

ISLINGTON & SHOREDITCH HOUSING
ASSOCIATION LIMITED

CONSOLIDATED REPORT AND
FINANCIAL STATEMENTS
For the year ended

31 MARCH 2016

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

**Co-operative and Community
Benefit Societies Act 2014** 11614R
Number

Homes and Communities LO457
Agency registration number

Registered Office 102 Blackstock Road
LONDON N4 2DR

Board Stephen Stringer (Chair)
Pamela Bachu
Julian Elve
Merlene Emerson
Ruth Gee
John Jeremy (Retired 24 September 2015)
Philip Newby
Alice Powell
Jennie Rooney (Retired 24 September 2015)
Roz Spencer
Benjamin Tansey (Appointed by Board 23 March 2016)
Andrew Wade
Keung Wong

Chief Executive and Secretary Clare Thomson

Executive Directors

Colin Archer, Director of Development and New Business
Jenny Donaldson, Operations Director (Until 30 November 2015)
Eusebio Barata, Interim Customer Operations Director (From 16 November 2015)
Judith Leigh, Head of People and Organisational Development
Gary Pliskin, Finance Director

Bankers Barclays Bank Plc
Islington and Camden Group
PO Box 3474
LONDON NW1 7NQ

Auditor Grant Thornton UK LLP
Registered Auditor
Grant Thornton House
202 Silbury Boulevard
Central Milton Keynes
MK9 1LW

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

Index to financial statements	Page
Statement from the Chair	3
Operating and financial review	4 - 13
Statement of Board's responsibilities in respect of the accounts	14
Independent auditor's report to the members of Islington & Shoreditch Housing Association Limited	15
Group and Association Statement of Comprehensive Income	16
Group and Association Statement of Changes in Reserves	17
Group and Association Statement of Financial Position	18-19
Consolidated statement of cash flows	20
Notes to the accounts	21 - 48

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED
YEAR ENDED 31 MARCH 2016

Statement from the Chair

March 2016 financial year marks the end of our first year to radically transform Islington & Shoreditch Housing Association ('ISHA') to a first class customer-centred organisation by 2020. We know we have a long way to go, and have set ambitious targets to make sure we achieve the Board's ambitions.

The Board has been faced with the additional external challenges of a 1% rent reduction for the next 4 years and at year end saw the continuing increased land and housing prices in London. The Board were swift to agree actions and measures to make sure we are capable of meeting these challenges in a measured and appropriate way. Our priority has been to make sure that ISHA remains financially strong to meet this tougher environment, and our efficiency drive also doesn't stop there. We are focussed on our mission to provide good quality and affordable housing to our London communities, and our work over the last year has been invested to lay the foundations for the improvements and efficiencies we need to make.

Our financial position remains strong and robust. The regulator re-confirmed ISHA's grading in January 2016 with the highest judgement for Viability (V1) and Governance (G1).

Our ambitions continue to extend to building new homes, and leading the North River Alliance to assist other organisations to build more housing for people on low incomes in London. We have an ambition to build a minimum of 400 homes by 2020, and this year we achieved 89 new homes towards this target, and have a further 108 on site for completion in future years. With the real possibility of grant disappearing to subsidise our ability to build affordable new homes, we are looking at what viable alternative income streams we should adopt to support our continuing development ambitions. We are committed to continuing to provide affordable homes for low income households in our increasingly high value areas.

The vote to exit the European Union was a major post balance sheet event. Along with the other challenges listed above we have identified that we are facing increased external risks and we are reviewing how ISHA can mitigate against these impacts, including:

- Continued political risk from lack of detail of BREXIT terms
- Housing market risk
- Rental income risk
- Availability of mortgages to support shared ownership
- Housebuilder viability
- Foreign exchange volatility impact on asset maintenance costs (European suppliers)
- Impact of the Housing & Planning Act

There have been many moments of celebration as well. Our flagship new development at Walthamstow **The Scene** has attracted a number of national awards for the developer, architect and ISHA. We were particularly proud to be awarded Best Regeneration Project and Overall National Housing Award winner by the National Housing Federation in September 2015 last year.

Stephen Stringer
Chair

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED
YEAR ENDED 31 MARCH 2016

Operating and financial review

Principal activities

To provide a local community-based service that manages, maintains and develops quality affordable housing for people in need in Camden, Hackney, Haringey, Islington, Tower Hamlets and Waltham Forest.

Islington & Shoreditch Housing Association ('ISHA') is a charitable housing association incorporated as a Co-operative and Community Benefit Society and registered with the Homes and Communities Agency ('HCA'). The Association operates in the London Boroughs of Camden, Hackney, Islington and Waltham Forest and at 31 March 2016 had 2,172 (2015: 2,084) homes.

Lien Viet Housing Association ('Lien Viet') joined ISHA as a subsidiary in October 2008. Lien Viet is a small community-based housing association with 158 (2015: 158) homes working in Hackney, Haringey, Islington and Tower Hamlets. Lien Viet's residents are predominantly Vietnamese and South East Asian. The landlord and corporate services for Lien Viet are delivered by ISHA. This has freed the Lien Viet Board to concentrate on its mission of providing a culturally sensitive service to Vietnamese, Cambodian, Laotian, Chinese and wider South East Asian residents.

ISHA's Regulator updated its viability judgement in January 2016 and re-confirmed that the grading will remain unchanged at the highest viability classification that the regulator awards.

The Association's development programme is designed to address housing needs in our area of operation. To achieve this, we work in partnership with our local authorities, the HCA and the Greater London Authority (GLA). As well as a programme of rented accommodation, we develop shared ownership housing for people who cannot afford to purchase on the open market outright. In 2015/16 the Group achieved a surplus of £9.5m which will help us build more homes for low cost rent. During the year we were delighted that our development of "The Scene" in Waltham Forest won the "Scheme of the Year" awards at both the "Social Housing" and "What House" Awards.

The North River Alliance ('NRA'), is a development consortium of housing associations operating in North and East London led by ISHA. The NRA is a trusted development partner of the GLA. There are currently ten members of the NRA.

Islington and Shoreditch Housing Association	Lien Viet Housing Association
Bangla Housing Association;	Barnsbury Housing Association;
Christian Action (Enfield) Housing Association	Gateway Housing Association;
North London Muslim Housing Association;	Spitalfields Housing Association
Providence Row Housing Association;	Tower Hamlets Community Housing

This year ISHA completed 89 (2015:151) rent and shared ownership properties and started on site on 88 (2015:66) new properties. Our other NRA partners completed a further 21 properties (2015:303) properties and started on site on 158 (2015:128) properties.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED
YEAR ENDED 31 MARCH 2016

Business and financial review

The Board is pleased to report a surplus for the year to 31 March 2016 of £9.0m (2015: £10.73m restated) for the Group and £8.8m (2015: £10.6m restated) for the Association. We increased our planned asset investments this year to future proof against high asset spend over the next four years, when we will be experiencing a large decrease in rental income.

ISHA has sufficient funds to continue to build new homes and will generate the necessary income to maintain and improve services to our residents, and meet loan repayments.

Lien Viet has continued to focus on meeting the needs of its customers and wider Vietnamese London communities.

Objectives and strategy

The Board has set out its ambitions to deliver radical improvements in communication and customer service so that we provide first class service delivery and meet future housing needs. 2015/16 was the first year of implementing this plan. Our achievements against the plan are listed below:

Objective One - To be a great landlord

- Acquired an integrated housing and financial database, and established a project team to develop a system to provide customer centred service. The system is expected to go live October 2016
- Revised management fee on service charges implemented in April 16
- Commenced culture change programme with staff in January 2016 to develop customer centred operating framework

Objective two – Valuing our customers and meeting their housing needs

- Developed a revised customer centred operating framework from customer feedback
- Moving home advice provided to 67 customers
- Income maximisation advice provided to 375 customers

Objective 3 – Good Quality and Affordable Homes

- 177 homes built or started on site, on target for 400 homes by 2020
- Increased investment in assets in 2015/16 to futureproof demand on planned programme to 2020
- All customers given an asset plan of where they live to see what is planned and the timing for their buildings

Objective 4 – Speaking up for housing

- External evaluation of how the Board operates has been completed and improvement actions put in place
- Press profile increased as winner of three national awards
- Increased stakeholder engagement and Board participated in three Government consultations on changes to housing and regulator

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED
YEAR ENDED 31 MARCH 2016

Value for Money

The Board has completed a review of how we report our Value for Money Self-Assessment. The Value for Money assessment has been updated with the end of year results, and reviewed by the Board for publication. The July 2016 Self-Assessment is published on ISHA's website (see http://www.isha.co.uk/about_isha/our_performance.html).

A summary of the key priorities from the 2015-2020 Strategic Plan are shown below. These were developed through the review of benchmarking results, the results of the Group and from feedback provided by residents. The resident value for money priorities are also reported in the Annual Report. The key improvement objective is to **Radically modernise customer service so our residents can access the services in the media they choose and at the time (24 hours) they want to conduct their business with us.**

2015/16 Value for Money Improvement Plan	Outcomes
Standards of how homes are maintained published in one easy to read document	All literature has been reviewed to be published on our website by October 2016, to match new operating framework
Accurate financial information available for residents to review their own account	Integrated housing and financial system in place by October 2016, with customer portal planned for April 2017
Residents are supported and advised by ISHA and Lien Viet to better manage their household costs	All residents with rent arrears given support and information leaflets reviewed and updated annually. Outcomes of support published in the Annual Report
Customers recognise how their comments have influenced service improvements	You said We did extended to local meetings, changes to service captured and reported to HSC annually.
Residents access their services and receive updates using their preferred method of communication	Integrated housing and financial system in place by October 2016, with customer portal planned for April 2017
Consultation and publication of annual asset plan for every block	Complete
Realistic and accurate investment forecasting of components of existing stock	Asset plans included in investment strategy
Increased mobility and tenure change within ISHA and Lien Viet's stock	Events have been held on Mutual Exchange and transfer list has been actively managed to match resident wishes.
Radically modernise customer service so our residents can access the services in the media they choose and at the time (24 hours) they want to conduct their business with us	Kypera hometeam established in December 2015 for completion in October 2016; Agreed Operating Framework in March 2016 Restructure and new system to be in place October 2016
Residents are key contributors to the scrutiny of key service workflows	Different ways for customer scrutiny to be established as part of new staffing structure October 2016

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED
YEAR ENDED 31 MARCH 2016

Increase resident satisfaction across our key services	Operating framework and structure being reorganised from staff and customer feedback
Demonstrate value for money in our services to customers against a quality and cost criteria, and publish our year on year improvements	Service Charges reviewed and fixed fee to be implemented for shared owners following consultation. ARMA membership achieved and services to be benchmarked post restructure.
Procurement of contracts includes customer scrutiny and involvement	Partnering Contract procurement to include increased digital solutions for residents to be involved in selection. Customers have influenced the shape of the contract and will be involved in the selection of contractor.
Homes built to ISHA's environmental sustainability standard	89 homes handed over in the financial year ended 31 March 2016.
Residents engaged in building new homes	Three design brief changes from customer feedback from residents (drainage specification, CCTV and induction to renewables) and our approach to defects management.
Affordable version of shared ownership in high value areas developed	Board agreed lower levels of shared ownership rent where necessary for schemes in high value areas.

The annual calendar for Value for Money reviews has been set as follows:

July	Self-Assessment updated with analysis of end of year results with updated review and commentary and published on website
September	Summary included in Financial Statement with reference to full self-assessment on the website and residents' priorities published in Annual Report
November	Benchmarking results published
December	Self-Assessment updated with benchmarking results and published on website
January	Residents' Forum Review Value for Money priorities
March	Board review benchmarking information against resident priorities and set actions for improvement for coming year

Value for money benchmarking results

Our HouseMark benchmarking results were published in December 2015 for the financial year ended 31 March 2015. The results show how we compare with other traditional housing associations in the Southern area. Highlights are as below. (The "HouseMark average" column shows the average housing association score from the HouseMark benchmarking club. The "HouseMark quartile" shows how we compare to average – with first quartile being best and fourth quartile being the worst.)

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED
YEAR ENDED 31 MARCH 2016

HouseMark benchmarking quality of service analysis

			HouseMark Median Average 14/15	HouseMark Quartile 14/15
Resident satisfaction	13/14	14/15		
% of residents satisfied with the service provided ¹	83%	81%	84%	3rd
% of residents satisfied with repairs and maintenance ¹	80%	78%	77%	2nd
% of residents satisfied with the quality of their home	94%	80%	80.9%	3rd
Other measures				
Rent collected as a % of rent due	100%	98.6%	99.8%	4th
Current tenant arrears net of unpaid HB as % rent due	2.19%	2.42%	2.44	2nd
Average re-let time in days (standard re-lets)	32 days	36 days	25 days	4th

HouseMark benchmarking cost of service analysis

			HouseMark Median Average 14/15	HouseMark Quartile 14/15
Housing management	13/14	14/15		
Housing Management total cost per property	£728	£889	£577	4th
Direct cost per property of Lettings	£42	£49	£49	3rd
Direct cost per property of tenancy management	£122	£145	£82	4th
Total cost per property of responsive repairs	£735	£765	£654	4th
Total cost per property of major works	£539	£713	£757	1st
Overheads				
Overhead costs as a % of direct costs	23%	26%	26%	2nd
Central and other overhead cost as a % of adjusted turnover	7.3%	9.7%	11.63%	1st

HouseMark benchmarking financial metrics (updated for 15/16)

Finance	13/14	14/15	15/16	HouseMark Median Average 14/15	HouseMark Quartile 14/15
Debt per unit managed	£45,000	£47,000	£43,000	£31,000	4th
Adjusted net leverage	32%	34%	32%	34%	2nd
Operating margin	35%	34%	38%	28%	1st
Interest cover EBITDA (MRI)	194%	244%	266%	153%	2nd

¹ For general needs and housing for older people residents

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED
YEAR ENDED 31 MARCH 2016

Dashboard overview of the HouseMark benchmarking analysis for 2014/15



Key

1 Responsive repairs and void works	6 Tenancy management
2 Rent arrears and collection	7 Resident involvement
4 Major works and cyclical maintenance	8 Estate services
5 Lettings	

Value for money - return on assets

The return on assets and return on capital employed for the organisation for the last four financial years is as follows²:-

	12/13	13/14	14/15	15/16
Surplus for the year (ie net income) £'000	3,184	4,707	9,349	9,382
Average total assets (net of deferred grant) £'000	101,826	111,168	129,397	148,755
RETURN ON ASSETS (ROA)	3.1%	4.2%	7.2%	6.3%

	12/13	13/14	14/15	15/16
Earnings before interest and tax (EBIT) £'000	6,437	8,263	12,798	13,015
Capital employed £'000	96,719	108,152	127,939	144,128
RETURN ON CAPITAL EMPLOYED (ROCE)	6.7%	7.6%	10.0%	9.0%

For more detailed analysis and commentary on all the value for money information above, please see our self-assessment on the website.

Maintaining financial viability

ISHA's financial strategy underpins the strategic objectives. Our first priority is to make sure that the business remains financially viable and protects service delivery to residents.

Following the Chancellor's 2015 Budget announcement that social housing rent was going to decrease by 1% for four years, the Board agreed in October 2015 on steps to mitigate the

² Prior year figures are based on SORP 2010

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED
YEAR ENDED 31 MARCH 2016

loss of income (which after four years was estimated at up to £2m per annum). The key agreed steps were: -

- All budgets frozen with no inflationary increase
- Freeze on overall headcount
- Generate an annual surplus of up to £0.5m from staircasing, Right To Buy and if necessary void sales.

These mitigating assumptions have been incorporated into the 30-year plan. Overall, the model demonstrates that they are still sufficient to keep the Group financially viable.

ISHA has met and is forecast to meet all its loan covenants and has sufficient headroom with its existing facilities to fund its 2015/2018 development programme.

We have further strengthened our assessment of long term viability to make sure our assets are protected by:

- Maintaining a record of assets and liabilities, and introducing a further record of all contractual agreements, and a method for making sure it is kept up to date;
- Stress tested the business plan across a range of scenarios that would break the plan. From these tests we have identified further key mitigations to protect the business from breach of viability.

The 2015/16 financial statements are compliant with the accounting standards introduced by the Statement of Recommended Practice; Accounting by registered social housing providers update 2014.

Post Balance Sheet Events

The vote to exit the European Union was a major post balance sheet event, and the increased risks from this have been recognised in our strategic risk register.

Equality and diversity and employees

ISHA is committed to ensuring that at the point of service, the needs of the individual have been considered and actively examines its practices to ensure that services do not have a differential impact on a group or groups of people within the communities it serves. At the year end, ISHA had 64 (2015: 61) full time equivalent staff. Across the boroughs we operate in, 49% of people in housing need are from black and ethnic minority communities. This is reflected at ISHA where 67% of our staff is from black and ethnic minority communities.

ISHA recognises its responsibilities on all matters relating to Health & Safety and regularly reviews and monitors its policies and provides staff training and education. ISHA ensures good practice and compliance with fire regulations and maintained its compliance with fire safety standards in 2016.

Governance

The Board is responsible for the overall strategic direction of ISHA, which includes the approving, monitoring and compliance of key policies and to ensure that the objectives of the Group are achieved. The Board meets at least six times a year. Its structure provides for sub-committees, namely the Finance and Resource Sub-committee, the Private Finance Sub-committee, the Development Sub-committee, the Housing Services Sub-committee, the

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED
YEAR ENDED 31 MARCH 2016

Resident Forum and the Governance Sub-Committee. The specialist areas of the Association's operations are considered under these sub-committees and reported to the Board. The day-to-day operational control of the Association is delegated to the Senior Management Team. ISHA is committed to attaining the highest standards of corporate governance and will keep its Board structure and procedures under review.

To assist in achieving a high standard, the Board has delegated responsibility for audit supervision to the Finance and Resource Sub-committee and employs independent auditors for both internal and external audit. The Finance and Resource Sub-committee consists of voluntary members who by virtue of their position are themselves independent from the paid officers of the Association.

An external evaluation of the Board was completed in Autumn 2015:

"ISHA meets regulatory requirements and we agree with ISHA's self-assessment that it complies with the NHF's updated Code of Governance. While much smaller in scale and activities, Lien Viet applies the same approach and we agree with its equivalent self-assessment."

"ISHA's systematic approach to its governance procedures and policies outshine some governance arrangements that we have observed in other, larger, housing providers. It is also clear from the review and from the interviews, that ISHA has made significant improvements to its governance over the past six years." Rosie Chapman Ltd, November 2015

All Board members are required to subscribe to the agreed aims of the Association. The Board responsibilities in respect of the financial statements are set out below.

Internal control

The Board is responsible for ISHA's system of internal control and reviewing its effectiveness. The Board recognises that no system of internal control can provide absolute assurance or eliminate all risks. However, the system of internal control is designed to manage risk and to provide reasonable assurance regarding the safeguarding of assets, control of risk, maintenance of proper accounting records and the reliability of financial information.

The Board and its Finance and Resource Sub-committee carry out monitoring activities to ensure that appropriate control procedures are in place and changes required to these are identified and actioned. To this end, they are assisted by internal audit arrangements carried out by a professional firm. There are formal procedures for reporting weaknesses in internal controls or fraud and as part of these controls, internal audit and senior officers of the Association have access to the Board and Finance and Resource Sub-committee. No material weaknesses in internal control have been identified which require disclosure in the financial statements.

There is a clearly defined organisational structure based upon the system of delegation set out in standing orders, financial regulations, policies and procedures, which were updated and approved 11 May 2016 as part of the regular review of our systems. They will next be reviewed by December 2017.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED
YEAR ENDED 31 MARCH 2016

ISHA is committed to regular, timely and accurate financial management reporting. Such reporting includes quarterly budgetary control arrangements, including reporting on variances and regular reports on the revised performance management framework.

All of the Senior Management Team (SMT) take internal control seriously. Staff are encouraged to discuss ways in which procedures can be improved with their managers in an open way. Directors are required to report to the Chief Executive on the effectiveness of the controls. The Chief Executive reports to the Board on the appropriateness and effectiveness of the systems of internal control.

The Board receives confirmation that controls continue to operate from three main sources. These are:

- Internal audit reports prepared according to an agreed plan over a three-year cycle;
- External auditors' management letters;
- Compliance reports issued by the Regulator.

There were no major instances of the failure of controls to operate and this was reported to the Board.

The Board is aware that neither the external auditor nor the HCA have any specific responsibility to identify shortcomings in ISHA's systems of internal control. The responsibility rests solely with the Board.

The Board obtains additional assurance through other sources including the internal audit process as the principal reassurance on control matters.

Statement of compliance

ISHA's Shareholders approved the rescinding of the existing Rules and adoption of the amended Rules in September 2014, to take account of legislative changes and adoption of an updated version of the National Housing Federation's Model Rules. The Board has adopted the NHF 2015 Code of Governance. A self-assessment of compliance against the adopted code was fully reviewed by the Board in May 2016. The Board is satisfied that the annual report can state that ISHA and its subsidiary Lien Viet Housing Association complies with the NHF 2015 Code of Governance. In addition, the Board confirm that they have complied with the HCA's Governance and Financial Viability Standard.

Risk management

The risk management framework was last reviewed by internal audit in December 2015. The process for identifying, evaluating and managing the significant risks faced by ISHA has been operational throughout the year and the risks are aligned to ISHA's four strategic objective areas. The risk management strategy of ISHA requires continuous assessment of ISHA's risk profile and an annual risk evaluation report submitted to the Board. The Board is updated with any changes in risk during the year.

As part of the evaluation and monitoring of risks, the SMT and the Board have reviewed the risks facing ISHA in the current economic climate. The main risks facing ISHA are monitored closely and reported on a regular basis with reports to key Board members outside the normal reporting cycles.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED
YEAR ENDED 31 MARCH 2016

ISHA has responded to and has taken appropriate action to mitigate the impact of risks arising from:

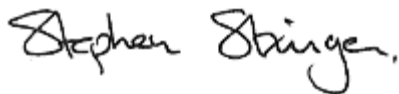
- the impact of Government imposition of four year rent reduction;
- the need to improve the efficiency and auditability of our services to ISHA and Lien Viet customers
- Incomplete validation and recording of compliance with Health and Safety requirements to keep customers safe in their homes.

Financial viability remains the highest monitored risk at Executive, Board and Regulator level. A further improvement to the risk management framework was introduced in 2014/15 to strengthen the link between Governance decisions and the strategic risk framework. These improvements have been implemented as part of the regulatory review of governance.

Auditors

A resolution to re-appoint Grant Thornton UK LLP will be proposed at the forthcoming annual general meeting.

The report of the Board was approved on 28 July 2016 and signed on its behalf by:



Stephen Stringer

Chair of the Board

STATEMENT OF THE BOARD'S RESPONSIBILITIES

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

The Co-operative and Community Benefit Societies Act 2014 and registered social landlord legislation require the Board to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (Financial Reporting Standard 102 and applicable law). Under the Co-operative and Community Benefit Societies legislation the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and income and expenditure of the Group for that period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers Update 2014, have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014. It is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

In so far as each member of the Board is aware:

- there is no relevant audit information of which the Association's auditors are unaware; and
- the Board have taken steps that they ought to have taken as board members in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Independent auditor's report to the members of Islington & Shoreditch Housing Association Limited

We have audited the financial statements of Islington & Shoreditch Housing Association Limited for the year ended 31 March 2016 which comprise the group and association statements of comprehensive income, the group and association statements of changes in reserves, group and association statements of financial position, consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the Society, as a body, in accordance with sections 87(2) and 98(7) of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Society 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 Society as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Board's Responsibilities set out on page 14, the directors are 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 of the state of the Group's and the parent society's affairs as at 31 March 2016 and of the Group's and the parent society's income and expenditure for the 31 March 2016 then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014.

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

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Central Milton Keynes

9 September 2016

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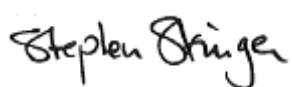
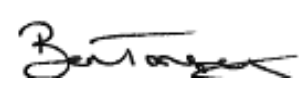
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDING 31 MARCH

	Notes	GROUP		ASSOCIATION	
		2016 £'000	2015 £'000	2016 £'000	2015 £'000
Turnover	2	27,449	29,310	26,528	28,380
Operating costs	2	(17,234)	(19,474)	(16,406)	(18,734)
Operating surplus	2	10,215	9,836	10,122	9,646
Surplus on sale of properties and land	20	2,923	3,450	2,893	3,490
Interest receivable		73	39	73	38
Interest and financing costs	7	(4,281)	(3,532)	(4,279)	(3,526)
Movement in fair value of investment properties		593	1,005	573	1,000
Surplus for the year	6	9,523	10,798	9,382	10,648
Actuarial loss in respect of pension schemes		(550)	(64)	(550)	(64)
Total comprehensive income for the year		8,973	10,734	8,832	10,584

All amounts relate to continuing operations.

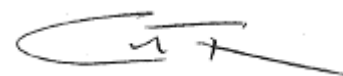
The accompanying notes form part of the financial statements.

These financial statements were authorised and approved by the Board on 28 July 2016 and were signed on their behalf by:

Stephen Stringer
(Chairman)

Benjamin Tansey
(Chair of Finance and Resources Sub-Committee)



Clare Thomson
(Secretary)

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN RESERVES

	Income and Expenditure Reserves	
	GROUP	ASSOCIATION
	£'000	£'000
Balance as at 1 April 2014	43,257	36,522
Total comprehensive income for the year	<u>10,734</u>	<u>10,584</u>
Balance as at 31 March 2015	53,991	47,106
Total comprehensive income for the year	<u>8,973</u>	<u>8,832</u>
Balance as at 31 March 2016	<u>62,964</u>	<u>55,938</u>

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH

		GROUP		ASSOCIATION	
FIXED ASSETS		2016	2015	2016	2015
		£'000	£'000	£'000	£'000
Tangible fixed assets	8	248,304	248,123	235,010	234,905
Investment Properties	9	16,628	16,035	16,333	15,760
Intangible Assets		141	-	141	-
		265,073	264,158	251,484	250,665
CURRENT ASSETS					
Properties held for sale	10	1,077	3,319	1,077	3,319
Trade and other debtors	11	3,288	1,783	3,348	1,825
Cash and cash equivalent		21,926	19,942	20,939	19,825
		26,291	25,044	25,364	24,969
CREDITORS: amounts falling due within one year	12	(12,153)	(12,935)	(12,022)	(13,730)
NET CURRENT ASSETS		14,158	12,109	13,342	11,239
TOTAL ASSETS LESS CURRENT LIABILITIES		279,211	276,267	264,826	261,904
CREDITORS: amounts falling due after more than one year	13	213,749	220,640	206,390	213,162
PROVISIONS FOR LIABILITIES					
Pension provision	24	1,759	1,336	1,759	1,336
Other provisions	24	739	300	739	300
TOTAL NET ASSETS		62,964	53,991	55,938	47,106

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

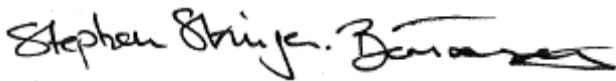
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH

RESERVES

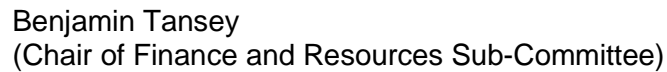
Share capital – Non Equity	18	-	-	-	-
Income and expenditure reserve		<u>62,964</u>	<u>53,991</u>	<u>55,938</u>	<u>47,106</u>
		<u>62,964</u>	<u>53,991</u>	<u>55,938</u>	<u>47,106</u>

The accompanying notes form part of these financial statements.

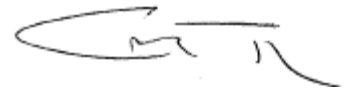
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Stephen Stringer
(Chairman)



Benjamin Tansey
(Chair of Finance and Resources Sub-Committee)



Clare Thomson
(Secretary)

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2016 £'000	2015 £'000
Net cash generated from operating activities	(a)	10,215	16,180
Cash flow from investing activities			
Purchase of tangible fixed assets		(14,600)	(24,282)
Purchase of intangible fixed assets		(141)	-
Proceeds from sale of tangible fixed assets		12,417	8,351
Grants received		2,711	5,342
Interest received		73	39
		<hr/>	<hr/>
		10,675	5,630
Cash flow from financing activities			
Interest paid		(4,230)	(3,442)
New secured loans		-	32,000
Capital element of finance lease rental payments		(7)	(9)
Repayment of borrowings		(4,454)	(22,351)
		<hr/>	<hr/>
		1,984	11,828
Net change in cash and cash equivalents			
Cash and cash equivalent at the beginning of the year		19,942	8,114
		<hr/>	<hr/>
Cash and cash equivalent at the end of the year		21,926	19,942

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH

a. Cash flow from operating activities

	2016 £'000	2015 £'000
Operating surplus	10,215	9,836
Adjustments for non-cash items:		
Depreciation of fixed assets	3,333	3,135
Amortisation of grant income	(2,509)	(1,354)
(Increase)/Decrease in trade and other debtors	(1,512)	103
Increase/(Decrease) in trade and other creditors	(1,554)	2,234
(Increase)/Decrease in housing properties for sale	2,242	2,226
	<hr/>	<hr/>
Cash flow from operating activities	10,215	16,180

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Legal Status

The Association is incorporated with limited liability as a charitable Housing Association under the Co-operative and Community Benefit Societies Act 2014.

2 Accounting policies

Basis of accounting

The financial statements of the Group and Association are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

This is the first year in which the financial statements have been prepared under FRS 102. Refer to note 28 for an explanation of the transition.

The financial statements are presented in Sterling (£).

Islington and Shoreditch Housing Association has adopted the following disclosure exemptions:

- The requirement to present a statement of cash flows and the related notes
- Financial instrument disclosures, including:
 - o categories of financial instruments
 - o items of income, expenses, gains or losses relating to financial instruments, and
 - o exposure and management of financial risks.

Basis of consolidation

The Group financial statements incorporate the financial statements of the Parent, Islington & Shoreditch Housing Association Limited, and its subsidiary, Lien Viet Housing Association Limited.

The transactions incurred directly by agencies managing the Group's properties are not consolidated in the financial statements.

Significant judgement and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements have been made include:

Impairment

Annually housing properties are assessed for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the scheme's carrying amount to its recoverable amount. Where the carrying amount of a scheme is deemed to exceed its recoverable amount, the scheme is written down to its recoverable amount. The resulting impairment loss is recognised as operating expenditure. Where a scheme is currently deemed not to be providing service potential to the association, its recoverable amount is its fair value less cost to sell.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to decent homes standards which may require more frequent replacement of key components. Accumulated depreciation at 31 March 2016 was £31.8m.

Capitalisation of property development costs

Distinguishing the point at which a project is more likely than not to continue, allowing capitalisation of associated development costs requires judgement. After capitalisation management monitors the asset and considers whether changes indicate that impairment is required.

For existing properties, expenditure is capitalised where it will result in enhancement of economic benefit. The amount capitalised in the year was £1.7m relating to various schemes.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how the market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimate fair values may vary from the actual prices. Fair value measurements were applied to the investment properties. The total value of investment properties was £16.6m at the year end.

Turnover

Turnover comprises rental and service charge income receivable in the year, income from shared ownership first tranche sales and other services included at the invoiced value excluding VAT where recoverable of services supplied in the year and revenue grants receivable in the year.

Rental income is recognised from the point where properties under developments reach practical completion or otherwise become available for letting net of voids. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale. Revenue grants are recognised when the conditions for receipt of the agreed grant funding have been met. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

Value added tax (VAT)

The Group charges value added tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year-end is included as current liability or asset.

Interest Payable

Interest is capitalised on borrowings to finance the development of qualifying assets to the extent that it accrues in respect of the period of development it represents

- a) interest on borrowings to finance the development programme after deduction of related grants received in advance; or
- b) a fair amount of interest on borrowings of the association as a whole after deduction of SHG received in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable is charged to income and expenditure.

Financial instruments

Financial instruments which meet the criteria of basic financial instruments as defined in Section 11 of FRS 102 are accounted for under and amortised historic cost model.

Non-basic financial instruments are recognised at fair value using a valuation technique with any gains or losses being reported in surplus or deficit. At each year end, the instruments are revalued to fair value, with the movements posted to the income and expenditure (unless hedge accounting applied).

The Group and association have not adopted hedge accounting for the financial instruments.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest rate method, less any impairment.

Where deferral of payment terms has been agreed at below market rate, and where material, the balance is shown at the present value, discounted at a market rate.

Creditors

Short term trade creditors are measured at transaction price. Other financial liabilities, including bank loans, are measured at fair value, net of transaction costs, and are measured subsequently at amortised costs using the effective interest rate method.

Employee benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

Pension

The Group participates along with a number of other Associations in defined benefit final salary and career average revalued earnings contributory pension schemes administered independently by the Pensions Trust. It is not possible to identify the underlying assets and liabilities belonging to individual participating employers. The charge to the income and expenditure represents the employer contribution payable to the scheme for the accounting period.

Contribution payable from the association to the Pension Trust under the terms of the funding agreement for past deficits is recognised as a liability within other provisions in the association's financial statements.

Housing properties

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally available for rent and are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements.

Expenditure on shared ownership properties is split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as current asset and related sales proceeds included in turnover, and the remaining element is classed as a fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment.

Investment properties

Investment properties consist of commercial properties and other properties not held for social benefit or for use in the business. Investment properties are measured at cost on initial recognition and subsequently at fair value as at the year end, with changes in fair value recognised in income and expenditure.

Government grants

Government grants include grants receivable from the Homes and Communities Agency (the HCA), local authorities, and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure and, where applicable, its individual components (excluding land) under the accruals model.

Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once reasonable assurance has been gained that the entity will comply with the conditions and that the funds will be received.

Government grants received for housing properties are subordinated to the repayment of loans by agreement with the HCA. Government grants released on sale of a property

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the statement of financial position in creditors.

Where developments have been financed wholly or partly by Social Housing Grant (SHG), a deduction is made to provide cover for development overhead.

If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in income and expenditure.

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 income and expenditure. Upon disposal of the associated property, the Group is required to recycle these proceeds and recognise them as a liability.

Other grants

Grants received from non-government sources are recognised using the performance model. A grant which does not impose specified future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions on the association is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

Depreciation of housing properties

The Group separately identifies the major components which comprise its housing properties, and charges depreciation, so as to write-down the cost of each component to its estimated residual value, on a straight line basis, over its estimated useful life.

The Group depreciates the major components of its housing properties on a straight line basis from the year of purchase or in the first year following that of completion of new properties on the following basis:

Roof structure	70 years
Windows, external doors	30 years
Gas boilers, fires	15 years
Kitchens	20 years
Bathrooms	30 years
Central heating	30 years
Communal parts	30 years
Plumbing and infrastructure	30 years
Electrics	40 years
Lifts	20 years

Freehold land is not depreciated.

Depreciation of other tangible fixed assets

Other fixed assets are included at cost to the Group less depreciation, which is provided on a straight-line basis over the periods shown below:

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

Office furniture, equipment and motor vehicles	4 years
Scheme equipment	10 – 15 years
Freehold office	50 years

Gains or losses arising on the disposal of other tangible fixed assets are determined as the difference between the disposal process and the carrying amount of the assets and are recognised as part of the surplus/deficit for the year.

Capitalisation of development costs

Development administration costs based on the time spent on a scheme are capitalised up to the date of practical completion of that scheme. Only direct costs are included.

Major repairs

Where a repair involves replacement of property components, the expenditure is treated as capital expenditure and depreciated as outlined above. Any other replacement, renewal or repair to the fabric of an existing building that enhances the net income generated from the property or substantially increases its useful life is capitalised. All other repairs are treated as revenue items.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the group. All other leases are classified as operating leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring the surplus or deficit. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to income and expenditure on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the group recognises annual rent expense equal to amounts owed to the lessor.

The aggregate benefit of lease incentives is recognised as a reduction to the expense recognised over the lease term on a straight line basis.

Properties for sale

Shared ownership first tranche sales, completed properties for outright sale and property under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Provisions for liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in income and expenditure in the period it arises.

The Group 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 cost payable for the period of absence.

Taxation

ISHA and Lien Viet are both charitable housing associations and are not taxable on any surpluses derived from charitable activities.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 Particulars of income and expenditure from social housing lettings

	GROUP			2016 £'000	2015 £'000
	Housing £'000	Supported Housing £'000	Shared Ownership £'000		
Income					
Rents receivable net of identifiable service charges	10,801	494	1,643	12,938	11,487
Service charge income	1,130	192	319	1,641	1,681
Amortised government grant	1,367	4	2	1,373	1,354
Turnover from social housing lettings	13,298	690	1,964	15,952	14,522
Operating costs					
Service charge costs	1,846	164	308	2,318	2,183
Management	1,094	273	256	1,623	1,397
Routine maintenance	3,237	138	-	3,375	2,483
Planned maintenance	885	115	-	1,000	975
Major repairs expenditure	155	9	-	164	483
Bad debts	56	17	-	73	72
Depreciation of housing properties	2,883	34	230	3,147	2,944
Operating expenditure on social housing lettings	10,156	750	794	11,700	10,537
Operating surplus on social housing letting	3,142	(60)	1,170	4,252	3,985
Void losses	(77)	(15)	-	(92)	(72)

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 Particulars of income and expenditure from social housing lettings

	ASSOCIATION			2016	2015
	Housing £'000	Supported Housing £'000	Shared Ownership £'000	£'000	£'000
Income					
Rents receivable net of identifiable service charges	9,941	432	1,638	12,011	10,542
Service charge income	1,074	137	316	1,527	1,581
Amortised government grant	1,321	-	-	1,321	1,302
Turnover from social housing lettings	12,336	569	1,954	14,859	13,425
Operating costs					
Service charge costs	1,782	130	306	2,218	2,081
Management Routine maintenance	889	199	256	1,344	1,090
Planned maintenance	3,093	116	-	3,209	2,357
Major repairs expenditure	858	32	-	890	902
Bad debts	155	9	-	164	483
Depreciation of housing properties	74	14	-	88	82
	2,716	23	229	2,968	2,811
Operating expenditure on social housing lettings	9,567	523	791	10,881	9,806
Operating surplus on social housing letting	2,769	46	1,163	3,978	3,619
Void losses	(71)	(6)	-	(77)	(72)

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 Key management personnel

The emoluments in respect of the Senior Executives were as follows:

	Basic Salary £'000	Pension Contributions £'000	2016 Total £'000	2015 Total £'000
Chief Executive				
Clare Thomson	90	8	98	94
Director of Development and New Business				
Colin Archer	81	7	88	87
Operations Director				
Jenny Donaldson	51	5	56	83
Interim Operations Director				
Eusebio Barata	30	-	30	-
Finance Director				
Gary Pliskin	81	8	89	88
Head of People and Organisational Development				
Judith Leigh	55	5	60	53
	<u>388</u>	<u>33</u>	<u>421</u>	<u>405</u>

The aggregate emoluments (excluding pension contributions) payable to the key management personnel (Senior Executive) is £432,000 (2015: £413,000).

All permanent Senior Executives are members of the Social Housing Pension Scheme. They are ordinary members of the pension scheme with no enhanced or special terms. The Group did not make any further contributions to individual arrangements for its Senior Executives.

The full time equivalent number of staff (including directors) who received remuneration in excess of £60,000 are as follows:

	2016 No.	2015 No.
£60,001 to £70,000	1	1
£70,001 to £80,000	1	1
£80,001 to £90,000	3	3

Board members

None of the board members received emoluments.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

5 Employee information

The average monthly number of persons employed by the Group and Association during the year expressed in full time equivalents was as follows:

	GROUP		ASSOCIATION	
	2016 No	2015 No	2016 No	2015 No
Housing, development and administration staff	59	56	57	54
Estate officers	5	5	4	4
	64	61	61	58

Employee costs:

	GROUP		ASSOCIATION	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Wages	2,498	2,289	2,418	2,216
Social security costs	229	206	221	199
Pension costs	323	320	318	316
	3,050	2,815	2,957	2,731

6 Operating surplus

The operating surplus for the year is arrived after charging:

	GROUP		ASSOCIATION	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Depreciation:				
Housing properties	3,147	1,778	2,968	2,811
Other tangible fixed assets	186	256	184	245
Surplus on sale of properties and land	2,923	3,450	2,893	3,490
Auditors' remuneration (excluding VAT):				
- Audit of the financial statements of the association	40	26	40	26
- Audit of subsidiary financial statements	5	5	5	5
Non-audit services – VAT advisory	32	7	39	7

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

7 Interest and financing costs

	GROUP		ASSOCIATION	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Defined benefit pension charge	24	39	24	39
Housing loans	4,466	4,259	4,464	4,253
Less: Capitalised interest	(209)	(766)	(209)	(766)
	<u>4,281</u>	<u>3,532</u>	<u>4,279</u>	<u>3,526</u>

Capitalised interest is based on a calculation of the average cost of borrowing incurred by the Group and Association during the financial year. This amounts to 3.54% (2015: 3.54%).

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

8	GROUP - Tangible fixed assets							
	Social Housing Properties Held For Letting	Shared Ownership Properties Completed	Properties under construction	Subtotal Housing properties	Freehold Office	Other Fixed Assets	Subtotal Other fixed Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost								
At 1 April 2015	222,027	38,839	13,634	274,500	795	2,017	2,812	277,312
Additions	2,633		11,685	14,318		73	73	14,391
Reclassifications	(2,704)	-	2,704	-	-	-	-	-
Interest capitalised			209	209				209
Disposals	(1,504)	(2,459)	(7,856)	(11,819)	-	(9)	(9)	(11,828)
Schemes completed	9,296	6,760	(16,056)	-	-			
At 31 March 2016	229,748	43,140	4,320	277,208	795	2,081	2,876	280,084
Depreciation								
At 1 April 2015	26,984	508	-	27,492	178	1,519	1,697	29,189
Released on disposals	(731)	(1)	-	(732)	-	(10)	(10)	(742)
Charge for the year	2,917	230	-	3,147	16	170	186	3,333
At 31 March 2016	29,170	737	-	29,907	194	1,679	1,873	31,780
Net book value								
At 31 March 2016	200,578	42,403	4,320	247,301	601	402	1,003	248,304
At 31 March 2015	195,043	38,331	13,634	247,008	617	498	1,115	248,123

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

8	ASSOCIATION - Tangible fixed assets							Subtotal Other fixed Assets	Total
	Social Housing Properties Held For Letting	Shared Ownership Properties Completed	Properties under construction	Subtotal Housing properties	Freehold Office	Other Fixed Assets	£'000		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Cost									
At 1 April 2015	206,870	38,739	13,634	259,243	795	1,963	2,758	262,001	
Additions,	2,329		11,685	14,014		73	73	14,087	
Reclassifications	(2,704)	-	2,704	-	-	-	-	-	
Interest capitalised			209	209				209	
Disposals	(1,356)	(2,431)	(7,856)	(11,643)	-	(9)	(9)	(11,652)	
Schemes completed	9,296	6,760	(16,056)	-	-	-	-	-	
At 31 March 2016	214,435	43,068	4,320	261,823	795	2,027	2,822	264,645	
Depreciation									
At 1 April 2015	24,948	500	-	25,448	178	1,470	1,648	27,096	
Released on disposals	(603)	-	-	(603)	-	(10)	(10)	(613)	
Charge for the year	2,739	229	-	2,968	16	168	184	3,152	
At 31 March 2016	27,084	729	-	27,813	194	1,628	1,822	29,635	
Net book value									
At 31 March 2016	187,351	42,339	4,320	234,010	601	399	1,000	235,010	
At 31 March 2015	181,922	38,239	13,634	233,795	617	493	1,110	234,905	

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

8 Tangible fixed assets (continued)

Expenditure in works to existing properties

	GROUP		ASSOCIATION	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Components capitalised	1,702	875	1,419	766
Amounts charged to income and expenditure	<u>4,539</u>	<u>3,941</u>	<u>4,263</u>	<u>3,742</u>
	<u>6,241</u>	<u>4,816</u>	<u>5,682</u>	<u>4,508</u>

Social housing assistance

	GROUP		ASSOCIATION	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Total accumulated social housing grant received or receivable as at 31 March	128,106	130,331	121,280	123,452
Recognised in the Statement of Comprehensive Income	<u>(1,373)</u>	<u>(1,354)</u>	<u>(1,321)</u>	<u>(1,302)</u>
Held as deferred income	<u>126,733</u>	<u>128,977</u>	<u>119,959</u>	<u>122,150</u>

9 Investment properties non-social housing properties held for letting

	GROUP	ASSOCIATION
	£'000	£'000
At 1 April 2015	16,035	15,760
Increase in value	<u>593</u>	<u>573</u>
At 31 March 2016	<u>16,628</u>	<u>16,333</u>

The investment properties consist of commercial and market rent properties. These were valued by Res-Prop Chartered Surveyors, external professional Valuers who are registered with the Royal Institute of Chartered Surveyors (RICS). The valuation of the properties was undertaken in accordance with the RICS Valuation – Professional Standards, January 2014 on the basis of fair value. For the commercial properties a rent capitalisation methodology was adopted (rent and yield approach) coupled with an assessment of what an owner occupier might pay to arrive at the fair value, with reference to respective rental and capital value market data/sentiment.

The residential valuations were valued on an individual unit sale of a long leasehold interest with no onerous terms or ground rent. The valuation approach was based on the vacant possession value discounted to reflect the limitations to the market that the unit may be let. The valuation was also tested on the gross yield basis using the passing rents provided.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

10 Properties for sale

	GROUP		ASSOCIATION	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Shared-ownership properties:				
Under construction	551	1,077	551	1,077
Completed properties	526	2,242	526	2,242
	<u>1,077</u>	<u>3,319</u>	<u>1,077</u>	<u>3,319</u>

11 Debtors

	GROUP		ASSOCIATION	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Rent and service charges receivable	621	616	563	501
Less: provision for bad and doubtful debts	(441)	(433)	(424)	(399)
	<u>180</u>	<u>183</u>	<u>139</u>	<u>102</u>
Social housing grant receivable	1,368	-	1,368	-
Other debtors	563	541	551	538
Owed by the subsidiary	-	-	135	136
Prepayments and accrued income	1,177	1,059	1,155	1,049
	<u>3,288</u>	<u>1,783</u>	<u>3,348</u>	<u>1,825</u>

Included in the Group's and Association's prepayments and accrued income is an amount of £261,000 (2015: £466,000) due after more than one year.

12 Creditors: amounts falling due within one year

	GROUP		ASSOCIATION	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Debt (Note 14)	2,583	2,432	2,523	2,378
Trade creditors	1,750	6,060	1,727	6,060
Rent and service charges received in advance	186	214	170	168
Amount due to subsidiary company	-	-	40	1,032
Recycled capital grant fund (Note 16)	1,057	176	1,057	176
Disposal capital grant fund	-	3	-	3
Deferred grant income (Note 15)	1,382	1,373	1,330	1,321
Other taxation and social security	79	6	79	6
Obligations under finance lease	4	5	4	5
Other creditors	1,256	1,071	1,256	1,071
Accruals and Deferred Income	3,856	1,595	3,835	1,510
	<u>12,153</u>	<u>12,935</u>	<u>12,022</u>	<u>13,730</u>

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 Creditors: amounts falling due after more than one year

	GROUP		ASSOCIATION	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Debt (Note 14)	86,563	91,168	85,926	90,465
Loan stock	2	2	2	2
Obligations under finance lease	-	6	-	6
Recycled capital grant fund	1,833	1,860	1,833	1,860
Deferred grant income	125,351	127,604	118,629	120,829
	213,749	220,640	206,390	213,162

14 Debt analysis

Based on the lender's earliest repayment date, borrowings are repayable as follows:

	GROUP		ASSOCIATION	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Within one year or on demand	2,583	2,432	2,523	2,378
One year or more but less than two years	2,420	2,705	2,358	2,645
Two years or more but less than five years	7,177	6,515	7,046	6,390
Five years or more	76,965	81,947	76,522	81,430
	89,145	93,599	88,449	92,843

Security

Housing loans are from private lenders and in the main secured by specific charges on the Association's housing properties.

Terms of repayment and interest rate

The portfolio has a mixture of fixed and variable rate loans at interest rates ranging from 0.93% to 11.15%. Included in housing loans is £nil (2015: £nil) drawn from a revolving facility at a variable rate of interest. This facility is for £30m and is available until 2020. All other loans are long term borrowings.

Obligations under finance leases

	GROUP		ASSOCIATION	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Due within one year	4	5	4	5
Due after more than one year	-	6	-	6
	4	11	4	11

The obligations under finance lease are repayable by equal instalments in less than five years.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

15	Deferred grant income	GROUP		ASSOCIATION	
		2016 £'000	2015 £'000	2016 £'000	2015 £'000
	At 1 April	128,977	130,065	122,150	123,186
	Movement in the year	(871)	266	(870)	266
	Released to income in the year	(1,373)	(1,354)	(1,321)	(1,302)
	At 31 March	126,733	128,977	119,959	122,150
		GROUP		ASSOCIATION	
		2016 £'000	2015 £'000	2016 £'000	2015 £'000
	Amounts to be released in one year	1,382	1,373	1,330	1,321
	Amounts to be released in more than one year	125,351	127,604	118,629	120,829
	At 31 March	126,733	128,977	119,959	122,150
16	Recycled Capital Grant Fund	GROUP		ASSOCIATION	
		2016 £'000	2015 £'000	2016 £'000	2015 £'000
	At 1 April	2,036	1,057	2,036	1,057
	Grants recycled	875	979	875	979
	Utilised during the year	(21)	-	(21)	-
	At 31 March	2,890	2,036	2,890	2,036
17	Disposal Proceeds Fund	GROUP		ASSOCIATION	
		2016 £'000	2015 £'000	2016 £'000	2015 £'000
	At 1 April	3	3	3	3
	Utilised during the year	(3)	-	(3)	-
	At 31 March	-	3	-	3

As at March 2016, there are no amounts due for repayments.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

18 Share capital

	2016 £	2015 £
Shares of £1 fully paid and issued	37	35
Shares issued during year	3	6
Shares cancelled	(1)	(4)
	<hr/>	<hr/>
Balance at 31 March	39	37

Shares have limited rights and carry no entitlement to dividend. They are not repayable and do not carry rights to participate in a winding up. They carry an entitlement to vote at the Association's General meeting.

19 Capital commitments

	GROUP		ASSOCIATION	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Expenditure contracted for but not provided in the accounts	16,589	11,494	16,525	11,494
Expenditure authorised by directors, but not contracted	<u>11,533</u>	<u>18,300</u>	<u>11,533</u>	<u>18,300</u>

Of the above contracted but not provided for, £2.9 million (2015: £5.1 million) is to be financed by SHG, £6.0 million (2015: £6.4 million) from shared ownership sales and the remaining £7.6 million (2015: £nil) is to be financed from existing cash resources and borrowings.

The expenditure of £11.5 million which has been authorised by the Board will be funded by grant of £1.6 million (2015: £1.3 million), £3.5 million (2015: £4.8 million) from shared ownership sales, and the remaining £6.4 million (2015: £12.1 million) from existing loan finance.

The above capital expenditure is expected to be incurred over the next two years.

20 Surplus on sale of fixed assets – housing properties

	GROUP		ASSOCIATION	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Sales proceeds	8,634	5,800	8,558	5,800
Carrying value of fixed assets	(5,711)	(2,350)	(5,665)	(2,310)
	<hr/>	<hr/>	<hr/>	<hr/>
	2,923	3,450	2,893	3,490

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

21 Accommodation in management and development

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

	GROUP		ASSOCIATION	
	2016 No.	2015 No.	2016 No.	2015 No.
Social Housing				
General housing:				
- social rent	1,554	1,553	1,452	1,451
- affordable rent	152	88	152	88
Supported housing	113	113	94	94
Intermediate rent	1	1	1	1
Shared ownership	346	344	344	342
Total owned	<u>2,166</u>	<u>2,099</u>	<u>2,043</u>	<u>1,976</u>
Accommodation managed for others	35	35	-	-
Total managed	<u><u>2,201</u></u>	<u><u>2,134</u></u>	<u><u>2,043</u></u>	<u><u>1,976</u></u>
Non-social housing				
Private renting	18	18	18	19
Total owned and managed	<u><u>2,219</u></u>	<u><u>2,152</u></u>	<u><u>2,061</u></u>	<u><u>1,995</u></u>
Accommodation in development at the year end	<u>108</u>	<u>79</u>	<u>108</u>	<u>79</u>

The group owns 82 units (2015: 73 units) which are managed on its behalf, under management agreements by other bodies.

The group manages accommodation for London and Quadrant, a registered social landlord operating across London and the South East.

22 Related party disclosure

ISHA has three Resident Board Members. The rent and terms of their tenancies are on normal commercial terms. Details of the charges for their tenancy and the rent arrears at the 31 March 2016 were as follow:

	Rent and Service Charge £	Arrears 31 March 2016 £
Julian Elve	6,363	-
Alice Powell	7,442	-
Jennie Rooney (retired from the Board on 24 September 2016)	3,338	165

23 Pension scheme

The Association participates in the Social Housing Pension Scheme (SHPS), a multi-employer defined benefit 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. Therefore, it accounts for the scheme as a defined contribution scheme.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

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

The ISHA Group's scheme is in deficit and the Group has agreed to a deficit funding arrangement. This obligation is recognised as a liability in the balance sheet. 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.

Reconciliation of opening and closing provisions

Year Ending

	£'000	£'000
Provision at start of period	1,336	1,378
Unwinding of the discount factor (interest expense)	24	39
Deficit contribution paid	(151)	(145)
Re-measurements - impact of any change in assumptions	(11)	64
Re-measurements - amendments to the contribution schedule	561	-
	<u>1,759</u>	<u>1,336</u>
Provision at end of year	<u>1,759</u>	<u>1,336</u>

Income and expenditure impact

Year Ending

	£'000	£'000
Interest expense	24	39
Re-measurements – impact of any change in assumptions	(11)	64
Re-measurements – amendments to the contribution schedule	561	-
Costs recognised in income and expenditure account	<u>574</u>	<u>103</u>

Assumptions

	31 March 2016 % per annum	31 March 2015 % per annum	31 March 2014 % per annum
Rate of discount	<u>2.06</u>	<u>1.92</u>	<u>3.02</u>

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

The following schedule details the deficit contributions agreed between the company and the scheme at each year end period:

Year ending	31 March 2016	31 March 2015	31 March 2014
	£'000	£'000	£'000
Year 1	209	151	145
Year 2	217	158	151
Year 3	225	164	158
Year 4	234	171	164
Year 5	205	178	171
Year 6	174	147	178
Year 7	180	115	147
Year 8	156	119	115
Year 9	130	93	119
Year 10	133	65	93
Year 11	69	67	65
Year 12	-	34	67
Year 13	-	-	34

The company must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the statement of comprehensive income i.e. the unwinding of the discount rate as a finance cost in the period in which it arises.

It is these contributions that have been used to derive the company's statement of financial position.

24 Provisions for liabilities – other provisions

Group and Association

	SHPS	Repairs	Total
	obligation	£'000	£'000
	£'000	£'000	£'000
At 1 April 2015	1,336	300	1,636
Additions	423	439	862
At 31 March 2016	1,759	739	2,498

Repairs provision as at the start of the year relates to setting aside fund to cover cost of repairs that are likely to be claimed by a tenant, which may not be recoverable from insurers. The addition during the year to the repair provision relates to component replacement for a scheme which was managed by an agent and has been handed back in a poor state of repairs. Although ISHA will be seeking compensation for the disrepair, the case is likely to be subject to legal action, the outcome of which is uncertain.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

25 Financial assets and liabilities

Categories of financial assets and financial liabilities

	GROUP		ASSOCIATION	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Financial assets that are debt instruments measured at amortised cost				
Other debtors	3,288	1,783	3,348	1,825
Financial liabilities measured at amortised cost				
Loans (Note14)	89,145	93,599	88,449	92,843
Trade and other creditors	139,255	141,612	132,461	135,685
Total	228,400	235,211	220,910	228,528

Financial liabilities include all creditors and loan amounts payable.

Financial assets

Other than short-term debtors, financial assets held are cash deposits placed on term deposits and cash at bank. They are sterling denominated and the interest rate profile at 31 March was:

	GROUP		ASSOCIATION	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Floating rate on money market deposits	21,822	19,524	20,835	19,407
Financial assets on which no interest is paid	104	418	104	418
Total	21,926	19,942	20,939	19,825

Financial liabilities excluding trade creditors – interest rate risk profile

The group's financial liabilities are sterling denominated. The interest rate profile of the group's financial liabilities at 31 March was:

	GROUP		ASSOCIATION	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Fixed rate	74,404	77,626	73,921	76,109

The fixed rate financial liabilities have a weighted average interest rate of 4.64% (2015: 4.60%) and the weighted average period for which it is fixed is 10 years (2015: 9 years). The debt maturity profile is shown in note 14.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Borrowing facilities

The group has undrawn committed borrowing facilities. The facilities available at 31 March in respect of which all conditions precedent has been met were as follows:

	2016 £'000	2015 £'000
Expiring in more than two years	<u>31,000</u>	<u>33,000</u>

26 Group structure

As required by statute, the financial statements consolidate the results of Lien Viet Housing Association limited which is a wholly-owned subsidiary of the Association at the end of the year. The Association also has a dormant subsidiary – Urban Style Limited.

27 Post balance sheet events

The vote to leave the European Union is a major post balance sheet event. The uncertainty of its impact increases the risks to the Group. In particular, the state of the future housing and rental market and the financial risk of availability of mortgage funding for shared owners, will particularly affect the housing sector. Other associated risks extend to Housebuilder viability, and the increased cost of building materials from the EU. These risks have been recognized in the strategic risk register and will be monitored by management.

28 Transition to FRS102

The Group has adopted FRS 102 for the year ended 31 March 2016 and has restated the comparative prior year amounts.

1. SHPS Pension

Under section 28 the Group is now required to recognise the net present value of any contractual agreements to make additional payments for a past deficit. This has resulted in a liability of £1,378k being recognised as a provision in the opening reserves, using a discount rate of 3.02%.

2. Holiday pay provision

A provision is now made for entitlement to holiday at the year-end which has not been taken by employees. This has been calculated based on payroll records and totalled £28,000 as a liability in opening reserves.

3. Grant accounting

Grants were previously netted off the cost of the related asset. Under FRS 102, government grants must be accounted for using the accruals model or the performance model. As the association accounts for its properties at cost, it has adopted the accruals model for government grants, as required by SORP 2014. Non- government grants are accounted for under the performance model.

Under the accruals model, the government grants have been allocated to the related assets and amortised over the useful economic life of those assets. The unamortised

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

amount is held within deferred income, split between less than 1 year and more than 1 year. The amount of amortised grant that has been recognised in opening reserves is:

Group	£130,065k
Association:	£123,186k

4. Defined benefit pension scheme

The net pension finance cost recognised in the Income and Expenditure account for the year ended 31st March 2015 under the previous UK GAAP was the net of the expected return on pension plan assets and the interest on pension liabilities. FRS 102 requires the recognition in the Statement of Comprehensive Income, of a net interest cost, calculated by multiplying the net plan obligations by the market yield on high quality corporate bonds (the discount rate applied). The change has had no effect on net assets as the measurement of the net defined benefit plan obligation has not changed. Instead, the decrease in the surplus for the year has been mirrored by a reduction in the actuarial losses presented within Other Comprehensive Income.

Group restated statement of financial position

	31 March 2015	1 April 2014
	£'000	£'000
Original reserves	43,061	33,567
Adjustment to prior year reserves	9,630	-
Amortisation of government grants	1,356	12,923
Accumulated depreciation adjustment	(1,140)	(13,478)
Holiday pay	(29)	-
SHPS Pension	42	(1,378)
Investment properties	1,071	11,623
Restated reserves	53,991	43,257

Association restated statement of financial position

	31 March 2015	1 April 2014
	£'000	£'000
Original reserves	35,606	26,257
Adjustment of prior year reserves	10,265	-
Amortisation of government grants	1,302	12,253
Accumulated depreciation adjustment	(1,147)	(12,270)
Holiday pay accrual	(28)	-
SHPS Pension	42	(1,378)
Investment properties	1,066	11,660
Restated reserves	47,106	36,522

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Restated surplus or deficit for the year ended 31 March 2015	GROUP £'000	ASSOCIATION £'000
Original surplus	9,494	9,349
Amortisation of government grant	1,323	1,302
Accumulated depreciation adjustment	(1,174)	(1,147)
Holiday pay	(29)	(28)
SHPS Pension	42	42
Investment properties	1,078	1,066
Restated surplus for the financial year	10,734	10,584