

Midlands Rural Housing and Village Development Association Limited

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2017

MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED
REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

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MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED
ASSOCIATION INFORMATION

FOR THE YEAR ENDED 31 MARCH 2017

Board of Management

Chairman: **Derrick Dyas**

Vice-Chairman: **Christopher Lambert**

Chris Sparrow (retired September 2016)
Sam Matthews (retired September 2016)
Janet Roberts (appointed September 2016)
David Skinner (also known as Fredrickson) (appointed September 2016)

Secretary: **Joanne Tilley**

Auditor: **KPMG LLP**
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Banker: **Barclays Bank PLC**

Registered Head Office: **Memorial House**
Stenson Road
Whitwick Business Park
Stenson Road
Coalville
Leicestershire
LE67 9JP

MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED

ANNUAL REPORT OF THE BOARD OF MANAGEMENT

FOR THE YEAR ENDED 31 MARCH 2017

Review of the Year

Your Board of Management have pleasure in presenting their report covering the activities of the Association for the 12 months ended 31 March 2017.

While the operating environment has been increasingly challenging, our objective of providing housing for people in rural communities who are unable to purchase or rent a home at existing market levels continues to be delivered.

Partnership working remains crucial to delivering our business aims, and we continue to support direct provision via our partner Rural Housing Associations (Peak District Rural Housing Association Limited, Warwickshire Rural Housing Association Limited, Northamptonshire Rural Housing Association Limited and Leicestershire Rural Housing Association Limited). All continue to demonstrate high levels of management performance, and service delivery throughout the period. Their business plan targets and their growth aspirations have also been achieved, and financial viability has been maintained.

Our specialist knowledge and expertise continues to be recognised by other organisations and agencies. Alongside this, we have continued to lobby for ongoing support for affordable rural housing at the National and Local level. We continue to contribute to the work of the National Rural Housing Alliance, and the National Housing Federation, and respond to Government consultations in respect of policy developments. Moving forward, this engagement will continue, and remain increasingly vital, if we are to influence the operating environment for the benefit of the business.

We have continued to facilitate, and promote our expertise in respect of rural housing enabling activity, and have continued to deliver on our contract as the rural enabling partner for Leicestershire. This has been supplemented by work we have undertaken for other partners, particularly Housing Associations, Local Authorities and Neighbourhood Plan groups. We have also taken the opportunity to expand our enabling work outside our traditional boundaries, particularly in the West Midlands. All of these add to the positive standing of the association, and enhance our reputation as a primary point of engagement on rural housing matters.

This activity has, again, generated additional income to strengthen our financial position, and is further recognition of the specialist knowledge and expertise of the Association. Our activities have continued to contribute to the diverse nature of the EMH Group, and we have been actively involved in the development and management of projects for emh homes.

MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED
ANNUAL REPORT OF THE BOARD OF MANAGEMENT

FOR THE YEAR ENDED 31 MARCH 2016

Review of the Year (continued)

The operating environment continues to be challenging and the outcome of the UK General Election in June 2017 created yet more uncertainty with no party gaining an overall majority. BREXIT continues to be a key issue, with social landlords being particularly concerned about the impact on development, financing and supply chain.

The Company and Group have sufficient financial resources based on forecasts and current expectations of future sector conditions. As a consequence, the Board believes that the Company and Group are well placed to manage their business risks successfully. The Board, has a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. The Board therefore continues to adopt the going concern basis in preparing these financial statements.

On behalf of the Board of Management

A handwritten signature in black ink, appearing to read 'Derrick Dyas', with a long, sweeping underline.

Derrick Dyas

Chairman

4 September 2017

MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED

STATEMENT OF BOARD'S RESPONSIBILITIES IN RESPECT OF THE BOARD'S REPORT AND THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

The Board is responsible for preparing the Board's Report and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

The financial statements are required by law to give a true and fair view of the state of affairs of the association and of its income and expenditure for that period.

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Association's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Association's auditor is aware of that information.

On behalf of the Board of Management



Derrick Dyas
Chairman

4 September 2017

MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED
STATEMENT OF INTERNAL CONTROLS ASSURANCE

FOR THE YEAR ENDED 31 MARCH 2017

The Group Board is the ultimate governing body for the emh group and is committed to the highest standards of business ethics and conduct across all the operating businesses. The Group has a robust culture of internal controls. The Group's risk management and control culture is further supported by the adoption of the National Housing Federation's Code of Governance.

The Group Board has overall responsibility for ensuring that a sound and comprehensive system of internal controls exists across the group and for reviewing its effectiveness. Control systems have been designed to proactively manage, rather than eliminate the risks of failure to achieve business objectives and provide reasonable, but not absolute assurance against misstatement or loss.

The Group Chief Executive and Directors have reviewed the effectiveness of the internal control and assurance arrangements and have confirmed to the Board that they all relevant regulations, policies and procedures have been complied with during the year. The Group Audit Committee has also expressed its satisfaction with these arrangements in its review of the effectiveness of internal control systems.

By order of the Board

A handwritten signature in black ink, appearing to read 'Derrick Dyas', with a stylized flourish at the end.

Derrick Dyas
Chairman

4 September 2017

MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MIDLANDS RURAL HOUSING
AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED

FOR THE YEAR ENDED 31 MARCH 2017

We have audited the financial statements of Midlands Rural Housing and Village Development Association Limited for the year ended 31 March 2017 set out in pages 9 to 22. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

Respective responsibilities of the Board and auditor

As more fully explained in the Statement of Board's Responsibilities set out on page 5, the association's Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the association as at 31 March 2016 and of its income and expenditure for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014. and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

**MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MIDLANDS RURAL HOUSING
AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED**

FOR THE YEAR ENDED 31 MARCH 2017

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

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



Sarah Brown

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

One Snowhill

Snow Hill Queensway

Birmingham

B4 6GH

15 September 2017

MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED
PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 £	2016 £
Turnover		378,891	373,531
Operating costs		(354,609)	(339,545)
Remeasurement of Social Housing Pension Scheme	13	-	(20,087)
Operating surplus		24,282	13,899
Interest payable and similar charges		(4,428)	(549)
Surplus on ordinary activities before taxation	3	19,854	13,350
Tax on Surplus on ordinary activities	7	(4,348)	(2,736)
Surplus and total comprehensive income for the year		15,506	10,614

Turnover is derived from continuing activities.

MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED
STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

	Note	2017 £	2016 £
Tangible fixed assets	8	7,914	10,896
Current assets			
Trade and other debtors	9	298,118	330,877
Cash and cash equivalents		194,558	95,955
Total current assets		492,676	426,832
Creditors: amounts falling due within one year	10	(335,488)	(282,304)
Net current assets		157,188	144,528
Total assets less current liabilities		165,102	155,424
Creditors: amounts falling due after one year	11	(54,980)	(60,535)
Provisions for liabilities			
Other provisions	12	(6,405)	(6,678)
Net assets		103,717	88,211
Capital and reserves			
Called up share capital	14	5	5
Revenue reserves		103,712	88,206
Total funds		103,717	88,211

These financial statements were approved by the board of directors on 4 September 2017 and were signed on its behalf by:

Derrick Dyas  Chairman

Christopher Lambert  Board Member

Joanne Tilley  Secretary

MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED
STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2017

	Called up share capital £	Revenue reserve £	Total equity £
Balance at 1 April 2016	5	88,206	88,211
Total comprehensive income for the period			
Surplus for the year	-	15,506	15,506
Balance at 31 March 2017	5	103,712	103,717

MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

1 LEGAL STATUS

The Company is incorporated under the Co-operative and Community Benefit Society Act 2014. The company registration number is 24278R and is a Public Benefit Entity. It's principal place of business is Whitwick Business Centre, Stenson Road, Whitwick Business Park, Coalville.

2 PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102").

The presentation currency of these financial statements is sterling. All amounts have been rounded to the nearest £1.00.

The Company's ultimate parent undertaking, East Midlands Housing Group Limited includes the company in its consolidated financial statements. The consolidated financial statements of East Midlands Housing Group are available to the public and may be obtained at www.emhgroup.org. In these financial statements, the company is considered to be a qualifying entity and has applied the exemptions available under FRS 102 in respect of the following disclosures:

Cash Flow Statement and related notes;
Key Management Personnel compensation; and
Related Parties note.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Measurement Convention

The financial statements are prepared on historical cost basis.

Going Concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Review of the Year section of the Annual Report. The Company is expected to continue to generate positive cash flows on its own account for the foreseeable future.

The Company and Group have sufficient financial resources based on forecasts and current expectations of future sector conditions. As a consequence, the Board believes that the Company and Group are well placed to manage their business risks successfully. The Board, has a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. The Board therefore continues to adopt the going concern basis in preparing these financial statements.

Fixed Assets and Depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight-line basis over the expected useful economic lives of the assets at the following annual rates:

Office furniture	10%
Computer equipment	20%

MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Employee Benefits

Defined benefit plans

A defined benefit plan is a post-employment plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plans assets is deducted. The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dated approximating to the terms of the Company's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The Company recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit.

Remeasurement of the net defined benefit liability is recognised in other comprehensive income.

The Company participates in 2 defined benefit plans as set out below:-

- The Pensions Trust Social Housing Pension Scheme
- The Pensions Trust Growth Plan

The Social Housing Pension Scheme (SHPS) provides benefits based on final pensionable pay. The assets of the scheme are held separately from the assets of the Company. The Company is unable to obtain sufficient information to use defined benefit accounting for this multi-employer plan, and accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period. To the extent that payment plans relate to funding a deficit, the contributions are recognised as a liability payable arising from the agreement with the multi-employer plan and results in a charge to the profit and loss account. Where these payments are not expected to be settled within 12 months the liability is measured at the present value of contributions payable.

Provisions

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

The Company recognises a provision for annual leave accrued by employees as a result of services rendered in the current period and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary costs for the period of absence.

MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Taxation

Tax on the profit or loss for the year comprises current and deferred tax.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related different, using tax rates enacted or substantively enacted at the balance sheet date.

Turnover

Turnover represents fee income receivable from the sale of services and grants receivable from third parties.

Expenses

Operating Costs

Operating costs represent the costs and overheads associated with delivering the services rendered.

Operating leases

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Key judgements and estimates

The key estimates and judgments used in preparing these financial statements are; the estimated value of fixed assets, the recoverability of debts, pension liability and the categorisation of assets.

MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017

	2017 £	2016 £
3 SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		
Surplus on ordinary activities before taxation is stated after charging:		
Expenses reimbursed to the Board of Management	52	99
Depreciation of tangible fixed assets	2,982	2,180
Auditor's remuneration - for the audit of the annual accounts	4,158	3,465
- for other services	3,776	3,700
Operating lease payments		
Land & Buildings	27,312	30,392

4 HOUSING STOCK

The Company manages the following properties on behalf of other Housing Associations:

	2017 Number	2016 Number
Social housing accommodation		
General needs rented	1,333	1,322
Low cost home ownership	234	233
Total social housing managed	1,567	1,555

5 STAFF NUMBER AND COSTS

The average number of persons employed by the Company (including Directors) during the year, analysed by category, was as follows:

	2017 Number	2016 Number
Office staff	2	2
	2016 £	2015 £
Staff costs for the above persons:		
Wages and salaries	46,260	47,093
Social security costs	4,657	4,207
Pension costs	2,540	5,995
	53,457	57,295

MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017

5 STAFF NUMBER AND COSTS (CONTINUED)

The total number of staff employed under a joint contract of employment with the four Rural Housing Associations referred to in the Annual Report of the Board of Management is 21 (2016: 23). The employee information disclosed above relates to Midlands Rural Housing only.

Board member pay is disclosed within the consolidated accounts of the parent company, East Midlands Housing Group Limited. The consolidated financial statements of East Midlands Housing Group are available at www.emhgroup.org.

6 BOARD MEMBERS AND EXECUTIVE DIRECTORS

Remuneration of £3,106 was paid to the Board of the Company during the year (2016 : £3,106). Expenses of £52 (2016 : £99) were paid.

7 TAXATION

Total tax expense recognised in the profit and loss account, other comprehensive income and equity.

	2017	2016
	£	£
<i>Current tax</i>		
Current tax on income for the period	3,465	2,736
Adjustments in respect of prior period	883	-
Total current tax	4,348	2,736
Reconciliation of effective rate		
Profit for the year	19,854	13,530
Total tax expense	4,348	2,736
Profit excluding taxation		
Tax using the UK corporation tax rate of 20% (2016 20%)	3,971	2,670
Non-deductible expenses	925	66
Pension contribution adjustment	(1,045)	-
Capital allowances	(386)	-
Total tax expense included in the profit	3,465	2,736

MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

	Equipment and fittings £	ICT equipment £	Total £
8 TANGIBLE FIXED ASSETS			
Cost			
1 April 2016	31,579	18,436	50,015
31 March 2017	31,579	18,436	50,015
Accumulated depreciation			
1 April 2016	25,882	13,237	39,119
Provision for the year	1,826	1,156	2,982
31 March 2017	27,708	14,393	42,101
Net book value			
31 March 2017	3,871	4,043	7,914
31 March 2016	5,697	5,199	10,896

	2017 £	2016 £
9 DEBTORS		
Trade debtors	106,874	76,678
Less provision for trade debtors	(10,950)	-
Prepayments and accrued income	82,819	149,796
Other debtors	-	513
Amounts owed by group undertakings	119,375	103,890
	298,118	330,877

MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Trade creditors	14,605	4,119
Accruals and deferred income	18,696	39,719
Taxation and social security	25,517	19,004
Corporation tax	3,465	2,736
Other creditors	-	15,798
Pension deficit contributions*	9,020	8,690
Amounts due to group undertakings	264,185	192,238
	335,488	282,304

* The SHPS pension deficit contributions were declared in pension provisions in accounts ended 31/03/2016 and have been restated as Creditors for accounts ended 31/03/2017 including restating the prior year.

11 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

Pension deficit contributions*	54,980	60,535
	54,980	60,535

* The SHPS pension deficit contributions were declared in pension provisions in accounts ended 31/03/2016 and have been restated as Creditors for accounts ended 31/03/2017 including restating the prior year.

12 PROVISIONS

	Leave Pay	Total
	£	£
Balance at 1 April 2016	6,678	6,678
Provisions reversed during the year	(273)	(273)
Balance at 31 March 2017	6,405	6,405

The leave pay provision represents holiday balances accrued as a result of services rendered in the current period and which employees are entitled to carry forward. The provision is measured as the salary cost payable for the period of absence.

MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017

13 EMPLOYEE BENEFITS

The Pensions Trust - Social Housing Pension Scheme

The company participates in 2 multi-employer schemes which provide benefits to some 1300 non-associated employers; the Social Housing Pension Scheme and the Growth Plan. The schemes are defined benefit schemes in the UK.

It is not possible for the company to obtain sufficient information to enable it to account for the schemes as defined benefit schemes. Therefore it accounts for the schemes as defined contribution schemes.

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

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

A full actuarial valuation for the schemes was carried out with an effective date of 30 September 2014. This actuarial valuation showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m for the Social Housing Pension Scheme and assets of £793m, liabilities of £970m and a deficit of £177m for the Growth Plan. To eliminate this funding shortfall, the trustees and participating employers have agreed that additional contributions will be paid to the scheme as follows:

Social Housing Pension Scheme

Deficit contributions

<i>Tier 1</i>	£40.6m per annum
From 1 April 2016 to 30 September 2020	(payable monthly and increasing by 4.7% each year on 1 April)
<i>Tier 2</i>	£28.6m per annum
From 1 April 2016 to 30 September 2023	(payable monthly and increasing by 4.7% each year on 1 April)
<i>Tier 3</i>	£32.7m per annum
From 1 April 2016 to 30 September 2026	(payable monthly and increasing by 3.0% each year on 1 April)
<i>Tier 4</i>	£31.7m per annum
From 1 April 2016 to 30 September 2026	(payable monthly and increasing by 3.0% each year on 1 April)

MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

13 EMPLOYEE BENEFITS (CONTINUED)

Growth Plan

Deficit contributions

<i>Tier 1</i>	£13.9m per annum
From 1 April 2016 to 30 September 2023	(payable monthly and increasing by 3.0% each year on 1 April)
<i>Tier 2</i>	£12.9m per annum
From 1 April 2016 to 30 September 2025	(payable monthly and increasing by 3.0% each year on 1 April)
<i>Tier 3</i>	£54.6k per annum
From 1 April 2016 to 30 September 2028	(payable monthly and increasing by 3.0% each year on 1 April)

Note that the schemes previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of £2,062m, liabilities of £3,097m and a deficit of £1,035m for the Social Housing Pension Scheme and assets of 3780m, liabilities of £928m and a deficit of £148m for the Growth Plan.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

	Social Housing Pension Scheme		Growth Plan	
	2017	2016	2017	2016
	£	£	£	£
<u>Present Value of provision</u>				
Present value of provision at period end	63,863	69,080	137	145
<u>Reconciliation of opening and closing provisions</u>				
Provision at start of period	69,080	55,020	145	90
Unwinding of discount factor (interest expense)	1,397	989	3	1
Deficit contribution paid	(8,648)	(6,479)	(15)	(11)
Remeasurement - impact of any change in assumptions	2,034	(403)	4	(2)
Remeasurement - amendments to the contribution schedule	-	19,953	-	67
Provision at the end of period	63,863	69,080	137	145

MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

13 EMPLOYEE BENEFITS (CONTINUED)

	Social Housing Pension Scheme		Growth Plan	
	2017	2016	2017	2016
	£	£	£	£
<u>Profit and loss impact</u>				
Interest expense	1,397	989	3	1
Remeasurement - impact of any change in assumptions	2,034	(403)	4	(2)
Remeasurement - amendments to the contribution schedule	-	19,953	-	67
<u>Assumptions</u>				
Rate of discount per annum	1.33%	2.06%	1.32%	2.07%

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

Group plan

The Social Housing Pension Scheme is provided by Midlands Rural Housing Association for staff employed under a joint employment contract with the 4 rural associations mentioned in the Annual Report of the Board of Management. A legal agreement is in place between the 5 entities which sets out how the pension costs of those jointly employed staff will be met by each entity.

In line with this agreement and the Group Plan rules in FRS 102, the expense and liabilities have been split in the same proportion as other staff costs in the period. The liability shown on the Statement of Financial Position on page 8, represents the proportion of the liability due by Midlands Rural Housing Association based on staff time carrying out works directly for the benefit of the association and not in the provision of services to the 4 rural associations.

The table below sets out how the full amount of the liability has been split for the current and prior period:

	2017	2016
	£	£
Midlands Rural Housing	64,000	69,225
Warwickshire Rural Housing Association	190,237	207,674
Northampton Rural Housing Association	202,315	220,260
Peak District Rural Housing Association	92,412	100,690
Leicestershire Rural Housing Association	29,036	31,466
Total shared pension liability	578,000	629,315

MIDLANDS RURAL HOUSING AND VILLAGE DEVELOPMENT ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017

	2017 £	2016 £
14 CALLED UP SHARE CAPITAL		
Allotted, issued and full paid		
Allotted, issued and fully paid at 1 April and 31 March	5	5

At 31 March 2017, the Association had 5 ordinary shares (2016: 5) in issue, with each share having a nominal value of £1.

15 OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows:

Less than one year	23,632	27,171
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During the year £27,312 was recognised as an expense in the profit and loss account in respect of operating leases (2016: £30,392).

