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**ORIGIN HOUSING LIMITED**

**ANNUAL ACCOUNTS**

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**YEAR ENDED 31 MARCH 2014**

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**BOARD MEMBERS, EXECUTIVE DIRECTORS, ADVISORS AND BANKERS****Board Members**

Chair	Colin Sherriff
Vice Chair	Alison Lowton
Other Members	Phillip Dawson Karen Wilson Paulette Rose (resigned March 2014) Michael Dear (resigned August 2013) Dayna Byfield Suzanne Davies Jolyon Griffiths Ed Barnes (resigned April 2013) Nicky Wilden (appointed August 2013) Anne Bowers (appointed August 2013) Mash Halai (appointed February 2014)

Chair of Audit, Risk & Scrutiny Committee	Suzanne Davies
Chair of Remuneration Committee,	Alison Lowton
Chair of Investment Committee	Jolyon Griffiths

**Executive Directors**

Chief Executive	Karen Wilson
Director of Finance	Chris Trebilcock
Director of Development	Gareth Jones
Housing Services Director	Manpreet Dillon
People Services Director	Cathy McCarthy

**Registered office**

St Richard's House  
110 Eversholt Street  
London NW1 1BS

**Registered number**

Incorporated as a charitable social landlord under the Co-operative and Community Benefit Societies Act 2014, No: 10008R

Registered by the Homes & Communities Agency, No: L0871

**Auditors**

BDO LLP  
2 City Place  
Beehive Ring Road  
Gatwick  
West Sussex  
RH6 0PA

**Internal Auditors**

Beever & Struthers  
16 Bunhill Row  
London, EC1Y 8LP

**Principal Solicitors**

Trowers & Hamlins  
3 Bunhill Row,  
London, EC1Y 8YZ

**Bankers**

Royal Bank of Scotland  
189-191 Camden High Street  
London NW1 7BP

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## REPORT OF THE BOARD

The Board presents its report and the Group's audited financial statements for the year ended 31 March 2014.

### Principal activities

Origin Housing Limited ('the Association') is a charitable registered provider of social housing administered by a board all the members of which other than the Chair and CEO serve on a voluntary basis. The Association's principal activities are the development and management of housing (affordable, sheltered, keyworker, shared ownership, rent to homebuy, leasehold) and the provision of care and support services. 'The Group' consists of the Association and the subsidiaries listed in note 14, 'Investment in subsidiaries', to the financial statements. The activities of the Group are detailed in the Operating and Financial Review on pages 7 to 18 of the financial statements.

### Business review

Details of the Group's performance for the year and future plans are set out in the Operating and Financial Review that follows this report of the Board.

### Legal status

The Association is registered under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Homes and Communities Agency as a social landlord.

### Housing property assets

Details of changes to the Group's housing property assets are shown in note 11 to the financial statements. Housing property values are considered in the Operating and Financial Review.

### Reserves

After transfer of the surplus for the year of £5.0m (2013: £4.2m), at the year-end Group reserves amounted to £95.1m (2013: £89.1m).

### Donations

The Group did not make any donations during this or the previous financial year.

### Payment of creditors

In line with Government guidance, our policy is to pay purchase invoices within 30 days of receipt, or earlier if agreed with the supplier.

### Financial instruments

The Group's approach to financial risk management is outlined in the Operating and Financial Review.

### Employees

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

The Group shares information on its objectives, progress and activities through regular office and departmental meetings involving board members, the senior management team and staff.

We are committed to equal opportunities, we support the employment of disabled people, both in recruitment and in the retention of employees who become disabled whilst in the employment of the Group.

### Severance and Redundancy Payments

The total severance and redundancy payments made during the year were £50,298 (2013: £88,847) relating to 8 (2013: 10) individuals.

### Health and safety

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

### Board members and executive directors

The board members and the executive directors of the Group together with changes that have occurred during the year are set out on page 2. The board members are drawn from a wide background bringing together professional, commercial and local experience.

The performance of individual board members is reviewed annually by the Chair. An independent consultant conducts the appraisal of the Chair with input from the Board and Executive Directors. Only the Chair and Chief Executive receive remuneration which is disclosed in note 9 to the accounts.

Group insurance policies indemnify board members and officers against liability when acting for the Group.

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**REPORT OF THE BOARD (CONTINUED)****Service contracts**

The chief executive is appointed on a permanent contract on 6 months notice. The other executive directors are employed on 3 months notice. Details of the executive directors' remuneration packages are included in note 9 to the audited financial statements.

**Pensions**

The executive directors and many other senior staff are members of one of the Social Housing Pension Scheme (SHPS) defined benefit final salary pension scheme, SHPS career average earnings pension scheme, and the SHPS defined contribution scheme. They participate in the scheme on the same terms as all other eligible staff. The Association contributes to the schemes on behalf of its employees. The details of the schemes are explained in note 8 to the accounts.

**NHF Code of Governance and Code of Conduct**

Origin Housing Limited has adopted the NHF Code of Governance and has complied with its provisions.

Following an annual review and assessment return to the Regulator, the Board can confirm that Origin Housing Limited complies with the Code of Governance, and the Board and Executive team are committed to upholding the Code, and to adhering to the high standards of conduct set out in the NHF Code of Conduct.

The membership of the Origin Housing Board provides a cross section of experience that is designed to support and challenge the Executive team. The Board is supported by the Audit, Risk & Scrutiny Committee, Investment Committee and Remuneration Committee.

**Resident involvement**

The Group encourages resident involvement in decision-making by promoting mechanisms of resident involvement. Examples include the Scrutiny Panel and service specific panels. As at 31 March 2014 the Group had one resident board member.

**Internal controls assurance**

The Board is responsible for maintaining a sound system of internal controls within the Group/Association and for reviewing its effectiveness. It delegates the ongoing review of controls to the Audit, Risk and Scrutiny Committee and the Board receives an annual report from the Executive and Audit, Risk and Scrutiny Committee.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and as such can only provide reasonable and not absolute assurance, against material misstatement, loss or failure to achieve the business objectives.

In fulfilling these responsibilities the Board has ensured that the process for identifying, evaluating and managing the significant risks faced by the Association is a continuing process and is embedded in the day to day management and governance processes. This has been in place for the year under review and up to the date of the approval of these accounts and report.

The Board has agreed a number of key policies designed to ensure effective internal controls including;

- a Risk Management Policy and Framework
- the Rules and Standing Orders of the Association (including terms of reference for boards and committees)
- a set of delegated powers detailing responsibilities for expenditure and authorisation of payments
- a comprehensive set of financial and operating policies and procedures covering all aspects of the business
- a risk based approach to internal audit reviews
- code of conduct for Board members and staff
- a policy on regular performance reporting to the Board
- Treasury Management Policy and Strategy with bi-annual reviews provided to the Board Investment Committee together with updates on the current position included in the quarterly management accounts provided to the board.

The Board has in place a comprehensive process to review the effectiveness of the Association's and Group's system of internal controls. This includes all of the following elements;

Identifying and evaluating key risks and the control environment

- reviews of the risk management framework
  - a strategic risk register linked to the Association's key business plan objectives
  - a three times a year review of the strategic risk register and internal controls by the Audit, Risk and Scrutiny Committee
  - Board review of strategic risks twice a year
  - a strategic risk register reviewed quarterly by the Executive
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**REPORT OF THE BOARD (CONTINUED)**

- a 5 year Business plan developed from a 30 year planning model
- a specific review of high level business plan risks as part of the annual review of the business plan
- reports to the Audit, Risk and Scrutiny Committee and Board on any significant changes affecting key risks
- an Executive Investment Panel and a Board Investment Committee which reviews the financial and other risks attached to all new business initiatives within parameters agreed by the Board
- a Risk Assessment Panel which reviews other risks apart from new business initiatives and funding issues

**Information and reporting systems**

- an annual budget agreed before the beginning of each financial year
- quarterly performance reports to boards
- quarterly management accounts to the Board
- a monthly balanced scorecard report reviewed by the Executive and senior managers covering all key performance areas
- an annual review of performance and setting of new targets by the Board
- an annual review of the Business Plan by the Board
- minutes of the Audit, Risk and Scrutiny Committee considered by the Board
- minutes of the Risk Assessment Panel considered by the Audit Committee
- minutes of the Executive Investment Panel considered by the Board Investment Committee
- reports to the Board on any fraudulent activity
- reports from the Regulator on regulatory matters are reviewed by the Board

**Monitoring arrangements on control issues**

- a regular programme of internal audit reviews based on the risk map and reported to the Audit, Risk and Scrutiny Committee consisting of non executive directors and an independent co-opted member.
- an annual report from the Internal Auditor to the Audit, Risk and Scrutiny Committee
- a regular review by the Internal Auditor of the completion of internal audit recommendations, reported to the Audit, Risk and Scrutiny Committee
- review of external audit management letters and action taken by officers
- a three times a year review of strategic risks and controls by the Audit, Risk and Scrutiny Committee
- a quarterly review by the Executive of strategic risks
- the annual report by the Executive team to the Audit, Risk and Scrutiny Committee and Board on the effectiveness of internal controls

This process culminates in an Annual Report by the Executive team on the effectiveness of internal controls to the Audit, Risk and Scrutiny Committee and a subsequent report from the Audit, Risk and Scrutiny Committee to the Board.

**Going concern**

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

**Annual general meeting**

The annual general meeting will be held on 21 August 2014 at St. Richard's House, 110 Eversholt Street, London, NW1 1BS.

**REPORT OF THE BOARD (CONTINUED)****Disclosure of information to auditors**

At the date of making this report each of the Association's board members, as set out on page 2, confirm the following:

- so far as each board member is aware, there is no relevant information needed by the Association's auditors in connection with preparing their report of which the Association's auditors are unaware
- each board member has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant information needed by the Association's auditors in connection with preparing their report and to establish that the Association's auditors are aware of that information.

**External auditors**

BDO LLP will be proposed for reappointment at the forthcoming annual general meeting.

The Report of the Board was approved by the Board of Origin Housing Limited on 21 August 2014 and signed on its behalf by:



C. Waterer  
Company Secretary

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## OPERATING AND FINANCIAL REVIEW

### Background

#### Activities

The principal activities of Origin Housing Limited ("Origin") and the group are to provide quality affordable homes and effective management services, to meet the needs of customers and to build sustainable communities in North London and Hertfordshire.

Origin is a dynamic and diverse organisation that owns and manages over 6,000 properties, including:

- general needs and affordable housing for rent, for households who are unable to rent or buy at open market rates;
- sheltered retirement accommodation for the elderly;
- supported housing and care for people who need additional housing-related support or additional care;
- intermediate rented housing for key workers; and
- low-cost home ownership, primarily shared ownership where residents purchase a share in the equity of their homes and pay rent to the Association on the remainder.

As well as owning and managing these properties, Origin develops new affordable housing and through its Connected Partnership is one of the associations selected by the GLA and HCA as a development partner.

#### Statement of compliance

In preparing this Operating and Financial Review, the Board has followed the principles set out in Part 3 of the SORP 'Accounting by Registered Social Housing Providers Update 2010' and 'The Accounting Direction for Social Housing in England from April 2012' published by the Homes and Communities Agency.

#### Objectives and strategy

The objectives and strategies are set out in a business plan which is reviewed annually and approved by the Board. The overarching goals are:

- Remain a strong, growing business focused on North London and Hertfordshire.
- Make best use of our resources to provide more homes and services across a range of tenures and needs.
- Grow and diversify our care and support services. Origin is in the process of acquiring Lee Housing Association Limited (LHA) via a transfer of engagements by 30 September 2014.
- Provide high quality, sustainable homes that meet customers, needs and expectations. All our homes meet or exceed the decent homes standard and our 2014/15 business plan is predicated on delivering 200 to 300 new homes per annum.
- Focus on services that really matter to our customers.
- Undertake profit making activities to subsidise our charitable objectives. Our 2014/15 Business plan assumes that 20% of new developments would be private sale.
- Work in partnership to support our residents and their communities.
- Recruit and retain talented people.

The Origin Housing Board believe that despite the uncertainty in the sector, the Association and Group with a financially robust business plan is well placed to continue to develop more affordable homes sustaining growth while delivering the services to our tenants and customers they want and need.

#### Financial position

The financial results for Origin are set out on pages 21 to 53. The following tables and paragraphs highlight key features of Origin's financial position at 31 March 2014.

The turnover for the year of £50.8m shows a rise from last year's figure of £45.6m. Turnover from social housing lettings has increased from 2013 (2014: £34.9m ; 2013: £31.6m as shown in Note 2) with a 3% growth in social housing units under management combined with rent increases applied in line with the HCA formula generating an increase of 3.1%. The remainder of the increase is due to improved first tranche shared ownership sales and outright sales.

Origin is pleased to report an operating surplus before taxation of £12.4m (2013: £11.5m) which together with our surplus on the sale of fixed assets of £2.5m (2013: £1.2m) contributed to the year-end reserves of £95.1m (2013: £89.1m).

It is the aim of Origin to improve its operating surplus over the coming years, with efficiency savings planned through service reviews and other initiatives ensuring resources can be reallocated to improve service delivery and the development of new homes.



## OPERATING AND FINANCIAL REVIEW (CONTINUED)

Cash inflows and outflows during the year are shown in the consolidated cash flow statement on page 26.

The net cash inflow from operating activities was £11.5m (2013: £18.4m).

For the year ended 31 March	2012	2013	2014
	£'000	£'000	£'000
<b>Group Income and Expenditure Account</b>			
Turnover	43,102	45,620	50,801
Cost of sales	(5,649)	(5,946)	(7,271)
Operating costs	(28,920)	(28,180)	(31,114)
Operating surplus	<u>8,533</u>	<u>11,494</u>	<u>12,416</u>
Surplus for the financial period	<u>7,377</u>	<u>4,150</u>	<u>4,936</u>
<b>Group Balance Sheet</b>			
Housing properties, net of depreciation	464,796	499,568	539,222
SHG and other capital grants	(219,165)	(230,647)	(235,493)
Housing properties net of grants	245,631	268,921	303,729
Other tangible fixed assets at cost or valuation	37,426	37,016	38,094
Tangible fixed assets	283,057	305,937	341,823
Net current assets	10,502	15,164	18,601
Total assets less current liabilities	<u>293,559</u>	<u>321,101</u>	<u>360,424</u>
Creditors: Amounts falling due after more than one year	208,428	231,990	265,275
Revaluation reserve	23,393	23,223	24,325
Revenue reserve	60,727	64,870	69,848
Designated reserves	1,011	1,018	976
Reserves	<u>85,131</u>	<u>89,111</u>	<u>95,149</u>
	<u>293,559</u>	<u>321,101</u>	<u>360,424</u>
Housing stock - Social	5,107	5,309	5,473
Housing stock - Non-Social	517	531	540
Total	<u>5,624</u>	<u>5,840</u>	<u>6,013</u>

Some significant financial performance measures are provided in the table below:

	2012	2013	2014
Interest cover (operating surplus excluding depreciation divided by interest payable)	1.5	1.8	1.8
Liquidity (current assets divided by current liabilities)	1.6	1.7	2.0
Gearing (total debt as a % of gross historic cost of housing properties)	43.5%	46.0%	49.2%

Interest cover remains stable while liquidity has improved. Gearing has increased reflecting our ongoing development program and the reduction in grant funding.

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**OPERATING AND FINANCIAL REVIEW (CONTINUED)****Accounting policies**

Origin's accounting policies are set out on pages 27 to 29. The accounting policies that are most critical to the financial results relate to accounting for housing properties and include: capitalisation of interest and development costs; deduction of capital grant from the cost of assets; housing property depreciation; and the treatment of shared ownership properties. Origin has implemented component accounting (as recommended by SORP 2010) for its fixed assets. The accounts also reflect the Housing and Communities Agency's 'Accounting Direction for Social Housing in England from April 2012'. Prior years have been restated for comparative purposes.

The year ended 31 March 2016 will be the first year under which the accounts will have to be prepared in accordance with FRS102. There will be a significant change to the format of the statutory accounts and the accounting treatment of grants, loans, pensions and property assets will change significantly. No benefits are expected to be derived from the changes. However, there will be the need to work with our funders to redefine our loan covenants.

**Housing properties**

At 31 March 2014 Origin owned and managed 6,013 housing properties. This shows an increase on the 2013 figure (5,840), with increases in all tenures other than Rent to Homebuy, Supported housing and Residential Care homes, as a result of new developments completing in the year. The properties are carried in the balance sheet at cost (after depreciation and capital grant) of £303.7m (2013: £268.9m).

The investment in new and existing housing properties this year was funded through a mixture of Social Housing Grant, loan finance, working capital and the proceeds from the sale of assets.

**Pension costs**

Origin participates in the Social Housing Pension Scheme ('SHPS'). The scheme is funded, and is contracted out of the state scheme. SHPS is a multi-employer defined benefit scheme which means there is no requirement to reflect any potential long term liability in the financial statements. SHPS is due for revaluation by September 2014.

The government has introduced a system whereby employers have new legal duties to automatically enroll certain members of staff into a pension scheme and make contributions towards it. Once staff have been enrolled into the pension scheme, they have one calendar month during which they can opt out and get a full refund of any contributions.

Our Staging Date was 1st February 2014. Out of a total of 270 qualifying employees, 89 were already in a qualifying scheme, 162 were automatically enrolled and 19 decide to 'opt out'.

From February 2014, all new starters are automatically enrolled into the Pension scheme as stated in their terms & conditions of employment. Afterwards, they can decide to opt out of the scheme at their discretion.

**Capital structure and treasury policy**

As previously stated a further £74m of debt facilities were negotiated during the year bringing our total facilities to £350.1m of which, £270m were drawn at year end. The undrawn £80m together with the cash in hand of £9.0m at year end provides the necessary funding for our development programme for the next couple of years and exceeds our contractual commitments of £16.2m at 31 March 2014. Origin operates the policy of not entering into contractual commitments in excess of its available undrawn facilities and seeks to maintain a prudent headroom over all its financial covenants.

**External influences and the Operating Environment**

During the last year there has been a significant upturn in the economic performance of the UK with sustained growth in GDP, reductions in unemployment and recently, inflation coming within the Bank of England targets for the first time in many years. However, the general public and in particular our residents and service users are as yet feeling little benefit from this improvement. Significant uncertainties remain about the strength and durability of the recovery amid concerns about the possibility of a property bubble building in London and the South East.

Funding for social housing remains tight and the recently announced Social Housing Grant (SHG) bid round for the 3 years to March 2018 is predicated on no increase in the absolute level of funding per unit from that currently available. Thus there will be a decrease in grant funding in real terms.

There have been delays in Welfare Reform and in particular the introduction of Universal Credit with the timetable becoming increasingly vague. However, there has been no apparent reduction in the political will for these changes to be introduced with all the implications for our residents and service users. Despite, the uncertainty around welfare reform, Origin has continued to invest in community development activities that provides support to our tenants and better equips them to handle the change effectively. Origin is already experiencing a benefit from this investment by seeing a decline in its arrears level.

**OPERATING AND FINANCIAL REVIEW (CONTINUED)**

Much of our rental income is regulated with annual increases currently being capped at RPI + 0.5%. The government has announced that from April 2015 social housing annual rent increases will be linked to CPI rather than RPI and capped at CPI +1%. In addition, they have removed the ability to increase rents by a further £2 per week to enable existing tenancies to converge towards target rent over time. This will have an adverse impact on Origin's operating margins, should RPI exceed CPI rates by more than 1% while the removal of the ability to converge existing tenancies to target rent will adversely impact future cash flows.

Local Authorities continue to experience reductions in central government funding and pressures on our Care & Support activities remain undiminished. Against a background of ongoing reductions in public expenditure the economic environment will continue to be challenging for the social housing sector.

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**OPERATING AND FINANCIAL REVIEW (CONTINUED)****VALUE FOR MONEY (VFM)****Introduction**

Value for Money (VFM) is a core part of Origin's business. It underpins our vision of 'Great Homes', 'Positive People' and 'Strong Communities', our business plan and the overall day-to-day work of the organisation. 'Adding value' is one of our five pan Origin values and we have developed specific competencies for recruiting and developing our people in this area and it is also a key element of the Board's approach to governance.

Origin Housing seeks to embed value for money in the culture of the business, and particularly in shaping its approach to service delivery, planning, project management and the development of a VFM culture throughout the business. Through tools like our asset management software and participation in benchmarking groups, Origin is committed to providing services which achieve high operational performance and customer satisfaction, while controlling and where possible reducing costs.

**How we approach VFM**

Origin's VFM framework comprises a number of elements to enable robust decision making and planning in this area:

- The Board holds overall responsibility for delivering VFM, including the setting of the five-year business plan and the financial model which supports it. It undertakes an annual Board strategic review, which includes consideration of VFM.
- Investment Committee is responsible for decisions regarding financing arrangements and investment decisions. Audit, Risk and Scrutiny Committee's work encompasses reviewing internal audit reports that highlight operational performance.
- The Executive team reviews business performance and delivery, including value for money elements, monthly. The Executive Investment Panel assesses investment options, takes decisions and makes recommendations to the Investment Committee.
- The Senior Management team has overall responsibility for the day-to-day work driving value for money, including the management of procurement and the control and effectiveness of our property assets.
- The Resident Scrutiny Panel selects areas of particular significance to residents to investigate in terms of VFM and reports back to residents annually.

**Return on assets****Using our assets to build new homes**

A key component of deriving value from our property asset base is to provide security for debt finance to enable us to invest in building new homes and improving our existing housing stock. The debt per property has increased consistently in the last few years, from £37,757 in 2010/11 to £49,359 at the end of 2013/14, reflecting our ongoing delivery of new homes. During 2013/14 new facilities have been arranged with The Housing Finance Corporation totalling £24m from the European Investment Bank, including £4m from the European Regional Development Fund for retrofitting works on existing properties to improve their energy efficiency, at interest rates that are 1% below those commonly available in the market.

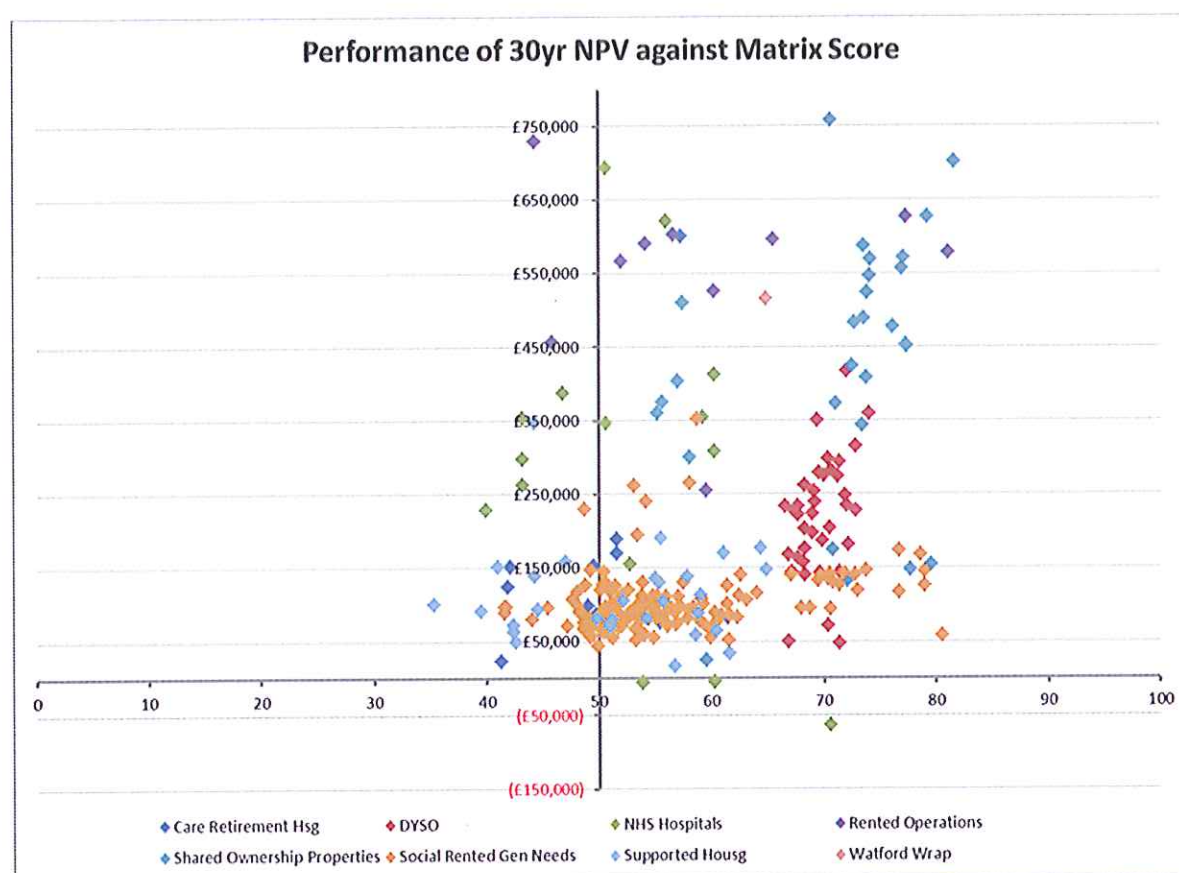
A further £50m of bond finance at an average interest rate of 4.76% was raised via a private placement in December 2013 utilising the creation of Origin Housing 2 Limited and a special purpose vehicle Origin Finance 2 PLC to ensure we continued to comply with our existing funding covenants. By careful application of our properties for security purposes 39% of our properties are uncharged enabling us to raise additional funds in the future.

**Improving the performance of our assets**

We have developed asset management software to facilitate the monitoring of the social and financial value we derive from our properties. Properties are grouped together based on their proximity to each other and the Net Present Value (NPV) per home is calculated for each property group based on projected future net cash flows. As a separate exercise a matrix score based on certain financial criteria, socio economic measures derived from the Office of National Statistics and the local experience of our front line staff is calculated for each property group.

The output from this model enables us to plot the relative performance of each property group and focus on property groups that are underperforming from both a financial perspective or a wider socio economic view point and develop an appropriate response.

## OPERATING AND FINANCIAL REVIEW (CONTINUED)



The scattergram above shows that the vast majority of the asset groups fall within the upper right quartile and are therefore performing well (ie NPV is positive and are scoring 50 or above in the matrix score).

The appropriate responses to under-performance vary according to the circumstances of each property group and include:

- Amending management practices for the properties.
- Additional investment in the property group to improve performance.
- Changes to the tenure type or use to which the properties are put.
- Or where the required investment in the properties is disproportionate to the social or economic return they are likely to generate disposal to generate funds for reinvestment in other existing stock or to fund new development.

Since 2012/13 the number of property groups with a negative NPV has declined from 31 to 5 (which equates to 117 homes) and the average NPV per unit has increased from £59,796 to £212,744. This is from a combination of business performance improvements and increased data accuracy

This improvement is despite the change in the regulated rent regime on 1 April 2015 from which date inflationary increases will be linked to CPI rather than RPI and the ability to converge existing tenancies to target rents is removed.

In 2013/14 we identified 60 underperforming asset groups including 31 with a negative NPV. For many we were able to improve performance through: a range of security and environmental improvements and adaptations; refurbishment schemes to provide larger homes while reducing the overall number on one scheme; reviews of charging and lettings arrangements to improve income and occupancy. We have identified a small number of groups where sale could be an option. Detailed financial appraisals are performed on these, some of which are ongoing, but 16 dwellings have been identified for disposal which we anticipate will generate proceeds in excess of £5m, which will be used to support Origin's development programme and estate regeneration initiatives.

In 2014/15 we will;

- Continue to implement our Retirement Housing Strategy which includes investment in this stock to improve long-term demand and profitability.

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

- Focus on improving the performance of the bottom 30 assets.
- Dispose of at least 4 properties.
- Convert a number of properties from social to market rent where the social housing demand is low but high rents in the private sector can be secured (typically centrally located bedsit/one bed accommodation).

## Investment in Existing Stock

During 2013/14 we spent £8.1m on capital maintenance. We replaced 265 boilers, 117 kitchens and bathrooms. 32 homes benefitted from external wall insulation, which also levered in £61k of external energy company obligation grant. The boiler and cladding works satisfied the requirements of a preferential loan provided by the European Investment Bank. The overall £9.2m investment in planned maintenance also included external decorations, window replacements, roofs and other health and safety related works. Customer satisfaction with the planned maintenance service was 89% at the end of 2013/14, just under the target of 90%. In 2014/5 we intend to invest a further £8.5m in capital maintenance work.

## Development Activities

We completed the build of 239 new homes during 2013/14 (2012/13: 231 homes) the total cost of which was £43.6m compared to an anticipated cost of £47.3m, a saving of £3.7m (7.8%).

	No.
Rented Housing	132
Shared Ownership	69
Key Worker/Intermediate Rent	10
Private Sale	25
Care and Support	3
Totals	239

In 2013/14, we generated £2.6m surplus from shared ownership and £0.8m from private sales. This surplus will be reinvested in our future development programme.

There will be a significant shift in the funding of new developments over the coming years as is illustrated by the table below.

	3 Years to 31 March 2014	3 Years to 31 March 2017
New homes completed	746	755
<u>Investment</u>	£m	£m
New homes	98.2	160.2
Existing homes	23.9	25.9
	<u>122.1</u>	<u>186.1</u>
<u>Sources of Funding</u>		
Grant funding	27.0	13.7
Loan funding (net of refinancing)	86.5	102.7
	<u>113.5</u>	<u>116.4</u>
Funding from own resources	<u>8.7</u>	<u>69.6</u>
	7%	37%

The overall scale of our development programme remains unchanged but in response to a halving of projected grant receipts and anticipated increased costs Origin will be developing an increased proportion of homes for private sale (16.5% of projected completions) to fund social housing while the proportion of shared ownership completions over the same period will be 43% of the total.

Origin has applied to the GLA and HCA for £10.6m of grant funding for the 3 years to March 2018 to deliver 170 affordable and 262 shared ownership homes over that period. We are anticipating that further grant funding will be available for development schemes that emerge over this period.

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

## Financial return on Investment









We also compare certain indices against the Global Accounts for the sector prepared by the HCA. These provide a coarser benchmark as they cover all traditional housing associations in England many of which have very different characteristics from Origin.

						Target	Global Accounts
Year ended 31 March	2010	2011	2012	2013	2014	2014	2013
	£'000	£'000	£'000	£'000	£'000	£'000	£m
Turnover	59,961	37,033	43,102	45,620	50,801	50,661	9,375
Operating Surplus	10,266	5,384	8,533	11,494	12,416	10,613	2,387
Margin	17.1%	14.5%	19.8%	25.2%	24.4%	20.9%	25.5%

Operating margins have improved significantly over the last five years and we have exceeded our target by over £1.8m in 2014. This is particularly satisfying as a significant proportion of our activities comprise the provision of sheltered and supported accommodation which attracts lower financial returns. We anticipate a margin of 23.4% in 2014/15. The decline reflects the cyclical increase in our planned maintenance programme and increased investment in our IT infrastructure.

## Overheads

We have used the Housemark benchmarking to help us understand our costs. These are only available by years in arrears. The table below shows our performance and how this has changed.

Overhead cost breakdown per direct user							
KPI	Median	Origin Housing Group (2012/2013)			Origin Housing Group (2011/2012)		
		Result	Rank	Quartile	Result	Rank	Quartile
Premises	5,839	6,101	26		5,910	25	
ITC	6,933	8,466	34		7,470	28	
Finance	3,977	3,847	20		4,414	29	
Central	8,893	11,945	34		14,604	40	

ITC - costs will remain high because although we have tendered various services in the year to reduce costs, we have budgeted in 2014/15 for an increase in project based capital and revenue expenditure which will improve the business's ability to service customers on line and make investments in initiatives such as document management that in the medium term will reduce overhead costs and improve business reliability.

Premises – the figures include notional costs for our offices, which do not arise in cash terms because we own those offices. We have undertaken a review to assess whether this is an effective use of the asset and are satisfied that alternative office arrangements would increase costs.

Finance - the business has grown but costs have been reduced, both on in house and outsourced services, as systems have been strengthened, improving VFM.

Central – we regularly tender services like insurance to improve VFM. We have reduced central staff costs but this area will continue to be a focus for us in the future.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Staff Resources

Our staff are critical to the quality of our services to customers and to the delivery of efficiency savings. To attract the necessary quality of staff we have to compete in the market. Origin has a policy of generally paying the market median (except where particular recruitment or retention issues require more). We independently market tested all salaries during 2013/14, the results of which were certified to be accurate to within a 5% tolerance range. 3.8% of

staff were paid more than 105% of the median and 6.2% of staff were paid less than 95% of the median, indicating that salaries are set at competitive but not excessive levels.

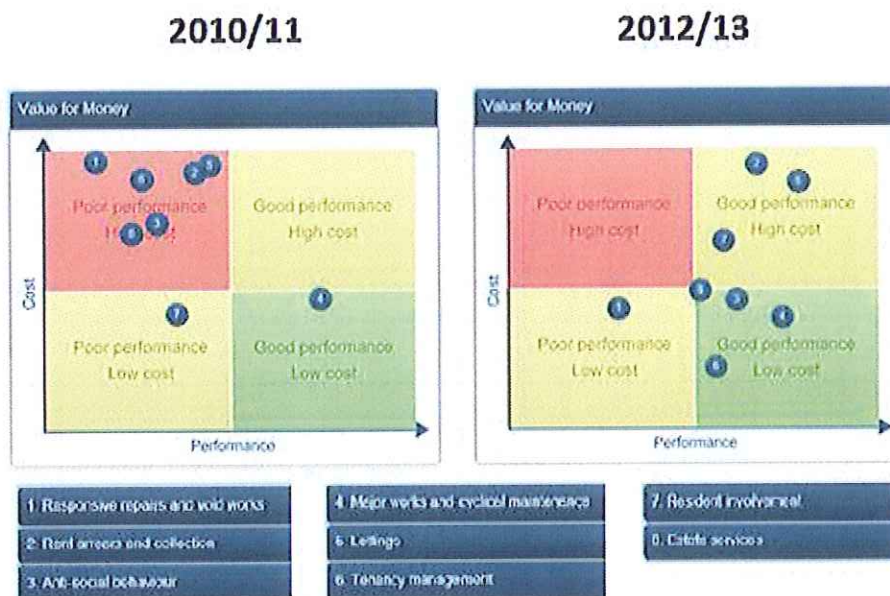
Benchmarked staff absence and turnover statistics are presented below:-

KPI	2010/11 position	2011/12 position	2012/13 position	2012/13 Median London /SE benchmark	2013/14 position	2014/15 target
Percentage of staff turnover	26%	33%	19%	18%	19%	Less than 15%
Number of days sickness absence	10	8	6.8	8.1	5.9	5

Staff turnover, although much reduced from previous years, is relatively high compared to our peers, reflecting our central London location and the high proportion of our staff in our care and support function, a sector that has a higher than average staff turnover. The levels of sickness absence were low compared to our peers in 2012/13, placing us in the top quartile, and have continued to fall. In 2013 we re-tendered our occupational health service and the new appointment is now working effectively with us to continue minimising periods of absence.

Performance management of VFM

Origin uses Housemark overall value for money indicators to see the relative overall performance of our services and uses this to determine the areas for improvement. It is evident from the first diagram below that Origin needed to address its VFM performance for many of its activities. The diagrams below illustrates the shifts that achieved recently



Origin's performance has shown a steady improvement over the last two years. There has been a concerted focus on improving cost, quality and performance on repairs, rent arrears and collection, tenancy management and estate services. We consider this to be ongoing, with specific services for review and investment being targeted each year.

Origin uses a set of key performance indicators to assess the cost, performance and quality of each of its key services and benchmarks them where possible via the services of Housemark. See the table below. Using



## OPERATING AND FINANCIAL REVIEW (CONTINUED)

Housemark's methodology we analyse our end of year financial information and set targets for the forthcoming financial year. Origin's objective is to achieve an improvement on performance that is at least comparable to that achieved by its peers.

		2012/13 London/SE Housemark Benchmark (top quartile)	2012/13 London/SE Housemark Benchmark (median quartile)	Actual 2012-13	Target 2013-14	Actual 2013-14	Traffic Light result	Target 2014-15
<b>Overall Service</b>								
Cost	Total £ operating costs per property	4309*	N/A	4933.38	5,555	4993.30		5656
Performance	Total overheads as a percentage of operating costs (%)	N/A	N/A	33.67	38.7	36.33		33.68
Quality	% Overall satisfaction with landlord services	81.75	77	75.37	75.0	75.19		75.00
<b>Responsive Repairs</b>								
Cost	Total £ cost per property of responsive repairs	412.88	491.59	676.15	455	647.85		685.00
Performance	Average time to complete non urgent repairs (days)	7.19	8.26	13	10.00	11.00		10.00
Quality	Overall satisfaction with repairs service	95.15	90.2	79.96	90	86.00		90.00
<b>Planned Maintenance</b>								
Cost	Improvement works spend per property	1063	1471.83	1267.34	1796	1317.00		1447.00
Performance	Average SAP rating of properties (%)	71.2	70.8	71.4	72	72.00		72.00
Quality	Overall satisfaction with the condition of the property	81	77	77.8	76	77.80		76.00
<b>Empty Properties (Voids)</b>								
Cost	Void Works Total Cost Per Property	91.89	126.71	153.35	95	125.80		150.80
Performance	Average time in days to re-let empty properties	23.48	30.37	23.03	26.00	24.50		25.00
Quality	% resident satisfaction with their new home	N/A	N/A	76.28	100	76.09		90.00
<b>Income</b>								
Cost	Total cost per property of rent arrears and collection	67.4	130.19	229.90	198	165.96		155.0
Performance	Current tenant rent arrears as a % of rent due (excluding voids)	3.2	4.34	5.16	5	3.61		4.0
Quality	% of tenants evicted as a result of rent arrears during the year	0.19	0.29	0.43	0.3	0.21		0.3
<b>Tenancy &amp; Estate Management</b>								
Cost	Total cost per property of antisocial behaviour	35.97	70.7	41.3	44	39.05		44.0
Cost	Total cost per property of estate services	184.9	297.8	234.42	241	225.60		230.9
Quality	Satisfaction of residents with neighbourhood as a place to live	82.1	80.3	70.37	76	86.04		80.0

The 2012/3 exercise showed us that there were 10 Housing Management staff per 1,000 properties against a median benchmark of 7, and 4.6 Income Management staff against a median benchmark of 3 per 100 homes. This indicates that our staff numbers are relatively high compared to our peers.

In 2013/14 we carried out a review of our income management service as well as further investing in 'arrears trending' software. As can be seen above, these actions had a major impact on the end of year arrears figure. In 2014/15 we will be reviewing several outsourced specialist income functions with a view to bringing these services in-house and further improving costs.

	2012	2013	2014	Global Accounts 2013
Management cost per home	£1,090	£963	£1,047	£1,012
Revenue maintenance expenditure per home	£1,086	£1,036	£970	£954

While the management cost per home at £1,047 given the Central London location of much of our stock compares favourably with the national average reported in the global accounts particularly after allowing for inflation over the last year the increase from 2013 is disappointing and is an area we will continue to focus on.

The year on year reduction in the repair cost per unit passing through the income and expenditure account is satisfying but we are aware that there are further efficiencies to be achieved in our responsive repair service.

During 2013/14 we have concentrated on the following repairs initiatives:-

- Invested in a co-located customer service centre with a repairs service staffed by our responsive repairs contractor employees. Since the introduction of this new call centre satisfaction with the ability to handle calls has improved from 66.7% to 92% at the end of the year.
- Progressively we have introduced mobile working technology to enable staff to make more efficient use of their time and to reduce costs. During 2013/14 our surveyors were issued with tablet technology enabling them to spend more

**OPERATING AND FINANCIAL REVIEW (CONTINUED)**

time with customers (face to face contact being preferred by many of our residents). Similar technology is being delivered elsewhere in the business during 2014/15.

Tenancy management

In 2012/13 we undertook a major review of these services and implemented changes to service arrangements last year. This included establishing a multi-tenure approach to management backed by teams of specialists. Improvements in VFM are being realised now as a result with this activity, hitting the internal targets set.

Estate services and service charges

During 2013/14 we undertook a major review of estate services as this was an area where our customers were telling us they thought was a priority. We developed an in-house cleaner service. With the transfer of responsibilities we have freed up caretakers to concentrate on fly-tipping issues, a big concern for residents. We have also reduced costs on pest control, carrying this out in-house. The combined impact of these changes, when fully implemented, is an estimated saving of £120k per annum which will result in lower service charge costs for tenants and leaseholders.

Service charges were focused on by the Tenant Scrutiny Panel, who undertook a major review of the charges to improve customer satisfaction with the processes. These have now been implemented. Service charge setting and recovery has been an improvement project for the last two years. Performance is now strengthened moving to a position where there is no longer a loss.

In 2014/15 the VFM improvements we plan across all our services include:-

- On-line - launch our new self-service portal via our website. The cost of this service is £9,720 but with over 5% of our customer base actively telling us that they would like to transact with us on line, and much future potential, this will improve efficiency.
- Repairs - continue to target repairs satisfaction levels of 90% focusing on handling complex repairs and complaints more effectively. We will also investigate the possibility of bringing some elements of our repairs service in-house to reduce costs.
- Void standards - while there is a need to control voids costs via the Origin voids standard, this is having an adverse impact on customer satisfaction as it is the biggest issue commented on by customers moving into our homes. As a result we are due to revisit the standard. The Tenant Scrutiny Panel are proposing to undertake a review in this area.
- Estate services - complete the roll out of new estate services, including re-specification and tendering of estate services.

Procurement and Efficiency Initiatives

Under our continuing Procurement programme, in 2013/14 we achieved £436,650 in overall savings.

Method	Savings
Tenders	£407,418
Utilities	£28,000
Other	£1,232

During 2013/14 we :-

- Tendered gas servicing and asbestos removal contracts saving over £0.3m.
- Achieved £73k saving in IT. We changed our Wide Area Network (WAN) service saving £55k; re-procured hardware support, saving £10k pa; replaced our Internet Security service saving £8k.
- Reviewed our position on non-urgent communal repairs in consultation with customers, saving 5% on the schedule of rates tendered sum without adversely impacting on customer satisfaction.

Having a culture of VFM whereby all staff are encouraged to contribute is part of our approach. As an illustration of this last year each of the Neighbourhood Managers was given an objective to develop one money saving initiative.

Examples included: sourcing a cheaper CCTV system at £250, significantly cheaper than other companies where the cost is usually around £2,000 approximately; decanting residents using empty furnished homes in our hospital accommodation, saving around £500 a week; contractors being trained to carry out their own lock changes (saving £300-400 per lock change compared to when the service was sub contracted).

**OPERATING AND FINANCIAL REVIEW (CONTINUED)**

In 2014/15 we intend to:-

- Re-tender our insurance provision with a planned saving of at least £50k per annum on present costs under procurement.
- Merge with Lee Housing Association which will deliver both service quality improvements for customers and achieve efficiencies via economies of scale.
- Invest in IT system enhancements designed to streamline the way we hold and manage data and information, which will deliver business efficiencies in the medium term.
- Re-tender planned maintenance works using new approaches.
- Review our overall approach to procurement.

Tender savings in 2013/14 were largely accounted for by gas servicing and asbestos removal contracts.

In 2014/15 we are planning to:-

- Re-tender our planned maintenance works using new approaches
- Review our overall approach to procurement.

**Social return on Investment**

In 2013/14 we developed a new Social Investment strategy. This is designed to provide better overall VFM by more closely linking Origin's business objectives to the needs of our customers. Our customers were telling us they wanted help with accessing employment, managing money, and getting online. Origin's priorities are to ensure: income is collected and deal with the risks inherent in welfare reform; tenancies do not fail as this is expensive; and our estates and schemes have thriving communities that residents want to look after and stay living in. To these ends the strategy has focused on employment and training, digital skills, money management and benefits, support to vulnerable tenants and community projects. Highlights of the year included:-

- Supporting 24 people into work, including jobs with Origin such as Estate Cleaning, Customer Service and repairs positions
- 71 people attended a range of employment based training courses
- £85k secured in welfare benefits for Origin residents
- 93 residents supported in gaining new digital skills through 'digital drop-in' sessions
- 69 new volunteers were recruited to Origin's Time Bank to help with delivering a variety of community projects
- 116 customers have been supported via our Assessment and Support Co-ordinator, with a range of housing and financial support services offered
- 127 aids and adaptations carried out during the year for Origin customers at a cost, less grant received, of £41,328, enabling customers to continue living in their own homes

In 2014/15

- Origin has budgeted to invest a further £290k.
- we will be using the HACT social value bank to establish a base line and to calculate social return on investment.
- We will be developing further partnerships and looking to source funds from other agencies to enable more to be achieved with Origin's investment.

**STATEMENT OF RESPONSIBILITIES OF THE BOARD****Statement of the responsibilities of the Board for the report and financial statements**

The board members are responsible for preparing the report of the board and the financial statements in accordance with applicable law and regulations.

Community Benefit Society law and social housing legislation require the board members to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable 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 association and of the surplus or deficit of the association for that period.

In preparing these financial statements, the board members 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: Accounting by registered social housing providers (Update 2010) have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The board members are responsible for keeping adequate accounting records that are sufficient to show and explain the association's transactions and disclose with reasonable accuracy at any time the financial position of the group and association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012. They are 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 Board is responsible for ensuring that the report of the board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers Update 2010.

Financial statements are published on the association's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the association's website is the responsibility of the board members. The board members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ORIGIN HOUSING LIMITED**

We have audited the financial statements of Origin Housing Limited for the year ended 31 March 2014 which comprise the consolidated and association income and expenditure accounts, consolidated and association statements of total recognised surpluses and deficits, the reconciliation of movements in group's and association's funds, the consolidated and association balance sheets, the consolidated cash flow statement 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).

This report is made solely to the association's members, as a body, in accordance with the Housing and Regeneration Act 2008 and Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

***Respective responsibilities of the board and auditors***

As explained more fully in the statement of board member responsibilities, the board members 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC'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 FRC's website at [www.frc.org.uk/auditscopeukprivate](http://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 parent association's affairs as at 31 March 2014 and of the group's and parent association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012 .

***Matters on which we are required to report by exception***

We have nothing to report in respect of the following matters where we are required to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the association, or returns adequate for our audit have not been received from branches not visited by us; or
- a satisfactory system of control has not been maintained over transactions; or
- the parent association financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.



BDO LLP, statutory auditor  
Gatwick, West Sussex  
United Kingdom

Date: 26 August 2014

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

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**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT**

For the year ended 31 March 2014

		2014	2013
	Note	£'000	£'000
Turnover	2	50,801	45,620
Cost of sales	2	(7,271)	(5,946)
Operating costs	2	<u>(31,114)</u>	<u>(28,180)</u>
Operating surplus	2	12,416	11,494
Surplus on sale of fixed assets – housing properties	5	2,467	1,247
Interest receivable and other income	6	66	15
Interest payable and similar charges	7	<u>(9,980)</u>	<u>(8,570)</u>
<b>Surplus on ordinary activities before taxation</b>		4,969	4,186
Tax on surplus on ordinary activities	10	(33)	(36)
<b>Surplus for the financial period</b>	24	<u><u>4,936</u></u>	<u><u>4,150</u></u>

Historical cost surpluses and deficits were identical to those shown in the income and expenditure account.

Turnover and operating surplus for the current and prior years relate to continuing activities.

The notes on pages 27 to 53 form part of these financial statements.

## ASSOCIATION INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2014

		2014	2013
	Note	£'000	£'000
Turnover	2	45,923	45,507
Cost of sales	2	(3,865)	(5,032)
Operating costs	2	(30,655)	(28,144)
Operating surplus	2	<u>11,403</u>	<u>12,331</u>
Surplus on sale of fixed assets – housing properties	5	6,150	1,247
Interest receivable and other income	6	691	553
Interest payable and similar charges	7	(10,320)	(9,011)
<b>Surplus on ordinary activities before taxation</b>		<u>7,924</u>	<u>5,120</u>
Tax on surplus on ordinary activities	10	(33)	(36)
<b>Surplus for the financial period</b>	24	<u><u>7,891</u></u>	<u><u>5,084</u></u>

Historical cost surpluses and deficits are detailed in the note on page 23.

Turnover and operating surplus for the current and prior years relate to continuing activities.

The notes on pages 27 to 53 form part of these financial statements.

## STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS

For the year ended 31 March 2014

	Note	Group		Association	
		2014	2013	2014	2013
		£'000	£'000	£'000	£'000
Surplus for the financial year		4,936	4,150	7,891	5,084
Unrealised surplus on revaluation of investments	24	-	1	-	1
Unrealised (deficit)/surplus on revaluation of commercial properties	24	-	(171)	-	(171)
Total recognised surpluses/(deficits) for the year		4,936	3,980	7,891	4,914

## NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS

For the year ended 31 March 2014

	Group		Association	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Reported surplus on ordinary activities before taxation	4,936	4,150	7,891	5,084
Realisation of property revaluations	-	-	1,749	-
Historical cost surplus for the year	4,936	4,150	9,640	5,084

## RECONCILIATION OF MOVEMENTS IN GROUP'S AND ASSOCIATION'S FUNDS

For the year ended 31 March 2014

	Group		Association	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
At 1 April	3,980	85,131	4,914	84,186
Total recognised surpluses/(deficits) relating to the year	4,936	3,980	7,891	4,914
At 31 March	4,936	3,980	7,891	4,914

The notes on pages 27 to 53 form part of these financial statements.



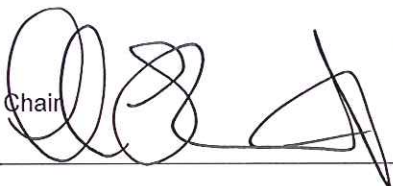
## CONSOLIDATED BALANCE SHEET


As at 31 March 2014


	Note	31 March 2014 £'000	31 March 2013 £'000
<b>Tangible fixed assets</b>			
Housing properties at depreciated cost	11	539,222	499,568
Social Housing Grant	11	(232,040)	(227,378)
Other capital grants	11	(3,453)	(3,269)
		<u>303,729</u>	<u>268,921</u>
Commercial properties at cost or valuation	12	35,752	34,564
Other tangible fixed assets at depreciated cost	13	2,342	2,452
		<u>341,823</u>	<u>305,937</u>
<b>Investments</b>			
Homebuy loans		2,533	2,641
Social Housing Grant		(2,533)	(2,641)
		<u>-</u>	<u>-</u>
<b>Current assets</b>			
Properties for sale	15	15,964	11,452
Debtors	16	7,268	9,091
Deferred tax assets	10	-	-
Investments	17	5,000	-
Cash at bank and in hand		8,954	16,249
		<u>37,186</u>	<u>36,792</u>
<b>Creditors: amounts falling due within one year</b>	18	<u>(18,585)</u>	<u>(21,628)</u>
<b>Net current assets</b>		<u>18,601</u>	<u>15,164</u>
<b>Total assets less current liabilities</b>		<u>360,424</u>	<u>321,101</u>
<b>Creditors: amounts falling due after more than one year</b>	19	265,275	231,990
<b>Capital and reserves</b>			
Non-equity share capital	23	-	-
Revaluation reserve	24	24,325	23,223
Revenue reserve	24	69,848	64,870
Designated reserve	24	976	1,018
	24	<u>95,149</u>	<u>89,111</u>
		<u>360,424</u>	<u>321,101</u>

The notes on pages 27 to 53 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 21 August 2014 and signed on its behalf by:

  
Chair

  
Board Member

  
Secretary

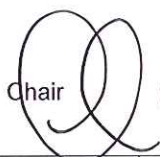
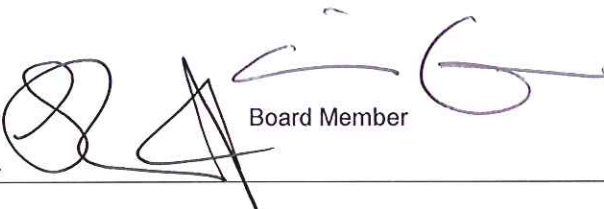

## ASSOCIATION BALANCE SHEET

As at 31 March 2014

	Note	31 March 2014 £'000	31 March 2013 £'000
<b>Tangible fixed assets</b>			
Housing properties at depreciated cost	11	513,857	493,690
Social Housing Grant	11	(228,431)	(227,378)
Other capital grants	11	(3,453)	(3,269)
		<u>281,973</u>	<u>263,043</u>
Commercial properties at valuation	12	30,754	31,210
Other tangible fixed assets at depreciated cost	13	2,342	2,452
		<u>315,069</u>	<u>296,705</u>
<b>Investments</b>			
Homebuy loans		2,533	2,641
Social Housing Grant		(2,533)	(2,641)
Investment in subsidiaries and associated undertakings	14	2,532	17,103
		<u>2,532</u>	<u>17,103</u>
<b>Current assets</b>			
Properties for sale	15	2,765	2,916
Debtors	16	6,696	9,195
Deferred tax assets	10	-	-
Investments	17	5,000	-
Cash at bank and in hand		7,186	15,966
		<u>21,647</u>	<u>28,077</u>
Creditors: amounts falling due within one year	18	(14,829)	(20,472)
		<u>6,818</u>	<u>7,605</u>
<b>Net current assets</b>			
		<u>324,419</u>	<u>321,413</u>
<b>Total assets less current liabilities</b>			
		<u>324,419</u>	<u>321,413</u>
Creditors: amounts falling due after more than one year	19	226,326	232,313
<b>Capital and reserves</b>			
Non-equity share capital	23	-	-
Revaluation reserve	24	22,576	23,223
Revenue reserve	24	74,541	64,859
Designated reserve	24	976	1,018
	24	<u>98,093</u>	<u>89,100</u>
		<u>324,419</u>	<u>321,413</u>

The notes on pages 27 to 53 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 21 August 2014 and signed on its behalf by:

 Chair
  Board Member
  Secretary

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2014

		2014	2013
	Note	£'000	£'000
<b>Net cash inflow from operating activities</b>	27	11,491	18,439
<b>Returns on investments and servicing of finance</b>			
Interest received		66	15
Interest paid		(11,322)	(9,863)
Proceeds from the sale of investments		-	18
Investment in Money Market		(5,000)	-
<b>Net cash outflow from returns on investments and servicing of finance</b>		(16,256)	(9,830)
<b>Corporation tax paid</b>		-	(65)
<b>Capital expenditure</b>			
Proceeds from sale of housing properties	5	3,548	1,621
Payments to acquire and develop housing properties		(41,813)	(37,119)
Capital grants received		7,964	8,319
Capital grants paid		-	-
Payments to acquire commercial properties		-	(37)
Payments to acquire other fixed assets		(728)	(821)
		(31,029)	(28,037)
<b>Net cash outflow before financing</b>		(35,794)	(19,493)
<b>Financing</b>			
Loans received		68,170	27,062
Loans repaid		(38,864)	(639)
	29	29,306	26,423
<b>(Decrease)/(increase) in cash</b>	28	(6,488)	6,930

The notes on pages 27 to 53 form part of these financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS****1 Accounting policies****Basis of accounting**

The financial statements of the Group and the Association are prepared under the historic cost convention, modified for the revaluation of commercial properties and investments; in accordance with applicable accounting standards and the Statement of Recommended Practice ('SORP'): accounting by Registered Social Housing Providers Update 2010; and comply with the Accounting Direction for Private Registered Providers of Social Housing 2012. A number of comparatives for Note 2 and Note 3 have been restated, as the costs categories shown display a more appropriate representation of the costs incurred. The effect of these restatements on the prior year surplus is £nil.

Origin Housing Limited is incorporated as a charitable social landlord under the Co-operative and Community Benefit Societies Act 2014, No. 10008R.

**Basis of consolidation**

The consolidated financial statements include the results of Origin Housing Limited and all its subsidiaries at 31 March. All intra-Group balances, transactions, income and expenses are eliminated in full on consolidation. The results of subsidiary undertakings acquired or disposed of during the period are included or excluded from the income statement from the effective date of acquisition or disposal.

**Turnover**

Turnover comprises rental income receivable in the year, income from sales of first tranche shared ownership sales and outright sales, other services included at the invoiced value (excluding value added tax) of goods and services supplied in the year and revenue grants receivable in the year.

**Deferred taxation**

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Except as noted below, full provision for deferred taxation is made under the incremental liability method on all timing differences that have arisen, but not reversed by the balance sheet date.

In accordance with FRS 19, deferred tax is not provided for gains on the sale of non-monetary assets, if the taxable gain will probably be rolled over.

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 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 a current liability or asset respectively.

**Interest payable**

Interest is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development if it represents either:

- a) interest on borrowings specifically financing the development programme after deduction of interest on Social Housing Grant received in advance; or
- b) interest on borrowings of the Association as a whole after deduction of interest on Social Housing Grant received in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable is charged to the income and expenditure account in the year.

**Derivatives**

The Association uses interest rate swaps to reduce its exposure to future increases in the interest rates on floating rate loans. The notional principal is not reflected in the Group's balance sheet. Payments made under swaps are accrued over the payment period on a straight-line basis and adjusted against interest payable on the loans.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****1 Accounting policies (continued)****Pensions**

The Group contributes to a defined benefit final salary pension for staff that were in post before 1 April 2007 and to a career average earnings scheme for other new staff who were in post and elected to join the scheme by 30 September 2010, from these dates the schemes were closed to new members. Staff who were not members of either scheme at 30 September 2010 could elect to join a defined contribution scheme to which the Group contributes. From 1 February 2014 all qualifying staff not already a member of the defined contribution scheme, and new starters are automatically enrolled into the scheme as set out by legislation.

The Group participates in the Social Housing Pension Scheme ('SHPS') a multi-employer defined benefit scheme.

For SHPS it has not been possible to identify the share of underlying assets and liabilities belonging to individual participating employers. The income and expenditure charge represents the employer contribution payable to the scheme for the accounting period.

**Supporting people**

Charges for support services funded under supporting people are recognised as they fall due under the contractual arrangements with administering authorities.

**Housing properties**

Housing properties are principally properties available for rent, including the retained equity in shared ownership properties, and are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements. Major components of properties are treated as separable assets and component additions are described as works to existing properties.

**Shared ownership and staircasing**

Under shared ownership arrangements, the Association disposes of a long lease of shared ownership housing units to persons who occupy them, at a premium equal to between 25% and 75% of the open market value (the 'first tranche'). The occupier has the right to purchase further proportions at the current valuation at that time up to 100% ('staircasing').

A shared ownership property comprises two assets: that to be disposed of in the first tranche sale, which is recorded as a current asset; and that retained by the Association, which is recorded as a fixed asset in the same manner as for general needs housing properties.

Proceeds of sale of first tranches are accounted for as turnover in the income and expenditure account, with the apportioned cost being shown within operating results as the cost of sale.

Subsequent tranches sold ('staircasing sales') are disclosed in the income and expenditure account after the operating result as a surplus or deficit on sale of fixed assets. Such staircasing sales may result in capital grant being deferred or abated and this is credited in the sales account arriving at the surplus or deficit.

Social Housing Grant in respect of shared ownership properties is allocated against the fixed asset element of the shared ownership property and is treated as a deduction from fixed assets.

Properties under rent to homebuy arrangements (where the occupier has the right to purchase within 5 years) are also disclosed under shared ownership, with 100% recorded as a fixed asset.

**Commercial properties**

Commercial properties are stated at market value less depreciation and impairment. The rolling valuation method has been adopted for valuations.

Market value is defined as the estimated amount for which the property should exchange between a willing buyer and a willing seller in an arms length transaction after proper marketing wherein the parties had each acted 'knowledgably, prudently and without compulsion'.

**Social Housing Grant**

Social Housing Grant ('SHG') is receivable from the Homes and Communities Agency ('HCA') and is utilised to reduce the capital costs of housing properties, including land costs. SHG due from the HCA or received in advance is included as a current asset or liability respectively. SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates.

SHG is subordinated to the repayment of loans by agreement with the HCA. SHG released on sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included in the balance sheet in creditors.

**Other grants**

Other grants are receivable from local authorities and other organisations. Capital grants are utilised to reduce the capital costs of housing properties, including land costs. Grants in respect of revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which they relate.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****1 Accounting policies (continued)****Depreciation of housing and commercial properties**

Freehold land is not depreciated. Buildings are depreciated over their estimated useful economic life of 100 years. Major components of buildings are treated as separable assets and depreciated over their estimated useful economic lives at the following rates:

Roof, doors and windows	40	years
Kitchens and bathrooms	25	years
Boilers and heating equipment, electrical, lifts	20	years

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

**Depreciation of other tangible fixed assets**

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. The expected useful lives of other assets are:

Furniture, fixtures and fittings	15	years
Computers and office equipment	4-7	years

**Impairment**

Properties which are depreciated over a period in excess of 50 years are subject to annual impairment reviews. Other assets are reviewed for impairment if there is an indication that impairment may have occurred.

Where there is evidence of impairment, fixed assets are written down to their recoverable amount. Any such write down is charged to operating surplus, unless a revaluation reserve exists for the asset, in which case the amount of the impairment is deducted from the revaluation reserve up to the balance of the reserve for the asset. Any remaining impairment is then charged to operating surplus.

**Leased assets**

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

**Properties for sale**

Properties for outright sale and shared ownership first tranche developments are valued at the lower of cost and net realisable value, regardless of whether they are completed or still under construction. Cost comprises materials, direct labour, direct development overheads and attributable interest on borrowings. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

**Homebuy loans and grants**

Under these arrangements the Association receives Social Housing Grant representing a maximum of 30% of the open market purchase price of a property in order to advance interest free loans of the same amount to a homebuyer. The buyer meets the balance of the purchase price from a combination of personal mortgage and savings. Loans advanced by the Association under these arrangements are disclosed in the investments section of the balance sheet.

In the event that the property is sold on, the Association recovers the equivalent loaned percentage value of the property at the time of the sale. The grant becomes recyclable when the loans are repaid up to the amount of the original grant and to the extent the proceeds permit. The Association is able to retain any surplus proceeds less sale costs attributable to the equivalent loaned percentage share of the value of the property. If there is a fall in the value of the property the shortfall of the proceeds is offset against the recycled grant. There are no circumstances in which the Association will suffer any capital loss.

**Current asset investments**

Current asset investments are readily disposable liquid resources stated at market value. They include some money market deposits, held for more than 24 hours that can only be withdrawn without penalty on maturity or by giving notice of more than one working day.

**Reserves**

The Group establishes restricted reserves for specific purposes where their use is subject to external restrictions and designated reserves where reserves are earmarked for a particular purpose.

**Revaluation reserve**

The difference between the market value of commercial properties and the historical cost carrying value is credited to the revaluation reserve. Any impairment on commercial properties is debited against the revaluation reserve up to the balance of the reserve.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 2 Turnover, cost of sales, operating costs and operating surplus

	Group 2014			
	Turnover £ '000	Cost of sales £ '000	Operating costs £ '000	Operating surplus £ '000
<b>Social housing lettings</b>	34,947	-	(25,664)	9,283
<b>Other social housing activities</b>				
Shared ownership first tranche sales	5,205	(3,625)	(653)	927
Supporting people contract income	886	-	(829)	57
Community development	44	-	(477)	(433)
Care & repair	539	-	(445)	94
Charges for support services	337	-	(213)	124
	<u>7,011</u>	<u>(3,625)</u>	<u>(2,617)</u>	<u>769</u>
<b>Non-social housing activities</b>				
Properties for outright sale	4,442	(3,646)	(68)	728
Commercial activities	2,120	-	(1,194)	926
Leasehold & market rent	803	-	(1,205)	(402)
Other (non-housing)	1,478	-	(366)	1,112
	<u>8,843</u>	<u>(3,646)</u>	<u>(2,833)</u>	<u>2,364</u>
	<u>50,801</u>	<u>(7,271)</u>	<u>(31,114)</u>	<u>12,416</u>
	Group 2013 Restated			
	Turnover £ '000	Cost of sales £ '000	Operating costs £ '000	Operating surplus £ '000
<b>Social housing lettings</b>	31,601	-	(23,526)	8,075
<b>Other social housing activities</b>				
Shared ownership first tranche sales	6,911	(5,032)	(531)	1,348
Supporting people contract income	839	-	(793)	46
Community development	54	-	(451)	(397)
Care & repair	514	-	(417)	97
Charges for support services	336	-	(193)	143
	<u>8,654</u>	<u>(5,032)</u>	<u>(2,223)</u>	<u>1,237</u>
<b>Non-social housing activities</b>				
Properties for outright sale	986	(914)	-	72
Commercial activities	1,994	-	(1,284)	710
Leasehold & market rent	388	-	(685)	(297)
Other (non-housing)	1,263	-	(300)	963
	<u>4,631</u>	<u>(914)</u>	<u>(2,269)</u>	<u>1,448</u>
	<u>45,620</u>	<u>(5,946)</u>	<u>(28,180)</u>	<u>10,760</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 2 Turnover, cost of sales, operating costs and operating surplus (continued)

	Association 2014			
	Turnover £ '000	Cost of sales £ '000	Operating costs £ '000	Operating surplus £ '000
<b>Social housing lettings</b>	34,263	-	(25,381)	8,882
<b>Other social housing activities</b>				
Shared ownership first tranche sales	5,205	(3,625)	(653)	927
Supporting people contract income	886	-	(829)	57
Community development	44	-	(477)	(433)
Care & repair	539	-	(445)	94
Charges for support services	333	-	(210)	123
	<u>7,007</u>	<u>(3,625)</u>	<u>(2,614)</u>	<u>768</u>
<b>Non-social housing activities</b>				
Properties for outright sale	393	(240)	-	153
Commercial activities	1,842	-	(1,095)	747
Leasehold & market rent	801	-	(1,203)	(402)
Gift aid received	139	-	-	139
Other (non-housing)	1,478	-	(362)	1,116
	<u>4,653</u>	<u>(240)</u>	<u>(2,660)</u>	<u>1,753</u>
	<u><u>45,923</u></u>	<u><u>(3,865)</u></u>	<u><u>(30,655)</u></u>	<u><u>11,403</u></u>
	<b>Association 2013 Restated</b>			
	Turnover £ '000	Cost of sales £ '000	Operating costs £ '000	Operating surplus £ '000
<b>Social housing lettings</b>	31,601	-	(23,526)	8,075
<b>Other social housing activities</b>				
Shared ownership first tranche sales	6,911	(5,032)	(531)	1,348
Supporting people contract income	839	-	(793)	46
Community development	54	-	(451)	(397)
Care & repair	514	-	(417)	97
Charges for support services	336	-	(193)	143
	<u>8,654</u>	<u>(5,032)</u>	<u>(2,223)</u>	<u>1,237</u>
<b>Non-social housing activities</b>				
Properties for outright sale	-	-	-	-
Commercial activities	1,749	-	(1,239)	510
Leasehold & market rent	593	-	(694)	(101)
Gift aid received	1,118	-	-	1,118
Other (non-housing)	1,263	-	(300)	963
	<u>4,518</u>	<u>-</u>	<u>(2,233)</u>	<u>2,490</u>
	<u><u>45,507</u></u>	<u><u>(5,032)</u></u>	<u><u>(28,144)</u></u>	<u><u>11,802</u></u>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 2 Turnover, cost of sales, operating costs and operating surplus (continued)

Particulars of income and expenditure from social housing lettings	General needs housing		Supported housing & housing for older people	Key worker / intermediate housing	Shared ownership	2014		2013 Restated Total £'000
	£'000	£'000				Total £'000	Total £'000	
<b>Group</b>								
Rent receivable net of identifiable service charges	20,995	2,502	6,635	1,570	31,702	28,577		
Service charge income	1,600	1,160	79	319	3,158	3,024		
<b>Net rental income</b>	<b>22,595</b>	<b>3,662</b>	<b>6,714</b>	<b>1,889</b>	<b>34,860</b>	<b>31,601</b>		
Other income	63	24	-	-	87	-		
<b>Turnover from social housing lettings</b>	<b>22,658</b>	<b>3,686</b>	<b>6,714</b>	<b>1,889</b>	<b>34,947</b>	<b>31,601</b>		
Management	(2,585)	(1,726)	(1,073)	(317)	(5,701)	(5,110)		
Service charge costs	(1,704)	(954)	(1,478)	(217)	(4,353)	(4,034)		
Other cost	(3,135)	(1,642)	(732)	(102)	(5,611)	(5,109)		
Routine maintenance	(2,319)	(455)	(363)	-	(3,137)	(2,842)		
Planned maintenance	(1,068)	(775)	(327)	-	(2,170)	(2,656)		
Rent losses from bad debts	(251)	(3)	-	-	(254)	(291)		
Depreciation of housing properties	(2,900)	(104)	(942)	(195)	(4,141)	(3,484)		
Impairment of housing properties	(493)	-	-	196	(297)	-		
<b>Operating costs on social housing lettings</b>	<b>(14,455)</b>	<b>(5,659)</b>	<b>(4,915)</b>	<b>(635)</b>	<b>(25,664)</b>	<b>(23,526)</b>		
<b>Operating surplus/(deficit) on social housing lettings</b>	<b>8,203</b>	<b>(1,973)</b>	<b>1,799</b>	<b>1,254</b>	<b>9,283</b>	<b>8,075</b>		
<b>Void losses</b>	<b>(215)</b>	<b>(148)</b>	<b>(296)</b>	<b>-</b>	<b>(659)</b>	<b>(872)</b>		

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 2 Turnover, cost of sales, operating costs and operating surplus (continued)

Particulars of income and expenditure from social housing lettings	Particulars of income and expenditure from social housing lettings		Particulars of income and expenditure from social housing lettings		Particulars of income and expenditure from social housing lettings		Particulars of income and expenditure from social housing lettings	
	General needs housing £'000	Supported housing & housing for older people £'000	Key worker / Intermediate housing £'000	Shared ownership £'000	2014 Total £'000	2013 Restated Total £'000	2014 Total £'000	2013 Restated Total £'000
Rent receivable net of identifiable service charges	20,102	2,489	6,635	1,570	30,796	28,577	30,796	28,577
Service charge income	1,558	1,157	79	319	3,113	3,024	3,113	3,024
<b>Net rental income</b>	<b>21,660</b>	<b>3,646</b>	<b>6,714</b>	<b>1,889</b>	<b>33,909</b>	<b>31,601</b>	<b>33,909</b>	<b>31,601</b>
Other income	325	29	-	-	354	-	354	-
<b>Turnover from social housing lettings</b>	<b>21,985</b>	<b>3,675</b>	<b>6,714</b>	<b>1,889</b>	<b>34,263</b>	<b>31,601</b>	<b>34,263</b>	<b>31,601</b>
Management	(2,593)	(1,726)	(1,073)	(317)	(5,709)	(5,110)	(5,709)	(5,110)
Service charge costs	(1,663)	(953)	(1,478)	(217)	(4,311)	(4,034)	(4,311)	(4,034)
Other cost	(3,128)	(1,642)	(732)	(102)	(5,604)	(5,109)	(5,604)	(5,109)
Routine maintenance	(2,287)	(454)	(363)	-	(3,104)	(2,842)	(3,104)	(2,842)
Planned maintenance	(944)	(773)	(327)	-	(2,044)	(2,656)	(2,044)	(2,656)
Rent losses from bad debts	(251)	(3)	-	-	(254)	(291)	(254)	(291)
Depreciation of housing properties	(2,818)	(103)	(942)	(195)	(4,058)	(3,484)	(4,058)	(3,484)
Impairment of housing properties	(493)	-	-	196	(297)	-	(297)	-
<b>Operating costs on social housing lettings</b>	<b>(14,177)</b>	<b>(5,654)</b>	<b>(4,915)</b>	<b>(635)</b>	<b>(25,381)</b>	<b>(23,526)</b>	<b>(25,381)</b>	<b>(23,526)</b>
<b>lettings</b>	<b>7,808</b>	<b>(1,979)</b>	<b>1,799</b>	<b>1,254</b>	<b>8,882</b>	<b>8,075</b>	<b>8,882</b>	<b>8,075</b>
<b>Void losses</b>	<b>(212)</b>	<b>(148)</b>	<b>(296)</b>	<b>-</b>	<b>(656)</b>	<b>(872)</b>	<b>(656)</b>	<b>(872)</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 2 Turnover, cost of sales, operating costs and operating surplus on lettings (continued)

## Particulars of income and expenditure from commercial property lettings

	Group		Association	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Rent receivable net of identifiable service charges	1,902	1,862	1,647	1,629
Service charge income	208	121	180	109
<b>Net rental income</b>	<b>2,110</b>	<b>1,983</b>	<b>1,827</b>	<b>1,738</b>
Other income	10	11	15	11
<b>Turnover from commercial activities</b>	<b>2,120</b>	<b>1,994</b>	<b>1,842</b>	<b>1,749</b>
Management	(658)	(251)	(657)	(239)
Service charge costs	(336)	(296)	(334)	(295)
Other costs	(96)	(199)	(96)	(199)
Routine maintenance	(131)	(61)	(92)	(55)
Planned maintenance	(59)	(4)	(32)	(4)
Bad debts	-	(179)	-	(179)
Depreciation of commercial properties	(294)	(294)	(264)	(268)
Release impairment of commercial properties	380	-	380	-
<b>Total expenditure on commercial property lettings</b>	<b>(1,194)</b>	<b>(1,284)</b>	<b>(1,095)</b>	<b>(1,239)</b>
<b>Operating surplus on commercial property lettings</b>	<b>926</b>	<b>710</b>	<b>747</b>	<b>510</b>
<b>Void losses</b>	<b>(275)</b>	<b>(197)</b>	<b>(250)</b>	<b>(197)</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 3 Accommodation in management

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

	Group		Association	
	2014 No.	2013 No.	2014 No.	2013 No.
<b>Social housing</b>				
General needs housing				
Social	3,286	3,244	2801	3,244
Affordable	171	99	156	99
Supported housing and housing for older people	649	651	640	651
Shared ownership	398	355	398	355
Keyworker housing	906	891	906	891
Rent to homebuy	28	34	28	34
Residential care homes	35	35	35	35
<b>Total managed</b>	<b>5,473</b>	<b>5,309</b>	<b>4,964</b>	<b>5,309</b>
<b>Non-social housing</b>				
Commercial/Right to buy/Leasehold/Market rented	540	531	520	524
<b>Total owned and managed</b>	<b>6,013</b>	<b>5,840</b>	<b>5,484</b>	<b>5,833</b>

The Group owns 57 supported housing units (2013: 57) that are managed on its behalf, under management agreements, by other bodies who contract with Supporting People Administering Authorities and carry the financial risk relating to the supported housing units.

## 4 Operating surplus

This is arrived at after charging:

	Group		Association	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Depreciation of housing properties	4,155	3,531	4,072	3,531
Depreciation of commercial properties	294	294	264	268
Depreciation of other tangible fixed assets	838	803	838	803
Impairment	(83)	-	(83)	-
Operating lease rentals for office equipment and computers	69	59	69	59
Auditors' remuneration				
- for audit services	46	41	36	35
- for non-audit services	14	36	14	36

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 5 Surplus on sale of fixed assets – housing properties

	Group		Association	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Disposal proceeds	3,548	1,621	19,341	1,621
Carrying value of fixed assets	(1,081)	(374)	(13,191)	(374)
	<u>2,467</u>	<u>1,247</u>	<u>6,150</u>	<u>1,247</u>

## 6 Interest receivable and other income

	Group		Association	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Bank interest receivable	66	15	64	15
Other interest receivable	-	-	627	538
	<u>66</u>	<u>15</u>	<u>691</u>	<u>553</u>

## 7 Interest payable and similar charges

	Group		Association	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Loans and bank overdrafts	11,180	9,771	10,617	9,771
RCGF interest	2	-	2	-
Amortisation of financing costs	140	92	128	92
	<u>11,322</u>	<u>9,863</u>	<u>10,747</u>	<u>9,863</u>
Interest capitalised on housing properties under construction	(1,342)	(1,293)	(427)	(852)
	<u>9,980</u>	<u>8,570</u>	<u>10,320</u>	<u>9,011</u>
Capitalisation rate used to determine the finance costs capitalised during the period	<u>4.28%</u>	<u>4.34%</u>	<u>4.28%</u>	<u>4.34%</u>

Due to housing property development dating back many years, it has not been possible to determine the aggregate amount of capitalised interest included in the cost of fixed asset housing properties.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**8 Employees**

Average monthly number of employees expressed in full time equivalents:

	<u>Group and Association</u>	
	2014 No.	2013 No.
Administration	51	45
Development	10	10
Housing, support and care	166	179
	<u>227</u>	<u>234</u>

Full time equivalents are calculated based on a standard working week of 37 hours.

Employee costs:

	<u>Group and Association</u>	
	2014 £'000	2013 £'000
Wages and salaries	7,445	7,338
Social security costs	655	692
Other pension costs	579	587
	<u>8,679</u>	<u>8,617</u>

The Association participates in the Social Housing Pension Scheme (SHPS). The Scheme is funded and is contracted out of the state scheme.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the scheme is a multi employer scheme where the scheme assets are co-mingled for investment purposes, and benefits are paid from total scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the year ended 31 March 2014 under FRS17 represents the employer contributions payable. The Group operates a salary sacrifice scheme by which employees forego remuneration equivalent to the value of the pension contributions attributable to the employee. The Group then pays these contributions on behalf of the employee. Thus, the charge for the year ended 31 March 2014 under FRS 17 represents the total contributions payable.

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The last formal valuation of the Scheme was performed as at 30 September 2011 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £2,062m. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035m, equivalent to a past service funding level of 67.0%

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2013. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £2,718m and indicated an increase in the shortfall of assets compared to liabilities to approximately £1,151m, equivalent to a past service funding level of 70.0%. As a result of this past service deficit the Association paid £372,564 during the year in additional contributions:

- £128,268 increasing at 4.7% per annum until 2021 in respect of the 2005 Recovery Plan

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- £90,372 increasing at 4.7% per annum until 2024 in respect of the 2008 Recovery Plan
- £153,924 increasing at 3% per annum until March 2026 in respect of the 2011 Recovery Plan

The Association also participates in The Pension's Trust Growth Plan. The Trustee commissioned an actuarial valuation of the Growth Plan as at 30<sup>th</sup> September 2011 by a professionally qualified actuary using the Projected Unit Method. The market value of the schemes assets at the valuation date was £780.3m. The valuation revealed a shortfall of assets compared with the value of liabilities of £147.6m equivalent to a past funding level of 84.1%.

As a result of this deficit the Association has agreed to pay additional amounts of £9,404 per annum for 10 years from 1 April 2013. The additional 'deficit contributions' payable will increase by 3% each year in April.

## 9 Board members, executive directors and senior staff emoluments

Group and Association	Basic salary £ '000	Benefits in kind £ '000	Pension contr'ns £ '000	2014 Total £ '000	2013 Total £ '000
Aggregate emoluments	493	2	104	599	581

Except for the Chair who received £10,000 (2013: £10,000) and the Chief Executive, whose remuneration is detailed below, none of the Board members received emoluments. Expenses paid during the year to board members amount to £0 (2013: £514).

The emoluments of the highest paid director, the Chief Executive, excluding pension contributions, were £123,506 (2013: £114,007). The Chief Executive is a member of the Social Housing Pension Scheme. She is an ordinary member of the pension scheme and no enhanced or special terms apply. The Association does not make any further contribution to an individual pension arrangement for the Chief Executive.

Group and Association	Basic salary £ '000	Benefits in kind £ '000	Pension contr'ns £ '000	2013 Total £ '000	2012 Total £ '000
Aggregate emoluments of highest paid director	124	-	27	151	147

The full time equivalent number of staff whose remuneration, excluding pension contributions, was greater than £60,000 in bands of £10,000 is below:

Group and Association		
	2014 No.	2013 No.
£60,000 to £70,000	5	6
£80,001 to £90,000	1	1
£90,001 to £100,000	-	2
£100,001 to £110,000	2	-
£110,001 to £110,000	-	1
£120,001 to £130,000	1	-
	9	10

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 10 Tax on surplus on ordinary activities

Origin Properties Limited, Origin Finance Limited, Origin Finance 2 Plc, and Origin Housing Developments Limited are subject to corporation tax. Origin Housing Limited has Charitable Objects and is exempt from corporation tax on its charitable activities. However, during 2014, the Association incurred corporation tax on profits made from the sale of properties.

	Group		Association	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
United Kingdom Corporation Tax				
Current tax on income for the year	33	-	33	-
Adjustments in respect of prior periods	-	36		36
Current tax charge for the period	33	36	33	36
Deferred tax				
Origination and reversal of timing differences	-	-	-	-
	33	36	33	36

## Factors affecting the tax charge for the period

	Group		Association	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Surplus for the year before taxation	4,969	4,186	7,924	5,120
Corporation tax at 23% (2013: 24%)	1,143	1,004	1,823	1,229
<i>Effects of:</i>				
Expenditure not deductible for tax purposes	853	-	-	-
Income from exempt activities	(1,822)	(1,229)	(1,789)	(1,229)
Depreciation in excess of capital allowances	-	6	-	-
Accelerated capital allowances	-	-	-	-
Utilisation of losses	-	(17)	-	-
Adjustments in respect of prior years	-	36	-	36
Qualifying charitable donations	(140)	236	-	-
Losses carried forward	-	-	-	-
Marginal relief	(1)	-	(1)	-
	33	36	33	36

The Group had a deferred tax asset of £nil as at 31 March 2014 (2013: £nil) in relation to tax losses and accelerated capital allowances.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 11 Tangible fixed assets – housing properties

Group	Social housing held for letting £'000	Non-social housing held for letting £'000	Social housing to let under construction £'000	Shared ownership completed £'000	Shared ownership under construction £'000	Total £'000
<b>Cost</b>						
At 1 April 2013	462,196	2,182	13,153	42,446	6,209	526,186
Additions – new properties/ construction	235	-	27,313	-	8,911	36,459
Additions – works to existing properties	8,080	-	-	61	-	8,141
Schemes completed	24,415	-	(24,415)	8,615	(8,615)	-
Transfer from/(to) current assets	-	-	-	(43)	522	479
Disposals	-	-	(673)	(306)	-	(979)
At 31 March 2014	494,926	2,182	15,378	50,773	7,027	570,286
<b>Accumulated depreciation and impairment</b>						
At 1 April 2013	25,472	162	-	984	-	26,618
Depreciation charge	3,946	14	-	195	-	4,155
Impairment charge	493	-	-	(196)	-	297
Disposals	(5)	-	-	(1)	-	(6)
At 31 March 2014	29,906	176	-	982	-	31,064
<b>Depreciated cost</b>						
At 1 April 2013	436,724	2,020	13,153	41,462	6,209	499,568
At 31 March 2014	465,020	2,006	15,378	49,791	7,027	539,222
<b>Social Housing Grant</b>						
At 1 April 2013	205,113	-	5,007	16,062	1,196	227,378
Grant received	70	-	3,711	-	464	4,245
Recycled during the year	-	-	552	(135)	-	417
Schemes completed	7,512	-	(7,512)	1,084	(1,084)	-
Disposals	-	-	-	-	-	-
At 31 March 2014	212,695	-	1,758	17,011	576	232,040
<b>Other Grants</b>						
At 1 April 2013	3,269	-	-	-	-	3,269
Grant received	184	-	-	-	-	184
Disposals	-	-	-	-	-	-
At 31 March 2014	3,453	-	-	-	-	3,453
<b>Net book value</b>						
At 1 April 2013	228,342	2,020	8,146	25,400	5,013	268,921
At 31 March 2014	248,872	2,006	13,620	32,780	6,451	303,729

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 11 Tangible fixed assets – housing properties (continued)

Association	Social housing held for letting £'000	Non-social housing held for letting £'000	Social housing to let under construction £'000	Shared ownership completed £'000	Shared ownership under construction £'000	Total £'000
<b>Cost</b>						
At 1 April 2013	462,196	2,182	8,709	42,446	4,775	520,308
Additions – new properties/ construction	235	-	26,132	-	4,897	31,264
Additions – works to existing properties	7,521	-	-	61	-	7,582
Schemes completed	24,415	-	(24,415)	8,615	(8,615)	-
Transfer from/(to) current assets	-	-	-	(43)	549	506
Transfer to subsidiary undertaking	(15,790)	-	-	-	-	(15,790)
Disposals	-	-	(673)	(306)	-	(979)
At 31 March 2014	<u>478,577</u>	<u>2,182</u>	<u>9,753</u>	<u>50,773</u>	<u>1,606</u>	<u>542,891</u>
<b>Accumulated depreciation and impairment</b>						
At 1 April 2013	25,472	162	-	984	-	26,618
Depreciation charge	3,863	14	-	195	-	4,072
Impairment charged in the year	493	-	-	(196)	-	297
Disposals	(1,952)	-	-	(1)	-	(1,953)
At 31 March 2014	<u>27,876</u>	<u>176</u>	<u>-</u>	<u>982</u>	<u>-</u>	<u>29,034</u>
<b>Depreciated cost</b>						
At 1 April 2013	<u>436,724</u>	<u>2,020</u>	<u>8,709</u>	<u>41,462</u>	<u>4,775</u>	<u>493,690</u>
At 31 March 2014	<u>450,701</u>	<u>2,006</u>	<u>9,753</u>	<u>49,791</u>	<u>1,606</u>	<u>513,857</u>
<b>Social Housing Grant</b>						
At 1 April 2013	205,113	-	5,007	16,062	1,196	227,378
Grant received	-	-	3,711	-	464	4,175
Recycled during the year	-	-	420	(135)	-	285
Schemes completed	7,512	-	(7,512)	1,084	(1,084)	-
Transfer to subsidiary undertaking	(3,407)	-	-	-	-	(3,407)
At 31 March 2014	<u>209,218</u>	<u>-</u>	<u>1,626</u>	<u>17,011</u>	<u>576</u>	<u>228,431</u>
<b>Other Grants</b>						
At 1 April 2013	3,269	-	-	-	-	3,269
Grant received	184	-	-	-	-	184
Disposals	-	-	-	-	-	-
At 31 March 2014	<u>3,453</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,453</u>
<b>Net book value</b>						
At 1 April 2013	<u>228,342</u>	<u>2,020</u>	<u>3,702</u>	<u>25,400</u>	<u>3,579</u>	<u>263,043</u>
At 31 March 2014	<u>238,030</u>	<u>2,006</u>	<u>8,127</u>	<u>32,780</u>	<u>1,030</u>	<u>281,973</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 11 Tangible fixed assets – housing properties (continued)

The Association conducted a review of its properties in March 2014 to identify any which had suffered a permanent diminution in value to the extent that a provision for impairment was required. Impairment of £493k was charged in the year and £575k released from prior year provisions.

Expenditure on works to existing properties:

	Group		Association	
	2014 £ '000	2013 £ '000	2014 £ '000	2013 £ '000
Amounts capitalised	8,141	8,820	7,582	8,820
Amounts charged to income and expenditure account	2,170	2,656	2,044	2,656
Total expenditure on works to existing properties	10,311	11,476	9,626	11,476

## Social housing and other grants

	Group		Association	
	2014 £ '000	2013 £ '000	2014 £ '000	2013 £ '000
Total accumulated grants received at 31 March were:				
Social Housing Grant	232,040	227,378	228,431	227,378
Other grants	3,453	3,269	3,453	3,269
	235,493	230,647	231,884	230,647

No accumulated Social Housing Grant has been accounted for as revenue grant during this or the prior financial year.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 12 Tangible fixed assets – commercial properties

	Group		Association	
	2014 £ '000	2013 £ '000	2014 £ '000	2013 £ '000
<b>Cost or valuation</b>				
At 1 April	36,618	36,752	33,199	33,333
Additions	-	37	-	37
Intra group transfers	-	-	(1,749)	-
Deficit on revaluation	-	(171)	-	(171)
Revaluation	1,102	-	1,102	-
At 31 March	<u>37,720</u>	<u>36,618</u>	<u>32,552</u>	<u>33,199</u>
<b>Accumulated depreciation and impairment</b>				
At 1 April	2,054	1,760	1,989	1,721
Depreciation charged in the year	294	294	264	268
Depreciation released on Disposal	-	-	(75)	-
Impairment released in the year	(380)	-	(380)	-
At 31 March	<u>1,968</u>	<u>2,054</u>	<u>1,798</u>	<u>1,989</u>
<b>Net book value</b>				
At 1 April	<u>34,564</u>	<u>34,698</u>	<u>31,210</u>	<u>31,612</u>
At 31 March	<u>35,752</u>	<u>34,564</u>	<u>30,754</u>	<u>31,210</u>

A valuation was carried out by external valuers Copping Joyce Chartered Surveyors LLP in accordance with RICS appraisal and valuation standards (PS 5.1) and on market basis as at 31 March 2014.

The Association conducted a review of its properties in March 2014 for impairment. Impairment of £380k was released (2013: £nil) during the year. The historic cost of these properties is £8.4m.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 13 Tangible fixed assets - other

Group and Association	Furniture, fixtures & fittings £'000	Computers & office equipm't £'000	Total £'000
<b>Cost</b>			
At 1 April 2013	2,991	7,170	10,161
Additions	11	717	728
Disposals	-	-	-
At 31 March 2014	<u>3,002</u>	<u>7,887</u>	<u>10,889</u>
<b>Accumulated depreciation</b>			
At 1 April 2013	2,031	5,678	7,709
Charged in year	142	696	838
Disposals	-	-	-
At 31 March 2014	<u>2,173</u>	<u>6,374</u>	<u>8,547</u>
<b>Net book value</b>			
At 1 April 2013	<u>960</u>	<u>1,492</u>	<u>2,452</u>
At 31 March 2014	<u>829</u>	<u>1,513</u>	<u>2,342</u>

## 14 Investment in subsidiaries

## Association

	2014 £ '000	2013 £ '000
Investment in Origin Properties Limited	2,482	17,053
Investment in other subsidiaries	50	50
	<u>2,532</u>	<u>17,103</u>

The Association owns the following shares:

Number of Shares	Company	Percentage of issued share capital
1 ordinary £1 share	Origin Finance Limited	100%
4 ordinary £1 shares	Origin Properties Limited	100%
1 ordinary £1 share	Origin Housing Developments Limited	100%
1 ordinary £1 share	Origin Housing 2 Limited	100%
50,000 ordinary £1 share	Origin Finance 2 Plc	100%

The country of incorporation for all these companies was England.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 14 Investment in subsidiaries (continued)

As required by statute, the financial statements consolidate the results of Origin Finance Limited, Origin Properties Limited, Origin Housing Developments Limited, Origin Housing 2 Limited, and Origin Finance 2 Plc which were members of the Group for the whole of the year. The Association has the right to appoint members to the boards of the Group members and thereby exercises control over them. Origin Housing Limited is the ultimate parent undertaking.

During the year the Association provided management services for Origin Properties Limited and Origin Housing 2 Limited. It also provided repaid loans to Origin Properties Limited in the year bringing the total advanced to £2,482k (2013: £17,053k).

## 15 Properties for sale

	Group		Association	
	2014 £ '000	2013 £ '000	2014 £ '000	2013 £ '000
Properties under construction	7,860	8,574	1,042	1,591
Completed properties	8,104	2,878	1,723	1,325
	<u>15,964</u>	<u>11,452</u>	<u>2,765</u>	<u>2,916</u>

## 16 Debtors

	Group		Association	
	2014 £ '000	2013 £ '000	2014 £ '000	2013 £ '000
Rent and service charges receivable	4,079	3,176	3,903	3,090
Provision for bad and doubtful debts	(1,572)	(1,512)	(1,572)	(1,512)
	<u>2,507</u>	<u>1,664</u>	<u>2,331</u>	<u>1,578</u>
Social Housing Grant receivable	626	4,160	626	4,790
Commercial rent and service charge arrears	1,068	460	1,068	460
Amounts due from group companies	-	-	1,098	585
Prepayments and accrued income	842	1,608	842	978
Other debtors	2,225	1,199	731	804
	<u>7,268</u>	<u>9,091</u>	<u>6,696</u>	<u>9,195</u>

## 17 Current asset investments

Group and Association	2014 £ '000	2013 £ '000
Money market	<u>5,000</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 18 Creditors: amounts falling due within one year

	Group		Association	
	2014 £ '000	2013 £ '000	2014 £ '000	2013 £ '000
Debt (note 20)	3,186	8,183	3,283	8,215
Trade creditors	2,057	2,105	1,673	1,363
Grants received in advance	-	-	-	-
Amounts owed to group companies	-	-	849	185
Recycled capital grant fund (note 21)	71	168	71	168
Corporation tax	33	-	33	-
Other taxation and social security	205	205	205	205
Leaseholder sinking funds	717	629	717	629
Accrued interest	2,527	1,771	1,963	1,771
Capital accrual	5,839	3,915	2,185	3,819
Deferred income	470	29	470	29
Other creditors and accruals	3,480	4,623	3,380	4,088
	<u>18,585</u>	<u>21,628</u>	<u>14,829</u>	<u>20,472</u>

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

	Group		Association	
	2014 £ '000	2013 £ '000	2014 £ '000	2013 £ '000
Loans (note 20)	266,739	232,343	226,739	232,343
Deferred financing costs (note 20)	(1,762)	(862)	(711)	(539)
Recycled capital grant fund (note 21)	298	509	298	509
	<u>265,275</u>	<u>231,990</u>	<u>226,326</u>	<u>232,313</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 20 Debt

	Group		Association	
	2014 £ '000	2013 £ '000	2014 £ '000	2013 £ '000
<b>Due within one year</b>				
Bank overdraft	-	807	-	807
Bank loans	3,403	7,469	3,403	7,469
	<u>3,403</u>	<u>8,276</u>	<u>3,403</u>	<u>8,276</u>
Deferred financing costs	(217)	(93)	(120)	(61)
	<u>3,186</u>	<u>8,183</u>	<u>3,283</u>	<u>8,215</u>
<b>Due after more than one year</b>				
Bank loans	216,696	232,294	216,696	232,294
Other loans	43	49	10,043	49
Bond Issue	50,000	-	-	-
	<u>266,739</u>	<u>232,343</u>	<u>226,739</u>	<u>232,343</u>
Deferred financing costs	(1,762)	(862)	(711)	(539)
	<u>264,977</u>	<u>231,481</u>	<u>226,028</u>	<u>231,804</u>
Between one and two years	3,506	3,867	3,506	3,867
Between two and five years	45,996	39,559	45,996	39,559
In five or more years	217,237	188,917	177,237	188,917
	<u>266,739</u>	<u>232,343</u>	<u>226,739</u>	<u>232,343</u>
Deferred financing costs	(1,762)	(862)	(711)	(539)
	<u>264,977</u>	<u>231,481</u>	<u>226,028</u>	<u>231,804</u>
<b>Total debt</b>				
Loans	270,142	240,619	230,142	240,619
Deferred financing costs	(1,979)	(955)	(831)	(600)
	<u>268,163</u>	<u>239,664</u>	<u>229,311</u>	<u>240,019</u>

The bank loans are secured by fixed charges on individual properties.

The bank and other loans are repaid at various times of the year. The interest rates are a mixture of fixed and variable rates, and range from 0.88% to 12.46% (2013: 0.77% to 12.46%).

The interest of 12.46% relates to £1.7m which is repayable in March 2039.

At 31 March 2014 the Group had undrawn loan facilities of £80.0m (2013: £43.0m) of which £54.2m (2013: £30.8m) has security in place.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**21 Recycled capital grant fund**

<b>Group and Association</b>	<b>2014</b>	<b>2013</b>
	<b>£ '000</b>	<b>£ '000</b>
At 1 April	677	611
Grants recycled	242	139
Interest accrued	2	-
Purchase/ development of properties	(552)	(73)
At 31 March	<u>369</u>	<u>677</u>
Disclosed as:		
Amounts falling due within one year (note 18)	71	168
Amounts falling due after more than one year (note 19)	298	509
	<u>369</u>	<u>677</u>
Amount due for repayment to the Homes and Communities Agency and Greater London Authority	<u>-</u>	<u>-</u>

**22 Provisions for liabilities and charges**

The group had no provisions for liabilities and charges at the balance sheet date (2013: £nil)

**23 Non-equity share capital**

The shares provide members with the right to vote at general meetings, but do not provide any rights to dividends or distributions on a winding up.

<b>Association</b>	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
<b>Shares of £1 each issued and fully paid</b>		
At 1 April	45	53
Shares issued during the year	3	2
Shares surrendered during the year	(8)	(10)
At 31 March	<u>40</u>	<u>45</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 24 Reserves

Group	Revaluation reserve £ '000	Revenue reserve £ '000	Designated reserves £ '000	Total £ '000
At 1 April 2013	23,223	64,870	1,018	89,111
Surplus for the financial year	-	4,936	-	4,936
Transfers from/ (to) revenue reserve	-	42	(42)	-
Unrealised surplus on commercial properties	1,102	-	-	1,102
Realised deficit on commercial properties	-	-	-	-
At 31 March 2014	<u>24,325</u>	<u>69,848</u>	<u>976</u>	<u>95,149</u>

Association	Revaluation reserve £ '000	Revenue reserve £ '000	Designated reserves £ '000	Total £ '000
At 1 April 2013	23,223	64,859	1,018	89,100
Surplus for the financial year	-	7,891	-	7,891
Transfers from/ (to) revenue reserve	-	42	(42)	-
Unrealised surplus on commercial properties	1,102	-	-	1,102
Realised deficit on commercial properties	(1,749)	1,749	-	-
At 31 March 2014	<u>22,576</u>	<u>74,541</u>	<u>976</u>	<u>98,093</u>

There are three designated reserves; one maintained for sheltered scheme commitments; one community fund (the John Toomey Heritage Fund) dedicated to supporting initiatives which promote the heritage of the organisation; and one gardening fund (Irene Barclay Garden Fund) for community gardening projects.

## 25 Financial commitments

Capital expenditure commitments were as follows:

	Group		Association	
	2014 £ '000	2013 £ '000	2014 £ '000	2013 £ '000
Expenditure contracted for but not provided in the accounts	16,228	15,686	450	4,758
Expenditure authorised by the Board, but not contracted	36,399	14,391	3,135	4,811
	<u>52,627</u>	<u>30,077</u>	<u>3,585</u>	<u>9,569</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The above commitments will be financed primarily through borrowings and Social Housing Grant.

Commitments under operating leases were as follows:

Office equipment and computers

<b>Group and Association</b>	<b>2014</b>	<b>2013</b>
	<b>£ '000</b>	<b>£ '000</b>
Operating leases which expire:		
- Within one year	10	8
- One to five years	211	128
	<u>221</u>	<u>136</u>

**26 Contingent liabilities**

The Group (and Association) had contingent liabilities of £41k in relation to on-going disputes (2013: £58k).

**27 Reconciliation of operating surplus to net cash flow from operating activities**

<b>Group</b>	<b>2014</b>	<b>2013</b>
	<b>£ '000</b>	<b>£ '000</b>
Operating surplus	12,416	11,494
Depreciation of housing properties	4,449	3,825
Depreciation of other fixed assets	838	803
Impairment of housing properties	(83)	-
Revaluation of investments	-	-
	<u>17,620</u>	<u>16,122</u>
Working capital movements		
Properties for sale	(4,512)	3,051
Debtors	(1,711)	274
Creditors	94	(1,008)
Net cash inflow from operating activities	<u>11,491</u>	<u>18,439</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 28 Reconciliation of net cash flow to movement in net debt

	2014 £ '000	2013 £ '000
(Decrease)/increase in cash	(6,488)	6,930
Cash inflow from increase in debt	(29,306)	(26,423)
Increase in net debt from cash flows	<u>(35,794)</u>	<u>(19,493)</u>
Cash inflow from disposal of investments	-	(17)
Cash outflow on Money Market investment	5,000	-
Change in market value of investments	-	-
Total changes in net debt for the period	<u>(30,794)</u>	<u>(19,510)</u>
Net debt at 1 April 2013	(223,415)	(203,905)
Net debt at 31 March 2014	<u><u>(254,209)</u></u>	<u><u>(223,415)</u></u>

## 29 Analysis of net debt

	1 April 2013 £ '000	Cash flow £ '000	Non-cash movement £ '000	31 March 2014 £ '000
Cash at bank and in hand	16,249	(7,295)	-	8,954
Bank Overdraft	(807)	807	-	-
Changes in cash	<u>15,442</u>	<u>(6,488)</u>	<u>-</u>	<u>8,954</u>
Current asset investment	-	5,000	-	5,000
Loans	(238,857)	(29,306)	-	(268,163)
Changes in net debt	<u><u>(223,415)</u></u>	<u><u>(30,794)</u></u>	<u><u>-</u></u>	<u><u>(254,209)</u></u>

## 30 Financial assets and liabilities

## Financial assets

Other than short-term debtors, financial assets held are cash deposits placed on money markets at call.

<b>Group and Association</b>	<b>2014 £ '000</b>	<b>2013 £ '000</b>
Money Market Investment	<u>5,000</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Financial liabilities excluding trade creditors – interest rate risk profile

	Group		Association	
	2014 £ '000	2013 £ '000	2014 £ '000	2013 £ '000
Floating rate	72,406	72,406	34,681	72,406
Fixed rate	167,406	168,213	195,463	168,213
<b>Total</b>	<b>239,812</b>	<b>240,619</b>	<b>230,144</b>	<b>240,619</b>

The Association's financial liabilities are sterling denominated. After taking into account various interest rate swaps, the interest rate profile of the Group's financial liabilities at 31 March were:

The fixed rate financial liabilities have a weighted average interest rate of 5.18% (2013 5.25%) and the average period for which it is fixed is 16 years (2013: 12 years).

The floating rate financial liabilities comprise bank loans and overdrafts that bear interest at rates based on the three-month LIBOR.

The debt maturity profile is shown in note 20.

**Borrowing facilities**

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

	2014 £ '000	2013 £ '000
Expiring in more than two years	80,000	43,000

**31 Related parties**

The Association has taken advantage of the exemption conferred by Financial Reporting Standard 8, *Related Party Disclosures*, that allows it not to disclose transactions with Group undertakings that are eliminated on consolidation.

There were two tenant members of the Board during the year, Paulette Rose and Dayna Byfield. Their tenancies are on normal commercial terms and they are not able to use their position to their advantage.

During the year the following significant transactions took place between group members

From: Company *	To: Company *	Amount £	Date	Reason for Payment
OHL	OFL	1,029,775.61	15/07/2013	Interest
OHL	OFL	1,032,258.44	14/10/2013	Interest
OF2	OH2	40,000,000.00	12/12/2013	OF2 Investment in OH2
OF2	OHL	10,000,000.00	12/12/2013	OF2 Investment in OHL
OH2	OHL	15,793,790.18	12/12/2013	Transfer of asset from OHL to OH2
OHL	OFL	10,000,000.00	18/12/2013	Repayment of Barclays Loan
OH2	OHD	14,126,275.67	19/12/2013	OH2 Investment in OHD
OHD	OPL	14,126,275.67	20/12/2013	Repayment of OPL's investment in OHD
OPL	OHL	14,126,275.67	20/12/2013	Repayment of OHL's investment in OPL
OHL	OFL	1,077,823.28	14/01/2014	Interest
OHL	OFL	1,031,314.67	11/04/2014	Interest

\*Subsidiary company details are in Note 14 Investment in subsidiaries.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****32 Legislative provisions**

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is a Registered Provider of Social Housing registered with the Homes and Communities Agency under the Housing and Regeneration Act 2008.

**33 Post balance sheet events**

There have been no material events arising after the balance sheet date.