and previous five financial years

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Present value of scheme liabilities	(53,182)	(45,111)	(43,578)	(39,508)	(30,956)
Fair value of scheme assets	37,564	33,701	31,265	26,791	26,993
Deficit on scheme	(15,618)	(11,410)	(12,313)	(12,717)	(3,963)
Experience adjustment on plan liabilities	157	1,541	25	-	(1,683)
Experience adjustment on plan assets	792	(426)	2,542	(2,227)	(885)

Notes to the Financial Statements

10. Directors and higher paid staff

The full time equivalent number of staff who received emoluments:

	2015 Number	2014 Number
£60,000 to £70,000	-	1
£70,001 to £80,000	1	1
£80,001 to £90,000	-	1
£90,001 to £100,000	-	-
Over £100,000	-	-

The Chief Executive and other executive directors were employed by Thirteen Housing Group Limited. A charge for their costs has been included within the management charge for the financial year. David Pickard, Group Director of Operations, is the lead executive director for Tristar Homes Limited. No emoluments were paid directly by Tristar Homes Limited to executive directors (2014: £nil). Details of emoluments paid to executive directors are detailed in the Annual Report and Financial Statements of Thirteen Housing Group Limited.

Non-executive directors

Non-executive directors are set out on page 2. Non-executive directors were reimbursed for out-of-pocket expenses through Thirteen Housing Group Limited. A charge for these costs has been included within the management charge for the financial year.

11. Tax on surplus/(deficit) on ordinary activities

	2015 £'000	2014 £'000
Current tax		
UK corporation tax on surplus/(deficit) for the year	-	-

Factors affecting tax charge for the current year

The tax charge for the year differs (2014: equals) from the standard rate of corporation tax in the UK of 21% (2014: 23%).
The differences are explained below:

	2015 £'000	2014 £'000
Surplus on ordinary activities before taxation	4,706	(2,574)
Tax on profit at standard UK tax rate of 21% (2014: 23%)	941	(515)
Effects of:		
Non-taxable income	(941)	515
Current tax charge for the year	-	-

Factors that may affect future tax charges

On the basis that future income and gains will be applied for charitable purposes, the company should fall within the tax exemptions available to charitable entities.

Notes to the Financial Statements

12. Housing properties

	Social housing properties held for letting £'000	Housing properties for lettings under construction £'000	Completed shared ownership housing properties £'000	Shared ownership properties under construction £'000	Total housing properties £'000
Cost or valuation					
At 1 April 2014	143,251	16,190	78	2,957	162,476
Additions	1,019	7,538	140	3,177	11,874
Works to existing properties	17,191	-	-	-	17,191
Interest capitalised	-	301	-	119	420
Schemes completed	10,652	(10,652)	1,903	(1,903)	-
Disposals	(5,338)	-	-	-	(5,338)
Transfers to other fixed assets	-	(249)	-	-	(249)
Transfers to current assets	-	(702)	-	(813)	(1,515)
Valuation adjustment	(247)	-	(589)	-	(836)
At 31 March 2015	166,528	12,426	1,532	3,537	184,023
Accumulated depreciation and impairment					
At 1 April 2014	-	-	-	-	-
Depreciation charged in year	2,158	-	1	-	2,159
Impairment charged in year	3,079	-	-	-	3,079
Depreciation released on disposal	(26)	-	-	-	(26)
Disposal of previously impaired properties	-	-	-	-	-
Valuation adjustment	(2,132)	-	(1)	-	(2,133)
At 31 March 2015	3,079	-	-	-	3,079
Social Housing Grant					
At 1 April 2014	-	3,158	-	-	3,158
Additions	-	795	-	405	1,200
Schemes completed	2,983	(2,935)	318	(366)	-
Disposals	-	-	-	-	-
Valuation adjustment	(2,983)	-	(318)	-	(3,301)
At 31 March 2015	-	1,018	-	39	1,057
Net book value					
At 31 March 2015	163,449	11,408	1,532	3,498	179,887
At 31 March 2014	143,251	13,032	78	2,957	159,318

Notes to the Financial Statements

12. Housing properties

Historical cost

	Social housing properties held for letting £'000	Housing properties for lettings under construction £'000	Completed shared ownership housing properties £'000	Shared ownership properties under construction £'000	Total housing properties £'000
Cost					
At 1 April 2014	34,146	16,191	-	2,957	53,294
Additions	1,019	7,538	140	3,177	11,874
Works to existing properties	2,290	14,901	-	-	17,191
Interest capitalised	-	301	-	119	420
Schemes completed	10,652	(10,652)	1,903	(1,903)	-
Disposals	(134)	-	-	-	(134)
Transfers to other fixed assets	-	(249)	-	-	(249)
Transfers to current assets	-	(702)	-	(813)	(1,515)
At 31 March 2015	47,973	27,328	2,043	3,537	80,881
Accumulated depreciation and impairment					
At 1 April 2014	2,283	-	-	-	2,283
Depreciation charged in year	868	-	12	-	880
Impairment charged in year	3,079	-	-	-	3,079
Depreciation released on disposal	(23)	-	-	-	(23)
Disposal of previously impaired properties	-	-	-	-	-
At 31 March 2015	6,207	-	12	-	6,219
Social Housing Grant					
At 1 April 2014	1,742	3,158	-	-	4,900
Additions	-	795	-	405	1,200
Schemes completed	2,983	(2,935)	318	(366)	-
Disposals	-	-	-	-	-
At 31 March 2015	4,725	1,018	318	39	6,100
Net book value					
At 31 March 2015	37,041	26,310	1,713	3,498	68,562
At 31 March 2014	30,121	13,033	-	2,957	46,111

12. Housing properties

Valuation

Completed housing properties were revalued on the 31 March 2015 and are stated at their Existing Use Value for Social Housing (EUV-SH), including notional directly attributable acquisition costs. The company's housing properties have been valued by professional external valuers, Savills Plc. The full valuation of the properties was undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors.

The value of the properties on an existing use for social housing basis, including properties under construction, was £179.9million (2014: £159million), and this valuation has been reflected in the valuation of the properties in the financial statements as follows:

	2015 £'000	2014 £'000
Completed properties at valuation		
Properties held for letting	163,449	143,251
Shared ownership and intermediate market rent	1,532	78
Properties under construction at cost less SHG		
Properties held for letting	11,408	13,033
Shared ownership and intermediate market rent	3,498	2,957
	179,887	159,319

On valuation, the surplus of £4.5million (2014 deficit £0.1million) over the carrying value has been taken to the revaluation reserve.

It should be noted that Savills Plc. also reported on the value of the properties for loan security purposes, which is reported as £154.0million (2014: £148.5million).

Valuation assumptions

In valuing the housing properties, discounted cash flow methodology was adopted and key assumptions included:

	2015	2014
Discount rate	6.20%	5.5% to 5.75%
Annual inflation rate	1.5%	2.0% to 2.5%

Rental growth is assumed at CPI+1%.

Intermediate market rented properties are valued at historic cost net of depreciation assuming this approximates to Open Market Value.

Notes to the Financial Statements

12. Housing properties

Social Housing Grant

Total accumulated Social Housing Grant receivable at 31 March was:

	2015 £'000	2014 £'000
Capital grants	6,100	4,901
	6,100	4,901

Housing properties book value, net of depreciation and grants

	2015 £'000	2014 £'000
Freehold land and buildings	179,887	159,318
Long leasehold land and buildings	-	-
	179,887	159,318

Expenditure on works to existing properties

	2015 £'000	2014 £'000
Amounts capitalised	17,191	9,605
Amounts charged to income and expenditure account	10,274	20,934
	27,465	30,539

Impairment

The company considers individual schemes to be separate income generating units when assessing for impairment, in accordance with Financial Reporting Standard 11: Impairment of Fixed Assets and Goodwill.

An impairment provision of £3.1million was made in 2015 (2014: £nil).

Notes to the Financial Statements

13. Other fixed assets

	Freehold land and buildings	Furniture Fittings and ICT / Office equipment	Other plant and equipment	Motor vehicles	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Cost or valuation					
At 1 April 2014	8,281	1,699	-	550	10,530
Additions	3,735	502	249	-	4,486
Disposals	-	-	-	-	-
Surplus on revaluation	78	-	-	-	78
At 31 March 2015	12,094	2,201	249	550	15,094
Accumulated depreciation					
At 1 April 2014	-	808	-	158	966
Charged in year	78	114	-	110	302
Released on disposal	-	-	-	-	-
Released on revaluation	(78)	-	-	-	(78)
At 31 March 2015	-	922	-	268	1,190
Net book value					
At 31 March 2015	12,094	1,279	249	282	13,904
At 31 March 2014	8,281	891	-	392	9,564

Commercial properties for letting are included in freehold land and buildings at valuation. Other freehold land and buildings are stated at cost.

Notes to the Financial Statements

14. Properties for sale

	2015 £'000	2014 £'000
Completed properties	2,991	809
Properties under construction	-	1,290
	2,991	2,099

15. Stocks

	2015 £'000	2014 £'000
Raw materials and consumables	209	130

16. Debtors

	2015 £'000	2014 Restated £'000
Due within one year		
Rent and service charges receivable	5,261	5,258
Less: provision for bad and doubtful debts	(1,344)	(1,869)
Net rental debtors	3,917	3,389
Prepayments and accrued income	281	17
Capital grants receivable	18	-
Revenue grants receivable	-	564
VAT reclaimable	89	1,478
Other debtors	31	1,228
Less: provision for bad and doubtful debts	-	(787)
Amounts owed by group undertakings	1,174	5,182
	5,510	11,071

Notes to the Financial Statements

17. Investments

	2015 £'000	2014 £'000
Deposit accounts	11,447	1,547
	11,447	1,547

18. Creditors: amounts falling due within one year

	2015 £'000	2014 Restated £'000
Debt (note 21)	33,000	19,000
Rent and service charges received in advance	897	616
Social housing grant received in advance	-	563
Development creditors	1,141	1,378
Major repairs creditors	1,673	1,190
Interest payable	155	106
VAT payable	148	-
Other taxation and social security	183	205
Other creditors	1,945	1,331
Accruals and deferred income	4,663	3,823
Restructuring costs	31	457
Amounts owed to group undertakings	400	4,623
	44,236	33,292

19. Creditors: amounts falling due after more than one year

	2015 £'000	2014 £'000
Debt (note 21)	30,000	20,000
Disposal proceeds fund (note 20)	141	-
	30,141	20,000

20. Disposal proceeds fund

	2015 £'000	2014 £'000
At 1 April	-	-
Net sales proceeds recycled	141	-
At 31 March	141	-

21. Debt analysis

Housing loans	2015 £'000	2014 £'000
Debt profile		
Bank loans at fixed rates of interest	30,000	20,000
Bank loans at variable rates of interest	33,000	19,000
	63,000	39,000

Terms of repayment and interest rates

Fixed rates of interest range from 5.76% to 6.32%.

Variable rates are at 1.25% over LIBOR.

Final instalments fall to be repaid in the period from 2019 to 2024.

Debt is repayable as follows:	2015 £'000	2014 Restated £'000
Within one year or on demand	33,000	19,000
One year or more but less than two years	-	-
Two years or more but less than five years	-	-
Five years or more	30,000	20,000
	63,000	39,000

All loans are secured by fixed charges over the company's properties.

As at 31 March 2015 the company had undrawn loan facilities of £24.5million (2014: £48.5million).

The debt due to be repaid within 1 year relates to loans where the loan tranches mature within 1 year, but which may be fully redrawn under the existing facilities (i.e. they are variable rate rollover loans) and there is no immediate refinancing risk.

22. Reserves

	Revaluation Reserve Housing Properties £'000	Designated Reserve £'000	Revenue Reserve £'000	Total Reserves £'000
At 1 April 2014	120,981	4,254	(6,157)	119,078
Surplus for the financial year	-	-	4,706	4,706
Surplus on revaluation of properties	4,533	-	-	4,533
Surplus on revaluation of non-housing properties	156	-	-	156
Actuarial gain relating to pension scheme	-	-	(4,493)	(4,493)
Transfer in respect of depreciation of revalued properties	(416)	-	416	-
Transfer in respect of realised gain on disposal of revalued properties	(3,172)	-	3,172	-
Transfers from revenue reserve	-	1,087	(1,087)	-
At 31 March 2015	122,082	5,341	(3,443)	123,980

Revaluation reserve

The revaluation reserve relates to the revaluation of housing properties and commercial properties held for letting.

Designated reserve

The company entered into a VAT arrangement with Stockton Borough Council as part of the stock transfer on 13th December 2010, enabling the company to recover VAT on the improvement works it carries out as part of its property investment programme. This reserve relates solely to the VAT recovered under this arrangement.

Revenue reserve

At 31 March 2015 the revenue reserve included £15.6million defined pension's liability (2014 restated: £11.4million).

Notes to the Financial Statements

23. Capital commitments

Capital expenditure commitments were as follows:	2015 £'000	2014 £'000
Expenditure contracted for, but not provided for in the financial statements	16,887	39,678
Expenditure authorised by the board, but not contracted	15,287	9,288
	32,174	48,966

The above commitments will be financed primarily through borrowings (£27.7million) which are available for draw-down under existing loan arrangements, with the balance (£4.5million) funded through Social Housing Grant, other grants and the company's own reserves.

24. Net cash inflow/(outflow) from operating activities

	2015 £'000	2014 Restated £'000
Operating surplus/(deficit)	6,549	(1,035)
Depreciation of tangible fixed assets	2,461	2,312
Impairment of tangible fixed assets	3,079	-
Pensions operating credit	1,658	1,437
Pension contributions paid	(1,555)	(876)
Deficit on sale of housing properties	(209)	-
	11,983	1,838
Working capital movements		
Decrease/(increase) in properties for sale	135	(1,897)
Increase in stock	(79)	-
Decrease/(increase) in debtors	5,561	(936)
(Decrease) in creditors	(1,807)	(2,318)
Net cash inflow/(outflow) from operating activities	15,793	(3,313)

25. Reconciliation of net cash flow to movement in net debt

	2015 £'000	2014 £'000
(Decrease)/increase in cash in the financial year	(24)	1,383
Cash flow from increase/(decrease) in liquid resources	9,900	(58,000)
Cash (inflow)/outflow from change in debt	(24,000)	29,000
Total changes in net debt for the financial year	(14,124)	(27,617)
Net debt at 1 April	(37,401)	(9,784)
Net debt at 31 March	(51,525)	(37,401)

26. Analysis of changes in net debt

	1 April 2014 £'000	Cash Flow £'000	31 March 2015 £'000
Cash at bank and in hand	51	(24)	27
Cash	51	(24)	27
Current asset investments	1,547	9,900	11,447
Debt	(39,000)	(24,000)	(63,000)
Net debt	(37,402)	(14,124)	(51,526)

27. Operating leases

The payments which the company is committed to make in the next financial year under operating leases are as follows:

	2015 £'000	2014 £'000
Land and buildings leases expiring		
One to five years	96	338
Over five years	283	-
	379	338
Office equipment and computers leases expiring		
Within one year	-	6
	-	6

Notes to the Financial Statements

28. Related party transactions

There were four tenant board members during the financial year, Paul Thomas, Glen Rudd, Denise Ross and Michelle Bendelow (to 29 May 2015). Their tenancies are on normal commercial terms and they are not able to use their position to their advantage.

There were four members of Stockton Borough Council on the board during the financial year, Steve Nelson, Robert Gibson O.B.E., Tina Large and Norma Stephenson O.B.E. Transactions with Stockton Borough Council during the financial year were on an arms-length basis and transactional amounts and outstanding balances as at 31 March 2015 are shown in the consolidated financial statements of Thirteen Housing Group Limited.

The company has taken advantage of the exemptions under FRS 8 'Related Party Transactions' not to disclose transactions with other group companies, apart from transactions with unregistered group entities as required by the Accounting Direction 2012. Services purchased from unregistered group entities are as follows:

Company	Service provided	Cost allocation basis	2015 £'000	2014 £'000
Vela Homes Limited	Management services	Assessment of time spent on key functions	-	4,150
Thirteen Care and Support Limited	Tenancy support		37	-

29. Agreement to improve existing properties

Tristar Homes Limited entered into an agreement to purchase improved properties from the local authority and, at the same time, entered into a sub-contracting agreement to carry out those improvements on behalf of the local authority for a fixed sum established in advance which was equal to the expected cost of the works. These contracts have enabled the company to recover VAT on the improvement costs that would otherwise have been expensed.

The impact of these transactions is that, whilst the local authority has a legal obligation to the company to complete the refurbishment works, this work has been contracted back to the company which is also legally obligated.

The underlying substance of the transaction is therefore that the company acquired the properties in their existing condition at their agreed value, and will complete certain repairs and improvements in line with the legal agreement.

In the opinion of the directors, the commercial effect of these transactions, when viewed as whole, does not in practice create separate assets and liabilities for reporting purposes. Therefore the resulting debit and credit balances relating to the legal obligation of the local authority to complete the refurbishment works for the company and the equal and opposite legal obligation of the company to perform the refurbishment works for the local authority have been offset, and are not recorded in the balance sheet.

At the point of entering the agreement, the estimated value of the improvements was £217million. As at the 31 March 2015 the value of invoiced work on which VAT had been reclaimed was £72million (2014:£52million).

Notes to the Financial Statements

30. Post balance sheet event

The 2015 Summer Budget announced by the Chancellor of the Exchequer in July 2015, introduced reforms to the welfare system to make it more affordable, which included reducing rents in the social housing sector by 1% each year for four years from April 2016, along with other policies which have had a significant impact on our business. The government manifesto also includes a commitment to extend the Right to Buy scheme to registered providers which will also have an impact on our business going forward.

We have considered these reforms and built them into our revised business plan along with mitigating actions, including cost and activity reductions. The resulting long-term business plan for the company shows that it is able to service its debt facilities whilst continuing to comply with lender's covenants.

31. Prior year adjustments

The prior year adjustments reflect the harmonisation of accounting policies as a result of the formation of the Thirteen Housing Group Limited. Accounting policies adopted for the year ended 31 March 2015 differ from those used in previous years and have resulted in restated figures in the following areas.

	2014	Adjustment	2014 Restated
Income and Expenditure Account	**£'000**	**£'000**	**£'000**
Original Operating Cost	(43,776)		(43,776)
Re-categorisation of restructure costs, previously presented as an exceptional item		(973)	(973)
	(43,776)	(973)	(44,749)
Exceptional items			
Re-categorisation of restructure costs, previously presented as an exceptional item	(973)	973	0
Balance Sheet			
Tangible Assets			
Re-categorisation of commercial property			
Housing Properties	167,600	(8,282)	159,318
Other Tangible Fixed Assets	1,282	8,282	9,564
	168,882	-	168,882
Debtors : amounts falling due after more than one year			
De-recognition of development agreement debtor, now offset against development agreement provision	164,676	(164,676)	-
Debtors			
Recognition of inter-company debtors, previously offset against creditors	6,448	4,623	11,071

31. Prior year adjustments (continued)

	2014	Adjustment	2014 Restated
	£'000	£'000	£'000
Current asset investments and cash in hand			
Re-categorisation of deposit accounts:			
Investments	-	1,547	1,547
Cash at bank and in hand	1,599	(1,547)	52
	1,599	-	1,599
Creditors: amounts falling due within one year			
Original Creditors Balance	(9,590)	-	(9,590)
Inter-group debtors, previously offset against creditors	-	(4,623)	(4,623)
Re-categorisation of loans outstanding due to repayment period	-	(19,000)	(19,000)
Re-categorisation of dilapidations provision, previously presented under Provisions	-	(79)	(79)
	(9,590)	(23,702)	(33,292)
Creditors: amounts falling due after more than one year			
Re-categorisation of loans outstanding	(39,000)	19,000	(20,000)
Provision for Liabilities			
De-recognition of development agreement provision	(164,676)	164,676	-
Re-categorisation of dilapidations provision	(79)	79	-
	(164,755)	164,755	-
Revenue Reserve			
Pension reserve consolidation	5,253	(11,410)	(6,157)
Pension Reserve			
Consolidation with revenue reserve	(11,410)	11,410	-

32. Ultimate parent undertakings and controlling party

The ultimate parent undertaking and controlling party is Thirteen Housing Group Limited, a company limited by guarantee and a Registered Provider incorporated in the UK.

Thirteen Housing Group Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 March 2015. The consolidated financial statements of Thirteen Housing Group Limited are available from the group's registered office at 2 Hudson Quay, Windward Way, Middlesbrough, TS2 1QG.