

**Report of the Directors and
Financial Statements
for the Year Ended 31 March 2017
for
Inclusion Housing Community Interest
Company**

**Inclusion Housing Community Interest
Company (Registered number: 06169583)**

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for the Year Ended 31 March 2017**

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**Inclusion Housing Community Interest
Company**

**Company Information
for the Year Ended 31 March 2017**

DIRECTORS WHO HELD OFFICE DURING THE PERIOD 1ST APRIL 2016 TO THE DATE OF THIS REPORT:

P Ottowell	– Appointed 14 th July 2015
B Kirby	– Appointed 14 th July 2015
G Naidoo	– Appointed 14 th July 2015
J Gibson	– Appointed 20 th August 2015
I Brown	– Appointed 20 th October 2015
J Grimes	– Appointed 20 th October 2015
K Lewis	– Appointed 20 th October 2015
J McHale	– Appointed 20 th October 2015
A Bell	– Appointed 21 st June 2016
A Griffin	– Resigned 16 th June 2016

COMPANY SECRETARY WHO HELD OFFICE DURING THE PERIOD 1ST APRIL 2016 TO THE DATE OF THIS REPORT:

S Waters – Appointed 22nd December 2015

REGISTERED OFFICE:

106 Heworth Green
York
YO31 7TQ

REGISTERED NUMBER:

06169583 (England and Wales)

HOMES AND COMMUNITIES AGENCY NUMBER: 4662

MEMBER OF THE NATIONAL HOUSING FEDERATION

AUDITORS:

JN Straughan & Co.
Chartered Accountants & Registered Auditors
1st Floor, Portland House
Belmont Business Park
Durham
DH1 1TW

BANKERS:

The Co-Operative Bank
1 Balloon Street
Manchester
M60 4EP

Santander UK PLC
7 High Ousegate
York
Y01 8RZ

**Inclusion Housing Community Interest
Company (Registered number: 06169583)**

**Report of the Directors
for the Year Ended 31 March 2017**

The Board of Inclusion Housing CIC is pleased to present its report together with the audited financial statements for the year ended 31st March 2017.

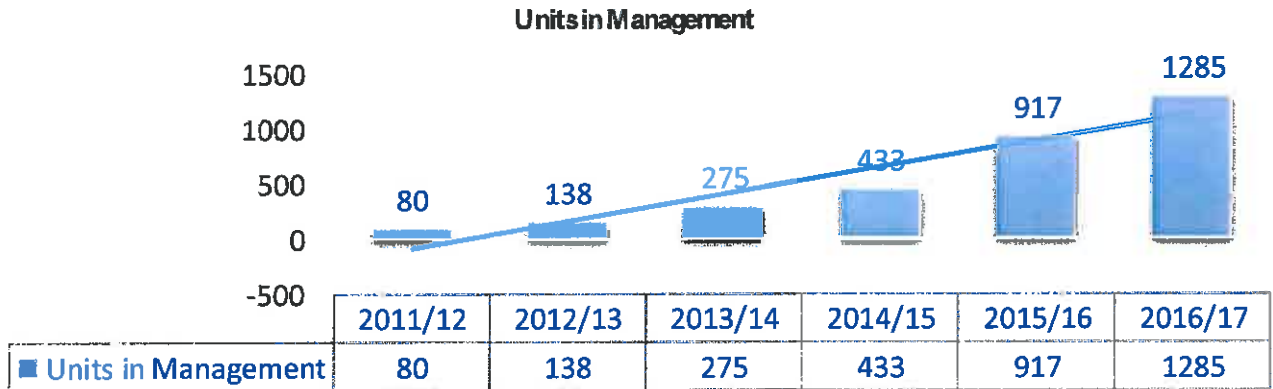
PRINCIPAL ACTIVITIES

Inclusion Housing (IH) is a community interest company (CIC – Social Enterprise) regulated by the Government CIC regulator, a registered provider of social housing regulated by the Homes and Communities Agency granted in June 2011. A not for profit, voluntary organisation, a public benefit entity and a member of the National Housing Federation, we continue to work with and on behalf of vulnerable people.

Inclusion Housing is one of the leading national providers of non - government grant funded supported accommodation designed to meet a range of housing needs for adults with learning disabilities, mental ill health, acquired brain injuries, physical & sensory disabilities and extra care, including a specialist dementia scheme. With 1285 units in management, located across 68 local authority areas, we work in partnership with other organisations to meet the specific care and support needs of client groups with particular specialist requirements. Tenancies are granted to vulnerable people who receive daily support from specialist support providers.

Inclusion is an entrepreneurial, innovative company that can respond quickly to new opportunity or ideas. We are not bureaucratic or hierarchical; the senior management team can be easily accessed and immediately.

Continued business growth is helping to meet the demand for supported living accommodation in the social and healthcare sector.



WHERE WE OPERATE

A National Operation with a Local Presence

Although Inclusion Housing has a national portfolio of properties we provide a local service through designated local representatives who visit homes at least every two weeks complemented by a local network of service contractors. We provide intensive housing management visits to residents on a fortnightly basis to help sustain tenancies and manage the signing up process, assist with housing benefit claims and respond quickly to issues and concerns through a personalised local service.

Inclusion Housing is currently developing further new supported living schemes across England and into Scotland, with the support of a number of funders RBS, Co-op, and Santander. The properties we manage are a mix of Inclusion Housing owned and long-term leases via Institutional Investment Partners.

**Inclusion Housing Community Interest
Company (Registered number: 06169583)**

**Report of the Directors
for the Year Ended 31 March 2017**

GOVERNANCE

The Board consists of nine members and one Co optee, who have adopted the NHF code of governance complying with its principle recommendations. Details of appointments at Companies House are included at Page 1 to these Financial Statements.

The Board's role is to provide strategic direction and to govern, control and scrutinise our operations. The Board meets regularly to review the performance of the business.

Chair - Pete Ottowell

Board Members - Brenda Kirby

Guru Naidoo

Jonathan Gibson

Ian Brown

June Grimes

Keith Lewis

John McHale

Anthony Bell

Co Opted - Kevin Harwood

Remuneration Sub Committee	Role
Guru Naidoo	Chairman
Responsible for overseeing terms & conditions of employment, remuneration and the Board member appraisal process	
Audit & Risk Sub Committee	Role
Brenda Kirby	Chairman
Responsible for overseeing standards of probity, risk management strategy and internal and external audit	

The remunerated Board and Committee members attended 92% of meetings in 2016/17 and are subject to regular performance appraisals.

Key Management Personnel

N Brown – Chief Executive

P Atkins – Property Director

M Dyas – Operations Director

S Milnes – Finance Director

S Waters – Company Secretary

Pensions

The directors are eligible to be members of the defined contribution pension scheme. They participate in the scheme on the same terms as all eligible staff and Inclusion Housing contributes to the scheme on behalf of its employees.

**Inclusion Housing Community Interest
Company (Registered number: 06169583)**

**Report of the Directors
for the Year Ended 31 March 2017**

STRATEGIC VISION & PRIORITIES

VISION

To be the leading health & social care landlord for vulnerable adults; providing flexible, innovative housing solutions and life opportunities in partnership

PRIORITIES

Strategic Priority 1	Strategic Objectives	Issue	Key Outcomes	IH Value
Asset Management	Maintain Assets - The delivery of high performing efficient and compliant property maintenance and servicing arrangements that deliver excellence and maintain our property portfolio to a high standard	Property	Top Quartile: Maintenance Service Satisfaction Property costs within Business Plan	Excellence Trusted
	Develop New Business - Fully appraise each development opportunity as IH expands its portfolio across the country as a unique housing & social enterprise;	Growth	3000 properties in Management by 2022	Enterprise Collaborative

Strategic Priority 2	Strategic Objectives	Issue	Key Outcomes	IH Value
Business Viability	Organisational Development - To encourage innovation and flair within the team, combined with a reward structure that encourages individuals. Will always continue to demonstrate the extra commitment to get the job done	People	National Top Employer Award Investor in People Accreditation	Inclusive Collaborative
	Continuous Improvement - To continuously improve our operational systems and service delivery	Delivery & Customer	Investors in Excellence Accreditation	Excellence
	Management Viability - Be effectively governed and professionally managed	Governance	G1 Governance Rating	Trusted

**Inclusion Housing Community Interest
Company (Registered number: 06169583)**

**Report of the Directors
for the Year Ended 31 March 2017**

Strategic Priority 3	Strategic Objectives	Issue	Key Outcomes	IH Value
Customer Excellence	Home life Tenant Involvement- Support & encourage volunteering, training and employment opportunities and the related benefits this brings to an individual's lifestyle	Resident Involvement	Top Quartile Customer Satisfaction	Inclusive
	Customer Excellence - Meet the housing needs of vulnerable people and provide a range of housing related services to enable the tenants to live a happy and sustainable lifestyle	Diversity & choice	Customer Excellence Accreditation Investors in Diversity Accreditation	Excellence

Strategic Priority 4	Strategic Objectives	Issue	Key Outcomes	IH Value
Financial Viability	Financial Viability - Be financially viable, and professionally managed.	Finance	Deliver against our business plan	Trusted
	Value for Money- To be efficient in our drive to provide a range of housing and related services to a recognised quality to all our current tenants and customers	Value	Reduce Average Operational Costs by 15% Margins >8%	Excellence

PURPOSE

Our two main purposes are:

- Meet the housing needs of vulnerable people and provide a range of housing related services to enable the tenants to live a happy and sustainable lifestyle
- Support, encourage volunteering, training and employment opportunities and the related benefits this brings to an individual's lifestyle

VALUES

Our key values are:

- Being **entrepreneurial** and innovative to grow our company
- Being **inclusive** and person centred to promote diversity across our activity
- Delivering **excellence** across all our activities and services
- **Trusted** by being open and accountable to our stakeholders
- Working in **collaboration** with all stakeholders to ensure improvement

**Inclusion Housing Community Interest
Company (Registered number: 06169583)**

**Report of the Directors
for the Year Ended 31 March 2017**

VALUE FOR MONEY

Our Value for money approach is an IH strategic objective and linked to our vision. The value for money objective is to - 'Ensure robust business planning that delivers value for money'

Value for Money achievements in 2016/17

Key Strategic Priority	Self-Assessment
Asset Management	<p>Growth in Business</p> <ul style="list-style-type: none"> ➤ Completed 368 new units in management with plans to deliver future sustained growth over 365 units a year in line with the strategic plan
Business Viability	<p>Continuous Improvement</p> <ul style="list-style-type: none"> ➤ 8% Average year on year reduction in the staffing overhead costs per property ➤ 22% increase in productivity per employee ➤ Percentage of days lost through sickness absence fallen from 2.1% to 1.74% - 17% reduction ➤ Re-aligning managing agent patches to reduce non-productive / travel time and fuel costs
Financial Viability	<p>Financial Viability</p> <ul style="list-style-type: none"> ➤ Achieved 8% surplus before tax, 1% ahead of budget. Focus for the future to sustain the surplus by reducing our core cost base and better procurement in a challenging economic environment ➤ More favourable lease/nomination agreements terms allowed a 46% increase in the amount of lost rent, due to empty properties, invoiced to third parties ➤ A move to towards self-insurance of lost income from void properties, resulted in halving direct costs saving £94K in premiums and more favourable policy terms allowed a two thirds increase in claims £59K ➤ Property Sinking Fund growth to £829K cash reserves , supporting the 30 year asset investment plan ➤ Procurement exercises resulting in new contracts delivering direct cost reductions, including mobile phones, compliance and gas servicing ➤ Cash from operating activities increased from £992K in 2015/16 to £1,590 in 2016/17 <p>VFM</p> <ul style="list-style-type: none"> ➤ High interest (6%) loan repayment provides in year interest payable savings of £10K and £20K in future years ➤ Focused arrears management resulted in a 38% reduction in debt write offs, equivalent to £26K ➤ Procurement exercises resulting in reduced direct costs for gardening ,window cleaning & cleaning- savings all passed back the tenants in reduced service charges

**Inclusion Housing Community Interest
Company (Registered number: 06169583)**

**Report of the Directors
for the Year Ended 31 March 2017**

BUSINESS REVIEW

Financial Viability

As a housing provider, it is essential that Inclusion Housing make a healthy surplus to fulfil our core strategic priorities. All surpluses are reinvested into bringing new units into management, improving services for our residents and building cash reserves to mitigate future lease liability risks.

The Board are pleased to report a surplus on ordinary activities before interest and taxation for the year of £1,377K. After spending £1,369K to maintain the existing units in management, alongside an increase in property sinking funds £514K to be spent on future investment in the properties managed to enable Inclusion Housing to continue to provide high quality homes for our residents.

The two-year income and expenditure account is summarised below:

	2016/17 £'000	2015/16 '000
Income – units in Management	14,878	10,363
Other Operating Income	1001	716
Operating Income	15,878	11,079
Property Lease Costs	9,158	6,466
Repair & Maintenance Costs	1,369	808
Service Charge Costs	1,400	1,079
Management Costs	1,527	1,337
Other operating Costs	533	523
Property Sinking Fund	514	323
Operating Costs	14,501	10,536
Operating Surplus before Interest & Tax	1,377	543

The increased surplus generated in the year was due to a 43% growth in income creating economies of scale, realising procurement gains, controlling costs and reduced management costs.

With a focused approach to cash flow management and improvements in arrears collection rates the surplus generated in the year has been realised in cash balances.

Key financial indicators derived from the financial statements and used to monitor and report performance are shown below:

	2016/17 Target	2016/17 Actual
Liquidity Ratio (Liquid Assets / Short Term Liabilities)	>1.1	1.27
EBITDA% (Before planned Maintenance Sinking fund)	>= 9%	11.94%
Cash Flow (Headroom)	>£700K	£1,590K
Employee costs % turnover	9%	7.5%
Sickness Absence	<2.5%	2.1%
Lease Costs % of Income	62%	62%
% CTA	<5.0%	1.86%
% of properties with a valid CP12 certificate	100%	100%

**Inclusion Housing Community Interest
Company (Registered number: 06169583)**

**Report of the Directors
for the Year Ended 31 March 2017**

LOOKING TO THE FUTURE

On 3 April 2017, the Company acquired the freehold to its new Registered Office at 106 Heworth Green, York. Total costs incurred £685,626 - of which £455,000 was funded by a fixed rate loan from Santander.

The focus during the next five years will be on 'Excellence & Growth' by providing quality services to our customers and growing to in excess of 3000 units in management. We will achieve this by enhancing our efficiency to generate increased surpluses for investment in homes and services, and continuing to develop our people and organisation so that we can do more and better. These strategic priorities will help us to deliver our longer-term targets in line with the 2017-2022 business plan.

The key operating principles of Inclusion Housing are:

- Continue to grow and develop the number of units in management and provide services on a national level.
- Enhance our working relationship with others; particularly finance partners, care providers, developers, Enterprise Partnerships, strategic partnerships, government agencies, The Homes and Communities Agency and the voluntary sector.
- Ensure that all new development proposals remain demand led, viable and subject to high levels of commissioner consultation.
- Continue to provide accredited excellent services that are sensitive to the needs of residents and communities, and meet the aspirations of our partners and residents.
- Set clear measures of performance that are reviewed and reported regularly, and make a commitment to on-going improvement in service delivery.
- Ensure that our staff are well trained and motivated, and have clear targets that contribute directly to achieving business goals.
- Ensure that the governance and decision-making processes within IH are efficient and accountable.
- Ensure the key risks to IH are identified, monitored and managed effectively at a strategic and operational level.
- Ensure that the business remains financially viable, and that IH achieves growing surpluses and increased cash reserves in each year of the business plan period.

RISKS & UNCERTAINTIES

The senior executive team and the Board review key risks and monitor progress in controlling and mitigating the identified risks. Proposed changes to the funding methodology for vulnerable adults eligible to exempt accommodation has been subject to sector consultation with changes expected to be implemented no sooner than April 2019 a key risk for the organisation.

The Business plan has been stress tested to ensure the Senior Executive and Board are aware of the effect of a fall in the target growth levels, increases in the number of voids, changes in government legislation and counterparty risk. The scenario testing revealed one of the key risks to the financial success of the organisation is the lost income due to voids. All new Leases agreements include a voids cover agreement reducing the risk of high levels of lost income due to untenanted properties. Enhanced terms have been negotiated with partners providing 10 years' voids cover and with the strengthening of the operational management resources, liquid assets and improved contractual terms the risk profile of the business has fallen.

In all financial matters, Inclusion Housing is risk averse. Its policy's, strategies and procedures are structured to minimise exposure to risks that could jeopardise the security or value of our assets.

**Inclusion Housing Community Interest
Company (Registered number: 06169583)**

**Report of the Directors
for the Year Ended 31 March 2017**

STATEMENT OF INTERNAL CONTROLS

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

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

Key elements of the control framework include:

- Board approved terms of reference and delegated authorities for Audit & Risk committee and the Remuneration committee
- Clearly defined management responsibilities for the identification, evaluation and control of significant risks
- Robust strategic and business planning processes, with detailed financial budgets and forecasts
- Formal HR policies for all staff
- Established approval and appraisal procedures for significant new initiatives and commitments
- Robust performance reporting framework

GOING CONCERN

Inclusion Housing business activities and current financial position are set out in this operating and financial review. With increased cash reserves and growing resources, the Inclusion Housing business plan shows it is able to meet its ongoing obligations and loan covenants.

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

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) for Registered Social 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable him to ensure that the financial statements comply with the Companies Act 2006.

**Inclusion Housing Community Interest
Company (Registered number: 06169583)**

**Report of the Directors
for the Year Ended 31 March 2017**

STATEMENT OF DIRECTOR'S RESPONSIBILITIES - continued

They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Company has fully complied with the Accounting Direction for Private Registered Providers of Social Housing 2015.

A qualifying third party indemnity provision is in place for directors and officers of the Company.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as each director is aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware. They have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, JN Straughan & Co., are to be proposed for re-appointment at the forthcoming Annual General Meeting.

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

ON BEHALF OF THE BOARD:



.....
Mrs S Waters – Company Secretary

Date: 20th June 2017

**Report of the Independent Auditors to the Members of
Inclusion Housing Community Interest
Company**

We have audited the financial statements of Inclusion Housing Community Interest Company for the year ended 31 March 2017 on pages thirteen to twenty-seven. 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on pages nine and ten, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Other Matter

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

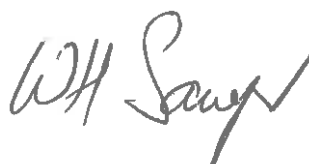
**Report of the Independent Auditors to the Members of
Inclusion Housing Community Interest
Company**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Directors.

Mr W.H. Sawyer (Senior Statutory Auditor)
for and on behalf of JN Straughan & Co.
Statutory Auditors
1st Floor, Portland House
Belmont Business Park
Durham
DH1 1TW



20 June 2017

**Inclusion Housing Community Interest
Company (Registered number: 06169583)**

**Statement of Comprehensive Income
for the Year Ended 31 March 2017**

		2017		2016	
	Notes	£	£	£	£
TURNOVER	3		15,878,909		11,079,532
Other external expenses			12,502,237		8,542,302
			3,376,672		2,537,230
Staff costs	5	1,187,387		1,019,174	
Depreciation		72,209		46,648	
Other operating expenses		739,721		880,338	
			1,999,317		1,946,160
OPERATING SURPLUS	6		1,377,355		591,070
Interest receivable and similar income			6,335		1,080
			1,383,690		592,150
Interest payable and similar expenses	7		29,618		49,331
SURPLUS BEFORE TAXATION			1,354,072		542,819
Tax on surplus	8		276,067		113,906
SURPLUS FOR THE FINANCIAL YEAR			1,078,005		428,913
OTHER COMPREHENSIVE INCOME			-		-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			1,078,005		428,913

The Company's results relate wholly to continuing activities.

The notes form part of these financial statements

**Inclusion Housing Community Interest
Company (Registered number: 06169583)**

**Balance Sheet
31 March 2017**

	Notes	2017 £	£	2016 £	£
FIXED ASSETS					
Tangible assets	9		1,078,350		1,144,423
CURRENT ASSETS					
Debtors	10	2,031,841		1,163,497	
Cash at bank and in hand		<u>3,213,467</u>		<u>1,980,367</u>	
		5,245,308		3,143,864	
CREDITORS					
Amounts falling due within one year	11	<u>2,537,795</u>		<u>1,755,030</u>	
NET CURRENT ASSETS			<u>2,707,513</u>		<u>1,388,834</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			3,785,863		2,533,257
CREDITORS					
Amounts falling due after more than one year	12		(2,283,359)		(2,100,798)
PROVISIONS FOR LIABILITIES	16		<u>(14,721)</u>		<u>(22,681)</u>
NET ASSETS			<u>1,487,783</u>		<u>409,778</u>
RESERVES					
Income and expenditure account	17		<u>1,487,783</u>		<u>409,778</u>
			<u>1,487,783</u>		<u>409,778</u>

The financial statements approved by the Board of Directors on 20 June 2017 and signed on its behalf by:

P Ottowell - Director & Chairman

G D Naidoo - Director

The notes form part of these financial statements

**Inclusion Housing Community Interest
Company (Registered number: 06169583)**

**Statement of Changes in Equity
for the Year Ended 31 March 2017**

	Retained earnings & Total equity £
Balance at 1 April 2015	(19,135)
Changes in equity	
Total comprehensive income	<u>428,913</u>
Balance at 31 March 2016	<u>409,778</u>
Changes in equity	
Total comprehensive income	<u>1,078,005</u>
Balance at 31 March 2017	<u><u>1,487,783</u></u>

The notes form part of these financial statements

**Inclusion Housing Community Interest
Company (Registered number: 06169583)**

**Cash Flow Statement
for the Year Ended 31 March 2017**

	Notes	2017 £	2016 £
Cash flows from operating activities			
Cash generated from operations	1	1,725,836	1,060,947
Interest paid		(29,618)	(49,331)
Tax paid		<u>(106,201)</u>	<u>(19,322)</u>
Net cash from operating activities		<u>1,590,017</u>	<u>992,294</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(6,135)	(58,462)
Interest received		<u>6,335</u>	<u>1,080</u>
Net cash from investing activities		<u>200</u>	<u>(57,382)</u>
Cash flows from financing activities			
Loan repayments in year		<u>(357,117)</u>	<u>(55,901)</u>
Net cash from financing activities		<u>(357,117)</u>	<u>(55,901)</u>
<hr/>			
Increase in cash and cash equivalents		1,233,100	879,011
Cash and cash equivalents at beginning of year	2	<u>1,980,367</u>	<u>1,101,356</u>
Cash and cash equivalents at end of year	2	<u><u>3,213,467</u></u>	<u><u>1,980,367</u></u>

The notes form part of these financial statements

**Inclusion Housing Community Interest
Company (Registered number: 06169583)**

**Notes to the Cash Flow Statement
for the Year Ended 31 March 2017**

1. RECONCILIATION OF SURPLUS BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2017	2016
	£	£
Surplus before taxation	1,354,072	542,819
Depreciation charges	54,010	46,648
Loss on disposal of fixed assets	18,199	-
Finance costs	29,618	49,331
Finance income	<u>(6,335)</u>	<u>(1,080)</u>
	1,449,564	637,718
Increase in trade and other debtors	(868,344)	(571,380)
Increase in trade and other creditors	<u>1,144,616</u>	<u>994,609</u>
Cash generated from operations	<u>1,725,836</u>	<u>1,060,947</u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 March 2017

	31.3.17	1.4.16
	£	£
Cash and cash equivalents	<u>3,213,467</u>	<u>1,980,367</u>

Year ended 31 March 2016

	31.3.16	1.4.15
	£	£
Cash and cash equivalents	<u>1,980,367</u>	<u>1,101,356</u>

The notes form part of these financial statements

**Inclusion Housing Community Interest
Company (Registered number: 06169583)**

**Notes to the Financial Statements
for the Year Ended 31 March 2017**

1. STATUTORY INFORMATION

Inclusion Housing Community Interest Company is a private company, limited by guarantee, registered in England and Wales and registered with the Homes and Communities Agency as a social housing provider. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been 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.

The presentation currency is £ sterling.

Turnover

Turnover comprises rental income receivable in the year, other services included at the invoiced value of goods and services supplied in the year and revenue grants covering the period of the financial statements. Rental income is recognised as the gross of rentals offered, and voids are deducted as an expense. Unspent revenue grant applicable to future financial years is included in creditors. As the Company is registered for VAT, such income is stated net of VAT where applicable.

Voids Self- Insurance

The weekly rent charge includes an allowance for void expenses in the event of a unit in management being empty at some point in the future. The intended purpose of the voids charge is to fund costs incurred by the organisation during periods when the unit is not occupied. The void charge is extracted from the income collected and initially presented as deferred income. Set against the deferred income is the equivalent lost income from the units classed as void during the year. The voids self-insurance deferred income is included in creditors and as liquid assets in a separately identified bank account.

Sinking fund

The weekly rent charge includes a sinking fund allowance to be utilised for the future replacement of major property components at each scheme forming part of the lease obligations to replace property components. The sum being collected per unit in management has been tested against the 30-year investment plan and found to adequately cover the future component replacement lease liabilities. The sinking fund deferred income is reflected in creditors and as liquid assets in a separately identified bank account.

Revenue Grants

Revenue grants have been provided to the organisation for the purpose of subsidising the lease rent at five schemes over the twenty year life of the lease. The grant is released on a straight line basis to income during the year, the liquid assets transferred to the current account and the balance of grant reflected in creditors and as liquid assets in a separately identifiable bank account.

Stamp Duty Land Tax Liability (SDLT)

Cash funds equivalent to the SDLT liability due on the 20-year anniversary of a lease is included in creditors falling due after one year.

Interest payable

Interest is allocated at a constant rate on the carrying amount over the period of the loan. Other interest payable is charged to the income and expenditure account in the year.

**Inclusion Housing Community Interest
Company (Registered number: 06169583)**

**Notes to the Financial Statements
for the Year Ended 31 March 2017**

2. ACCOUNTING POLICIES - continued

Taxation

Current tax is recognised for income tax payable in respect of the taxable surplus for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the Balance Sheet date. Deferred tax assets and liabilities are not discounted.

Value added tax

The Company is liable to charge 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 Company and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

Financial Instruments

Financial instruments, which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102, are accounted for under an amortised historical cost model.

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.

Leasehold properties

Alterations to leasehold properties are charged to the income and expenditure account at the point expenditure occurs.

Other fixed assets

These are stated at cost less accumulated depreciation.

Depreciation

Major components are treated as separable assets and depreciated over their expected economic lives on a straight-line basis as follows:

Housing Property Structure	- 50 years
Boilers and heating systems	- 15 years
Kitchens	- 15 – 20 years
Bathrooms	- 15 years
Windows & Doors	- 30-35 years
Rewire	- 25-30 years
Computer equipment	- 4 years

Alterations to leasehold properties are charged to the income and expenditure account in the period the expense is incurred. Furniture and White Goods in leasehold properties are no longer capitalised; application of this policy in the 2017 financial year has resulted in a charge of £18,199.

Freehold land is not depreciated.

**Inclusion Housing Community Interest
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**Notes to the Financial Statements - continued
for the Year Ended 31 March 2017**

2. ACCOUNTING POLICIES – continued

Works to existing housing properties

Improvements are works, which result in an increase in the net rental income, such as a reduction in future maintenance costs, or result in a significant extension of the useful economic life of the property in the business. Only the direct overhead costs associated with new developments or improvements are capitalised.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against income on a straight-line basis over the period of the lease.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the profit and loss account in the period to which they relate.

3. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	2017 £	2016 £
Rent receivable	15,560,226	11,047,780
Revenue grants receivable	318,683	31,752
	<hr/>	<hr/>
Turnover from social housing lettings	15,878,909	11,079,532
Lease Rents payable	9,158,540	6,385,420
Maintenance and other property costs	3,343,697	2,156,882
Bad Debt write off	41,897	83,037
Depreciation of housing properties and elements included therein	37,315	34,681
Insurance	255,849	358,651
Office Rent	20,747	21,761
Wages and salaries	1,187,387	1,019,173
Management, Consultancy, Legal & Professional Fees	137,635	173,276
Other costs	<u>318,487</u>	<u>255,581</u>
Operating costs on social housing lettings	14,501,554	10,488,462
Operating surplus on social housing lettings	<u>1,377,355</u>	<u>591,070</u>
Void Losses	1,252,553	1,372,060

**Inclusion Housing Community Interest
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**Notes to the Financial Statements - continued
for the Year Ended 31 March 2017**

4. ACCOMMODATION IN MANAGEMENT

The number of units in management for social housing accommodation was 1,285 (917 – 2016).

5. EMPLOYEES AND DIRECTORS

	2017	2016
	£	£
Wages and salaries	1,070,933	943,768
Social security costs	94,805	63,437
Other pension costs	<u>21,649</u>	<u>11,969</u>
	<u><u>1,187,387</u></u>	<u><u>1,019,174</u></u>

The average monthly number of employees during the year was as follows:

	2017	2016
Board Directors	9	5
Key Management Personnel	5	4
Property	4	3
Operations	13	11
Finance	5	3
Business Administration	<u>9</u>	<u>7</u>
	<u><u>45</u></u>	<u><u>33</u></u>

The aggregate remuneration for key management personnel charged in the year is Salaries £313,698 (2016 £221,837) and Pension Contributions of £10,361 (2016 £5,187).

The emoluments payable to the highest paid senior executive were £81,430 (2016 £52,875).

The number of key management personnel to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u><u>5</u></u>	<u><u>2</u></u>
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6. OPERATING SURPLUS

The operating surplus is stated after charging:

	2017	2016
	£	£
Other operating leases	20,747	21,761
Depreciation - owned assets	54,009	46,647
Loss on disposal of fixed assets	18,199	-
Auditors' remuneration	12,800	9,000
Housing property - operating leases	9,158,540	6,385,420
Void Losses	<u>1,252,553</u>	<u>1,372,060</u>

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	2017	2016
	£	£
Bank interest	20,126	29,720
Loan	<u>9,492</u>	<u>19,611</u>
	<u><u>29,618</u></u>	<u><u>49,331</u></u>

**Inclusion Housing Community Interest
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**Notes to the Financial Statements - continued
for the Year Ended 31 March 2017**

8. TAXATION

Analysis of the tax charge

The tax charge on the surplus on ordinary activities for the year was as follows:

	2017 £	2016 £
Current tax:		
UK corporation tax	284,027	106,201
Over provision in respect of Previous year	<u>-</u>	<u>(746)</u>
Total current tax	284,027	105,455
Deferred tax	<u>(7,960)</u>	<u>8,451</u>
Tax on surplus on ordinary activities	<u><u>276,067</u></u>	<u><u>113,906</u></u>

UK corporation tax has been charged at 20% (2016 - 20%).

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2017 £	2016 £
Surplus on ordinary activities before tax	<u>1,354,072</u>	<u>88,483</u>
Surplus on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2016 - 20%)	270,814	108,564
Effects of:		
Capital allowances in excess of depreciation	-	(2,363)
Depreciation in excess of capital allowances	13,213	-
Corporation tax – over provision in respect of previous year	-	(746)
Deferred tax – origination and reversal of timing differences	<u>(7,960)</u>	<u>8,451</u>
Total tax charge	<u><u>276,067</u></u>	<u><u>113,906</u></u>

Notes to the Financial Statements - continued
for the Year Ended 31 March 2017

9. TANGIBLE FIXED ASSETS

	Freehold property £	Improvements to property £	Furniture & Equipment £	Computer equipment £	Totals £
COST					
At 1 April 2016	1,188,175	35,784	38,413	76,148	1,338,520
Additions	-	-	-	6,135	6,135
Disposals	-	(7,623)	(37,236)	-	(44,859)
At 31 March 2017	<u>1,188,175</u>	<u>28,161</u>	<u>1,177</u>	<u>82,283</u>	<u>1,299,796</u>
DEPRECIATION					
At 1 April 2016	142,311	13,088	15,549	23,149	194,097
Charge for year	26,125	5,890	5,299	16,695	54,009
Eliminated on disposal	-	(6,117)	(20,543)	-	(26,660)
At 31 March 2017	<u>168,436</u>	<u>12,861</u>	<u>305</u>	<u>39,844</u>	<u>221,446</u>
NET BOOK VALUE					
At 31 March 2017	<u>1,019,739</u>	<u>15,300</u>	<u>872</u>	<u>42,439</u>	<u>1,078,350</u>
At 31 March 2016	<u>1,045,864</u>	<u>22,696</u>	<u>22,864</u>	<u>52,999</u>	<u>1,144,423</u>

Freehold Property above consists wholly of Social Housing properties acquired for letting which are held on a freehold basis. All elements constitute completed projects.

Included in Freehold Property is a property acquired in 2011 for £1 and valued at £493,397 for insurance purposes. This property is kept in perpetuity for social purpose; future disposal is restricted under the terms of the transfer agreement.

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £	2016 £
Rental Debtors	825,212	596,173
Trade debtors	843,726	407,798
Other debtors	11,327	871
Prepayments and accrued income	<u>351,576</u>	<u>158,655</u>
	<u>2,031,841</u>	<u>1,163,497</u>

**Inclusion Housing Community Interest
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**Notes to the Financial Statements - continued
for the Year Ended 31 March 2017**

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£	£
Bank loans and overdrafts (see note 13)	37,144	35,753
Other loans (see note 13)	-	15,925
Trade creditors	1,088,051	842,035
Tax	284,027	106,201
Social security and other taxes	29,434	20,721
VAT	39,576	56,507
Other creditors	45,409	50,715
Accruals and deferred income	<u>1,014,154</u>	<u>627,173</u>
	<u><u>2,537,795</u></u>	<u><u>1,755,030</u></u>

Accruals and deferred income of £1,014,154 (2016 £627,173) includes £4,784 (2016 £2,203) in respect of accrued pension contributions.

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2017	2016
	£	£
Bank loans (see note 13)	476,131	514,091
Other loans (see note 13)	-	304,623
Accruals and deferred income	<u>1,807,228</u>	<u>1,282,084</u>
	<u><u>2,283,359</u></u>	<u><u>2,100,798</u></u>

Accruals and deferred income includes the following elements:

Sinking fund	837,083	322,740
Void self-insurance reserve	65,658	-
Revenue Grants	856,023	910,880
SDLT reserve	<u>48,464</u>	<u>48,464</u>
	<u><u>1,807,228</u></u>	<u><u>1,282,084</u></u>

13. LOANS

An analysis of the maturity of loans is given below:

	2017	2016
	£	£
Amounts falling due within one year or on demand:		
Bank loans	37,144	35,753
Other loans	<u>-</u>	<u>15,925</u>
	<u><u>37,144</u></u>	<u><u>51,678</u></u>
Amounts falling due between one and two years:		
Bank loans	38,589	37,144
Other loans	<u>-</u>	<u>16,907</u>
	<u><u>38,589</u></u>	<u><u>54,051</u></u>

**Inclusion Housing Community Interest
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**Notes to the Financial Statements - continued
for the Year Ended 31 March 2017**

13. LOANS - continued

	2017 £	2016 £
Amounts falling due between two and five years:		
Bank loans - 2-5 years	125,028	120,337
Other loans - 2-5 years	<u>-</u>	<u>57,240</u>
	<u>125,028</u>	<u>177,577</u>
Amounts falling due in more than five years:		
Bank loans - >5 years	312,514	356,610
Other loans->5 years	<u>-</u>	<u>230,476</u>
	<u>312,514</u>	<u>587,086</u>

All of the loans included above relate to the purchase of social housing properties, secured against each property, repayable in instalments.

Bank loans include one loan from the Co-operative bank and three loans from the Royal Bank of Scotland. The rate of interest applicable to the loan from the Co-operative bank is 2.5% over base. Two of the loans from the Royal Bank of Scotland attract interest at a rate of 3.5% over base, whilst the interest rate applicable to the third is 3.9% over base.

The final instalment on the loan from the Co-operative bank is due in 2025, whilst the loans from the Royal Bank of Scotland are expected to be repaid in the period 2022 - 2023. All repayments on bank loans are due monthly.

The main element of Other loans is relates to an amount due to Social Investment Business which was repaid in full during 2017.

14. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2017 £	2016 £
Within one year	12,235,845	7,604,288
Between one and five years	48,411,306	30,133,522
In more than five years	<u>386,280,593</u>	<u>278,268,131</u>
	<u>446,927,744</u>	<u>316,005,941</u>

**Inclusion Housing Community Interest
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**Notes to the Financial Statements - continued
for the Year Ended 31 March 2017**

15. SECURED DEBTS

The following secured debts are included within creditors:

	2017	2016
	£	£
Bank loans	513,275	549,844
Other loans	<u>-</u>	<u>320,549</u>
	<u>513,275</u>	<u>870,393</u>

The carrying value of freehold properties, which form the main element of security, is included at Note 9 to these financial statements.

16. PROVISIONS FOR LIABILITIES

	2017	2016
	£	£
Deferred tax		
Accelerated capital allowances	<u>14,721</u>	<u>22,681</u>

		Deferred tax
		£
Balance at 1 April 2016		22,681
Credit to Statement of Comprehensive Income during year		<u>(7,960)</u>
Balance at 31 March 2017		<u>14,721</u>

17. RESERVES

	Income & expenditure account
	£
At 1 April 2016	409,778
Surplus for the year	<u>1,078,005</u>
At 31 March 2017	<u>1,487,783</u>

18. CAPITAL COMMITMENTS

	2017	2016
	£	£
Contracted but not provided for in the financial statements	<u>685,626</u>	<u>-</u>

On 3 April 2017, the Company acquired the freehold to its new Registered Office at 106 Heworth Green, York. Total costs incurred were £685,626 - of which £455,000 was funded by a fixed rate loan from Santander.

**Inclusion Housing Community Interest
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**Notes to the Financial Statements - continued
for the Year Ended 31 March 2017**

19. COMPANY LIMITED BY GUARANTEE

The company is limited by guarantee; the liability of the Members on winding up is limited to £1.