Annual report and Accounts

for the year ended 31 March 2014

housing solutions

HOUSING SOLUTIONS LIMITED

Housing Solutions is a registered housing provider with charitable status dedicated to providing affordable and supported homes. We have a housing stock of 5,000 properties in the South East of England. We offer affordable homes to rent, shared ownership schemes, key worker housing and specialist accommodation for older people and people who need support and care to live within the community. All our homes are supported by a range of housing services, including our own professional team of trades staff who provide a comprehensive repair and maintenance service.

housing solutions

Housing Solutions Capital is a PLC set up to facilitate capital market funding for the Group. It was incorporated on the 6 July 2012.

Housing Solutions
CAPITAL PLC

HSG Property Services Limited provides photo voltaic panels on customers roofs and other energy saving solutions in order to save utility costs for those customers and at the same time produce revenue for the group through the Feed In Tariff programme.

hsg
property services

HOUSING SOLUTIONS LIMITED

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HOUSING SOLUTIONS LIMITED

MEMBERS, EXECUTIVES AND ADVISERS

BOARD OF MANAGEMENT

Chairman	Roger Mabey
Vice Chairman	Mark Pullen (Independent)
Board Members	Paul Dunn Sims (Independent)
	Deirdre Moroney (Independent)
	Hayley Peters (Independent)
	Jeff Maslen (resigned August 2013)
	Derek Wilson (Council nominee)
	Val Bagnall (Independent - appointed 20 March 2014)
	Alice McDonagh (Resident - appointed 4 December 2013)
	Taslim Gbaja-Biamila (Resident - appointed 4 December 2013)
	John Petitt (Chief Executive)
	Nigel Cook (Independent)
	Jim McGill (Independent)

EXECUTIVE TEAM

Group Chief Executive	John Petitt
Group Director of Resources	Andrew Robertson
Group Business Development Director	Jill Caress
Group Director of Customer Services	Peter Hatch
Group Commercial Director	John Barnes

Auditors

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

Solicitors

Owen White
Senate House
62-70 Bath Road
Slough
SL1 3SR

Lewis Silkin
5 Chancery Lane
Cliffords Inn
London
EC4A 1BL

Penningtons Manches Solicitors LLP
da Vinci House
Basing View
Basingstoke
Hampshire
RG21 4EQ

Mills and Bann Solicitors
8 Cheap Street
Newbury
Berkshire
RG14 5DD

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EC1Y 8YZ

Funders

Barclays Bank PLC
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E14 5HP
Solicitors

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107 Cannon Street
London
EC4N 5AF

Lloyds TSB PLC
25 Gresham Street
London
EC2V 7HN

M & G Limited
Laurence Poutney Hill
London
EC4R 0HH

Legal & General Investment Management
One Coleman Street
London
EC2R 5AA

Treasury Advisors

TradeRisks Limited
21 Great Winchester Street
London
EC2N 2JA
United Kingdom

Valuers

Jones Lang LaSalle
22 Hanover Square
London
W1S 1JA

Bankers

National Westminster Bank Plc
Maidenhead Branch
66 High Street
Maidenhead
Berkshire
SL6 1QA

The Executive Team hold no interest in the association's shares and act within the authority delegated by the Board.
Registered with the Homes and Communities Agency (HCA) Reg No. L4073
Registered as an Industrial and Provident Friendly Society Reg No. 27876R (As at 1 August 2014 we became a Community Benefit Society)
Registered Office, Crown House, Crown Square, Waldeck Road, Maidenhead, Berkshire SL6 8BY

OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD
FOR THE YEAR ENDED 31 MARCH 2014

REPORT TO THE BOARD

The Board of Housing Solutions Limited presents its report together with the audited financial statements of Housing Solutions Limited (the association) and Housing Solutions Group (the group) for the year ended 31 March 2014.

The group comprises the association and its subsidiary undertakings Housing Solutions Capital plc and HSG Property Services Limited.

PRINCIPAL ACTIVITIES

The group's principal activities are the development and management of affordable housing and residential care homes and providing repairs services to its own stock as well as external clients.

The group's head office is in Maidenhead and its properties are primarily in Maidenhead and surrounding areas, although increasingly new properties are being built in Wokingham and Buckinghamshire.

The association has charitable status and operates four key business streams:

- housing for rent, primarily for families who are unable to rent or buy at open market rates;
- supported housing and care homes for people who need additional housing-related support or additional care;
- low-cost home ownership, primarily shared ownership whereby customers purchase a share in the equity of their home and pay rent to the association on the remainder;
- maintenance services for external clients including other registered providers.

As well as managing and maintaining 2,500 properties for other housing associations and our Repair with Care business, we have a stock of 5,000 homes and the group develops new affordable housing and is a member of the Sovereign Development Consortium (SDC).

The group also provides a small amount of non-social housing, in particular market rent accommodation.

However, the group's focus remains its social housing activities and these are expected to constitute over 80 per cent of the group's activities by turnover.

On 29 May 2014, Housing Solutions Capital agreed a £50 million loan with Legal and General Investment Management Ltd. This facility will enable the Housing Solutions Group to commit to and develop new Social Housing properties over the next three years. The first draw down of £20 million will take place in December 2014 with three further drawdowns of £10 million taking place during 2015. This is a fixed term facility which matures in 2054.

BOARD MEMBERS AND EXECUTIVE DIRECTORS

The present board members and executive directors of the group are set out on page 2.

The executive directors are the Chief Executive, the Group Director of Resources; the Group Director of Customer Services; the Group Business Development Director and the Group Commercial Director. Of the executive directors only the Chief Executive is a member of the board. All executives work within the authority delegated by the board. Group insurance policies indemnify board members and officers against liability when acting for the group.

EMPLOYMENT CONTRACTS

Board members are paid based on a scale reflecting their relative responsibilities to the group. The total amount paid to board members during 2013/14 was £42,731 which represents 0.1 per cent of the group's turnover.

The executive directors are employed on the same terms as other staff, their notice periods ranging from six to twelve months.

PENSIONS

The executive directors are entitled to be members of the Royal County of Berkshire Pension Fund, a defined benefit (Career Average) pension scheme. They participate in the scheme on the same terms as all other eligible staff and the group contributes to the scheme on behalf of its employees. With effect from 1st April 2014 the Royal County of Berkshire Pension Scheme was closed to new employees and a new Group Personal Pension Plan has been set up for new employees. The executive directors may participate in this scheme on the same terms as all other eligible staff and Housing Solutions make contributions into the Individual Personal Pensions.

OTHER BENEFITS

The executive directors are entitled to other benefits such as health care insurance. Further details of their remuneration packages are included in Note 5 to the audited financial statements.

OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD
FOR THE YEAR ENDED 31 MARCH 2014

OBJECTIVES AND STRATEGY

The group's objectives and strategy are set out in a business plan that is reviewed and approved by the board each year. The executive team and the board monitor achievement of the group's objectives by measuring performance against targets. The board agrees targets each year that are designed to manage development and deliver continuous service improvement and value for money. A number of key objectives for the year 2013/14 and their outcomes are outlined below and on the opposite page.

CORPORATE OBJECTIVES

WELFARE REFORM

Ensure that we meet the housing needs of customers and support them in meeting their personal responsibility to pay their rent.

OUTCOME

We have invested time and resources to help hundreds of our customers, who face financial difficulties, to sustain their tenancy.

We have:

- Strengthened our Financial Inclusion Team;
- Provided debt advice training for all our front line housing staff;
- Established stronger links with local credit unions, anti-poverty groups, benefit offices and food banks;
- Launched an opportunity fund to support customers get back into work and offer business start-up training to help unemployed customers start their own business.

In addition we have offered a wider range of training to customers to give them the skills and knowledge to improve the way they manage their household budget. During the year our Financial Inclusion Team dealt with nearly 600 referrals for support and they managed to secure additional income for customers of more than £108k. They also now routinely carry out affordability assessments on all new customers to make sure they can sustain their new tenancy. We provided advice and offered support to nearly 200 customers who were directly affected by the bedroom tax, with initiatives to encourage them to pay by direct debit and move to a smaller home if they were under-occupying. Nearly a quarter moved to a smaller home freeing up larger properties for families. We appointed a Tenancy and Neighbourhood Officer (TNO) to manage rent arrears for this group and these fell from £54,000 at the beginning of the year to £17,000 in March 2014.

FUEL POVERTY

Gain a greater understanding of the energy efficiency of our homes in order to develop short and medium term strategies to improve energy efficiency and running costs for our customers

OUTCOME

During the year we developed a new six year Energy Efficiency Strategy which will allow us to improve the energy efficiency of our homes and reduce running costs for our residents. As part of the strategy we will:

- Create a greener homes standard by increasing the average SAP rating of our stock to 72 with a minimum SAP rating of 60;
- Hold EPC information on all our homes;
- Help customers avoid fuel poverty through effective allocation of homes;
- Understand the opportunities to provide cheaper energy to customers;
- Provide advice to customers on how to run their home in an energy efficient way;
- Maintain an environment management standard;
- Calculate the organisation's carbon footprint every two years and find and implement ways to reduce it.
- Raise staff awareness of energy saving efficiency techniques.

OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD
FOR THE YEAR ENDED 31 MARCH 2014

CORPORATE OBJECTIVES (contd)

CUSTOMER SATISFACTION

Maintain and improve the satisfaction levels of all our customers.

OUTCOME

In our last Have Your Say survey overall customer satisfaction fell from 85% in 2012 to 83% in 2013. Nearly 1,000 customers responded to the survey. We have used the results to shape a new six year Strategic Plan. By doing this we can be sure that we will be focusing on the services and issues that are the top priorities for our customers. The new plan has just two key objectives – to achieve Happy Customers and Provide More Homes.

The Group invested £8.6m on maintaining and improving homes and neighbourhoods. Average satisfaction with the repairs service throughout the year was 91 per cent, with 100 per cent of properties with a gas supply have an up-to-date gas safety certificate.

We are continuing to use new technology to achieve efficiencies and improve services for our customers and have launched an on-line repairs reporting system, which allows customers to log routine repairs and select and change appointment slots, at any time of the day or night.

We improved our performance on letting new homes reducing turnaround time from 13 days down to 9 days.

Our Customer Scrutiny Panel completed two scrutinies during the year looking at our website and the repairs service provided by contractors. A wide range of recommendations from both scrutinies have been implemented bringing about improved accessibility to the website and a drop in complaints about the work of contractors.

CAPACITY AND GROWTH

Maximise our capacity to effectively meet local affordable housing needs

OUTCOME

We invested £34m in new developments and improving existing homes. We completed 96 new homes during the year. We currently have nearly 600 new homes on site. This includes our first development of new build apartments for market rent. These are due to be completed later this year.

During the year we have been active in disposing of properties that had or would have become inefficient or ineffective to operate. The proceeds from the sales are being reinvested in meeting our ambitious development plans.

VALUE FOR MONEY

Ensure that we deliver Value for Money services and housing, which contributes towards improving local communities.

OUTCOME

On the following pages we have provided our Value for Money Self Assessment.

CORPORATE OBJECTIVES 2014-2020

Towards the end of the year we used the feedback from our latest Have Your Say survey to shape a new six year Strategic Plan. By doing this we can be sure that we will be focusing on the services and issues that are the top priorities for our customers. The plan has just two key objectives – to achieve Happy Customers and More Homes.

OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD
FOR THE YEAR ENDED 31 MARCH 2014

VALUE FOR MONEY SELF ASSESSMENT - STRATEGY

The group's Value for Money (VFM) strategy makes a contribution to the delivery of our Core Purpose. Our core purpose sets out that we want to: Meet local affordable housing need by creating quality homes and deliver valued services. We have summarised this in our new six year Strategic Plan 2014 – 2020 as achieving Happy Customers and More Homes.

We have also made a commitment to maximise value for money in our delivery of that core purpose.

We had a successful year on procurement reducing the costs of like for like purchases by £231k. The work covered the renegotiation of a range of contracts including repairs materials, decorating, vehicle leasing, printing, consultancy contracts and telephony. Further procurement efficiencies were made on capital expenditure items and these totalled £103k. These savings have helped fund investment in new technology and additional frontline staff. The majority of our contracts were re-procured using frameworks which enabled us to reduce procurement costs whilst leveraging bulk discounts, initially and in future years.

However, VFM covers a broad spectrum of issues that extend well beyond simple cost savings; it is our belief that, where possible, achieving VFM should result in increased efficiency and improved outcomes as well as reduced costs. We define VFM as maximising the relationship between economy, efficiency and effectiveness so that we can provide the quality homes and valued services to meet the needs of our customers.

We believe that we would deliver value for money if we achieved the following aims set out in our Strategic Plan:

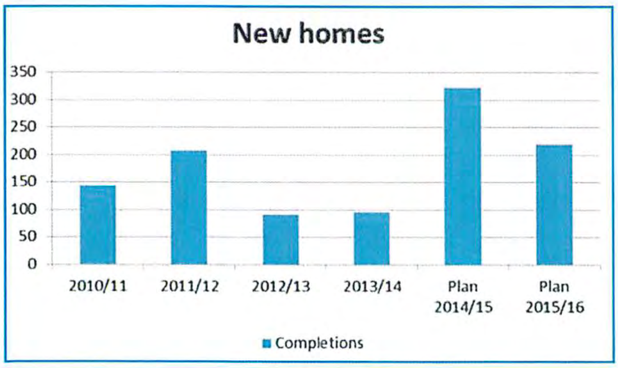
HAPPY CUSTOMERS: Achieving top quartile satisfaction at a cost per unit lower in real terms than it is now and at a comparable cost to our peer group. Our satisfaction level and performance over the last four years and targets for the next two years are shown in the graph below.

MORE HOMES: Delivering 2020 new homes by the year 2020 without reducing our sustainability and forecast capacity to grow after 2020. Our performance over the last four years and forecasts for the next two years are shown in the graph below.

We are presenting our VFM self assesment within the Operating and Financial Review, in line with the VFM standard published by the Homes and Communities Agency. Further information can also be found within our Residents' Annual Report which will be published online at:

www.housingsolutions.co.uk

On the following pages we have provided information about how we have performed during the year. This looks at how we have provided outcomes against our strategic aims - Happy Customers and More Homes. This includes evidence on what we've delivered, where we've achieved more for the same or the same for less (value for money gains) and where costs have increased without us producing more. Where appropriate we have included details of future plans.



Note: we did not carry out a full satisfaction survey in 2009/10 or 2010/11.

OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD
FOR THE YEAR ENDED 31 MARCH 2014

VALUE FOR MONEY SELF ASSESSMENT - STRATEGY

COMPARING OUR PERFORMANCE

To enable easy comparison of our performance, against both previous years and our peers, we have included a series of graphs and tables in this self-assessment. Graphs show performance over the past four years and cost figures are shown in nominal terms.

The tables in the document show:

Current - Our current performance for the measure;

Progress - Progress is compared to 2012/13 and is shown by:

An upward arrow for improvement;

A horizontal arrow for little change;

A downward arrow for a decline.

Benchmark - This shows the median performance in the peer group we use to benchmark our performance. The benchmark is for 12/13 which is the latest data available at publication. We benchmark using the HouseMark system against our peer group, providers with stock between 2500-7500 based in Southern England. For consistency this benchmark has been used for all of our comparisons.

Financial measures shown in the tables allocate cost using a standardised method for the purposes of benchmarking and relate to specific affordable housing stock types. Subsequently cost measures vary from the particulars of I&E and other performance may vary from group wide returns published elsewhere. The benchmark includes an area based cost adjustment for those operating in more expensive parts of this region. This adjustment is not included in our own 13/14 figures.

Comparison - This shows how we compared at the latest benchmark (12/13). A green indicator shows our performance puts us in the top 25% of providers in the peer group. An amber indicator shows our performance places us in the next 50%. A red indicator shows our performance is in the bottom 25%.

GOVERNANCE

We monitor and govern our VFM performance by:

- Setting an annual budget alongside Key Performance Indicators covering our targeted outputs and outcomes;
- using meaningful comparative data to benchmark our performance. We compare our performance against our peer group. Whilst benchmarking has limitations in terms of comparing like for like, due to the individual characteristics of registered providers, it does give us an essential external view of how our performance compares. Benchmarking also provides the opportunity to identify best practice externally and learn from it;
- using the VFM Steering Group (including an Executive Team lead, Board Champion and Customer Scrutiny Panel member) to monitor performance and report progress back to our Board;
- introducing an annual VFM review for our Customer Scrutiny Panel/Executive Team/Board to bring together performance against targets and the results of our assessment of economy, efficiency and effectiveness;
- producing an annual self-assessment to summarise the VFM review for stakeholders and publish it in our financial statements.

Cost per property of delivering specific services

	Current	Progress	Benchmark	Comparison
Responsive and Void Maintenance	£ 570	↓	£ 614	Amber
Planned and Cyclical Maintenance	£ 1,065	↓	£ 1,322	Green
Rent Arrears	£ 91	↓	£ 61	Red
Resident Participation	£ 38	↑	£ 48	Amber
ASB	£ 43	↓	£ 32	Amber
Tenancy Management	£ 74	↑	£ 51	Red
Lettings	£ 49	↓	£ 30	Amber

OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD
FOR THE YEAR ENDED 31 MARCH 2014

VALUE FOR MONEY SELF ASSESSMENT - HAPPY CUSTOMERS

ACHIEVING OVERALL SATISFACTION

In our new six year Strategic Plan achieving Happy Customers is one of our two key objectives. Our aim is to achieve overall customer satisfaction in the top quartile by 2020.

We use a series of measures to gauge customer satisfaction with our services.

The headline measure is overall satisfaction. This is an essential measure of our effectiveness, as creating happy customers, is as important to us as building more homes. In our last Have Your Say survey overall customer satisfaction fell from our peak of 85% in 2012 to 83% in 2013.

Although survey results naturally vary on the basis of the sample size we are disappointed by the dip in satisfaction, as we were targeting an increase and had a number of initiatives in place to deliver this. We are taking the opportunity in the coming year to put greater emphasis on customer service and do more to understand what our customers really value. We are targeting an increase in satisfaction to 85% in the coming year and to do this we:

- have revised our Strategic Plan to ensure customer service is alongside more homes as the key strategic target;
- will launch a new customer service strategy;
- will revise our collection of customer feedback to enable a more regular flow of customer feedback and resolution of problems;
- implement the agreed actions of the Customer Scrutiny Panel reviews of online services and subcontractor performance;
- will fully engage with the Customer Scrutiny Panel as they review the Tenancy and Neighbourhood Services (including the tenancy visits) to ensure that these are delivering the services our customers need;
- will work with the Customer Scrutiny Panel to deliver a further customer led review of a service area important to delivering happy customers;
- will continue to get feedback from the Your Home, Your Neighbourhood and Your Say customer groups in the areas of maintenance, estates and tenancy services and communication;
- will add resources to our Customer Contact Centre to help increase our ability to handle customer calls efficiently.

Below this high level indicator of overall satisfaction, there are a series of outcomes that we use to measure the effectiveness of our services in terms of creating happy customers. Details of our performance on a number of these key measures follow.

CREATING AND MAINTAINING AFFORDABILITY

Creating affordability is at the heart of what we do. Some of the social return on our assets comes from the affordability of our rent. Overall our rents (excluding service charge) average about 60% of the market rents for the various areas we work in. This has decreased slightly in the year.

We work closely with our local authority partners to help assess housing need and use that information to shape our new homes development programme. Affordability is a key factor in those assessments and determines the tenures and rents of our new homes. For example our partners at Wokingham Borough Council led on a local affordability survey that resulted in us agreeing that our focus in the Borough should be mainly on providing new social rented and shared ownership homes with only a small amount of affordable rent. The graph opposite shows how our new homes delivery split by tenure.

Customer Satisfaction

	Current	Progress	Benchmark	Comparison
Overall	83%	⇩	87%	●
Repairs and Maintenance	80%	⇨	83%	●
Quality of Home	81%	⇧	86%	●
Neighbourhood	77%	⇨	86%	●
ASB Service	59%	⇧	76%	●
New Homes	96%	⇨	93%	●

OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD
FOR THE YEAR ENDED 31 MARCH 2014

VALUE FOR MONEY SELF ASSESSMENT - HAPPY CUSTOMERS

SUSTAINABLE HOMES

Affordability remains a challenge for customers and rising fuel bills are taking an increasing share of household expenditure.

We have increased the return from our green investments like solar PV panels. Alongside creating a healthy financial return, these investments continue to save our customers money on their fuel bills and make our homes more affordable.

During the year we commenced our first installations under the Renewable Heat Incentive scheme and have also trialled the installation of alternative technologies under the Feed in Tariff scheme. Both are being evaluated with a view to future investment potential. We are cutting energy costs for residents living in Shepherds Close, our largest off grid neighbourhood. Through the Renewable Heat incentive (RHI) we have been able to provide 10 flats with 25% more efficient, intelligent storage heaters and 25 houses with renewable air source heating systems. The £235k investment will help cut energy bills for our customers. We will get a return of approximately 30% of our original investment over a period of seven years through RHI.

We have also continued with our on-going programmes of external wall insulation, double glazing and loft and cavity wall insulation.

During the year we developed a new six year Energy Efficiency Strategy which will allow us to improve the energy efficiency of our homes and reduce running costs for our customers. As part of the strategy we will:

- create a greener homes standard by increasing the average SAP rating of our stock to 72 with a minimum SAP rating of 60;
- hold EPC information on all our homes;
- help customers avoid fuel poverty through effective allocation of homes;
- understand the opportunities to provide cheaper energy to residents;
- provide advice to customers on how to run their home in an energy efficient way;
- maintain an environment management standard;
- calculate the organisation's carbon footprint every two years and find and implement ways to reduce it:
- raise staff awareness of energy saving efficiency techniques.

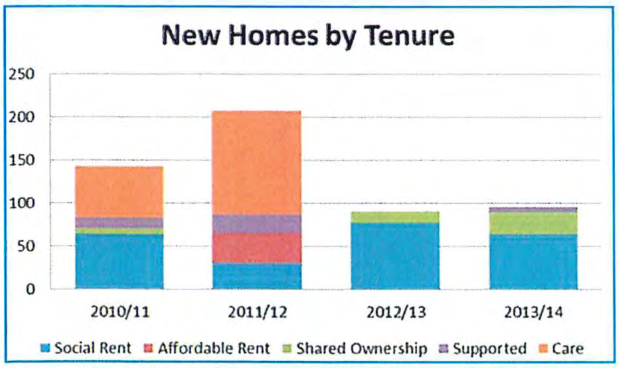
Funding for the new strategy will come in 2015 and will come from replacing the current investment in communal areas.

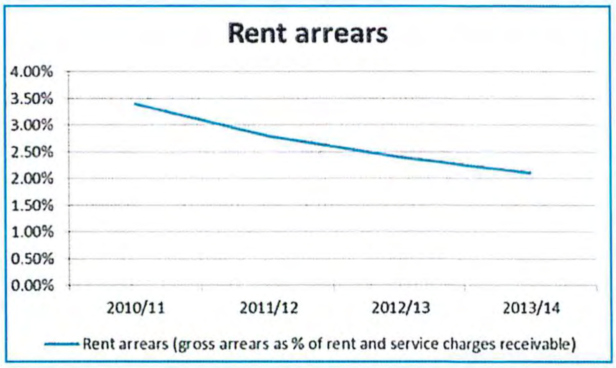
FINANCIAL INCLUSION

We invested just under £80k in providing services to help our customers in managing income and expenditure. This service worked with 530 customers in the year compared to 205 in the previous year.

Our Financial Inclusion Service not only interacted with over double the number of customers this year compared to 2012 it also generated £108k additional income for customers struggling to manage. This was an increase of £50k on 12/13. However these outcomes don't tell the full value of the service to us in terms of savings on staff time chasing arrears, legal costs associated with potential evictions and subsequent void turn-around costs and rental losses.

They also fail to show the social value to our customers. We recognise that money worries can have a major impact on the happiness and wellbeing of our customers and their families. Our Financial Inclusion Service goes some way towards alleviating those worries and the feedback we receive from customers who use from the service is extremely positive.





OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD
FOR THE YEAR ENDED 31 MARCH 2014

VALUE FOR MONEY SELF ASSESSMENT - HAPPY CUSTOMERS

MAXIMISING RENT COLLECTION

Our work on rent collection includes a significant amount of one to one work with our customers and our Financial Inclusion Service is at the heart of this approach.

We've had another excellent year collecting rental income. Rent arrears (gross arrears as a % of rent and service charges receivable) reduced from 2.54% in 12/13 to 2.31% in 13/14. Our team of Tenancy and Neighbourhood Officers were able to spend more time on the collection of rent in 13/14 as a result of efficiencies achieved through the introduction of new technology - including iPads to offer more door-step services. The cost of rent collection increased by 4% but even after accounting for the increase in collection costs the team added an additional £75k income compared to 13/14.

Against the backdrop of Welfare Reform and continuing pressure on our customers' income this is a positive result. Rent arrears on nearly 200 properties where customers were affected by changes in housing benefit, fell from £54,000 at the beginning of the year to £17,000.

Overall our focus on rent arrears and collection has delivered excellent results since we restructured the Housing Management team in 2011.

LETTING HOMES MORE QUICKLY

The cost of our lettings team increased in the year as we added additional resource to help assist with the process of moving customers who are under-occupying their homes. This included customers affected by the 'bedroom tax'. The team freed up an additional 54 bedrooms in the year which was 13 more than in 2012/13. As well as helping reduce the rent paid by customers previously under-occupying, we have been able to offer those larger released properties to customers from our transfer list who were suffering from over-crowding. For those families this has led to real improvements in the quality of their lives and in their overall happiness.

In addition to the staff time, we spent £220k on incentives to downsize and help customers move. This was an increase of £93k on 12/13 and was funded by a reduction in our spend on extending homes. Although we freed up more bedrooms during the year, we are reviewing the efficiency of the investment in incentivising downsizing. The speed at which we let properties requiring non major works remains very fast. It fell from 13 days in 12/13 to 9 days in 13/14, one of the top performances nationally.

Our performance on letting homes quickly created a saving of £60k and was a key driver in reducing rent loss due to voids and bad debt from 2.3% in 12/13 to 2.1% in 13/14.

EFFICIENT TENANCY MANAGEMENT

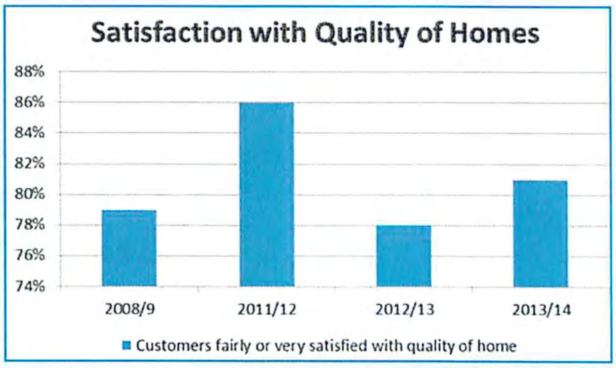
The cost of our tenancy management service reduced in the year by around 12%. This was partly due to investment in IT in mobile working, funded by savings made in the year, which has enabled more work to be done on the doorstep. Despite the reduction in time and cost we visited many more of our customers' homes (540) in 2013/14 than we did in 2012/13 (240). As a result of the efficiencies our Tenancy and Neighbourhood Officers were able to spend more time on neighbourhood based activities and community initiatives, as well as collecting rent.

Our Customer Scrutiny Panel is reviewing our Housing Management service in the coming year. This is a result of benchmarking indicating the costs are generally above those in our peer group and wanting to be sure that the service is meeting the needs of our customers.

ACHIEVING SATISFACTION WITH THE QUALITY OF HOME

Last year satisfaction with the quality of home increased from 78% in 2012 to 81% in 2013. This is below our peak performance in 2010 when satisfaction reached 86%, just after we had completed a major investment programme to bring all our properties up the Decent Homes standard. Our stock remains 100% compliant with the Decent Homes standard.

Last year we invested £8.6m in existing homes, an increase of 41% on the previous year. This included capital and non-capital spend.



Note: we did not carry out a full satisfaction survey in 2009/10 or 2010/1.'

OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD
FOR THE YEAR ENDED 31 MARCH 2014

VALUE FOR MONEY SELF ASSESSMENT - HAPPY CUSTOMERS

ACHIEVING SATISFACTION WITH THE QUALITY OF HOME

Our investment in regeneration schemes has seen the biggest increase in the year. This is across two areas:

Sheltered Housing - Our Designing for the Future programme followed an evaluation of falling demand for and satisfaction with our sheltered housing schemes. Each scheme has had an options appraisal and has been evaluated on the basis of the net present value to the business, customer satisfaction and future demand. One scheme has been sold and two will be redeveloped. We have invested £1.5m in modernising five schemes. This is designed to bring about major improvements in the quality of homes for customers. We have replaced bathrooms with level access shower rooms, converted bedsits into one bedroom flats, improved energy efficiency at some schemes and refurbished communal areas.

Evenlode - Our regeneration of our Evenlode estate has been phased over a number of years. Internal alterations to the properties are already complete and external work and the delivery on nine new units will follow in 14/15. Again this investment followed an options appraisal triggered by low satisfaction with homes and the neighbourhood.

Extending homes

As part of our programme to extend homes, to tackle overcrowding, we completed two extensions during the year. Spend was lower than in 2013 and the money saved was diverted from extensions to increased incentives to encourage customers to downsize from homes that were too big for their needs, freeing up properties for families.

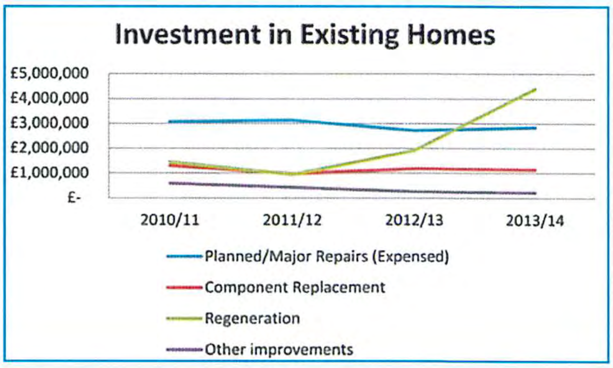
IMPROVING COMMUNAL AREA

Our investment in improving communal areas to flats is continuing with a £412k investment in the year. Our expectation is that the investment will not only protect income in the future but also improve customer satisfaction with the quality of their homes.

Achieving increased satisfaction with quality of home isn't the only driver for planned maintenance investment, it is also about preventing assets becoming liabilities. We deliver component replacements in line with our stock condition requirements and monitor the net present value performance of our schemes based on their future investment requirement and rental income - see pages 14 and 15.

Additionally increased satisfaction with quality of home isn't necessarily linked to increased investment and we've got a range of plans to improve performance. These include:

- completing our current investment programmes;
- strengthening our major works consultation process and advance notification for customers;
- continuing consultation on the improvements that matter most to customers, such as energy efficiency improvements as running costs become more of an issue. We launched our new energy efficiency strategy in 13/14.



HANDLING CALLS

We answered more calls with the same resource in our Customer Contact Centre. They managed to deal with an increased percentage of calls at first point of contact (78% in 13/14 compared with 77% in 12/13). However, time taken to answer calls and the level of abandonments have both increased. We're tackling this in two ways. Firstly we are planning to increase resource in our Customer Contact Centre in 14/15. This will increase our capacity to answer and resolve calls. Secondly we are starting the process of encouraging a shift towards on-line self-service.

As part of a five year, £2.5m investment programme in new technology aimed at achieving efficiencies and improving service to our customers we have launched an upgraded on-line repairs service which offers live appointment availability for the first time. Relatively low initial take-up of the service suggests poor value for money against capital cost. However, through continued promotion and incentives, we expect that more customers will take advantage of the service, making it more efficient for us and more convenient for our customers.

OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD
FOR THE YEAR ENDED 31 MARCH 2014

VALUE FOR MONEY SELF ASSESSMENT - HAPPY CUSTOMERS

We are constantly reviewing how we can make best use of new technology to help save time and money and improve our customer service. We have set up a corporate ICT Steering Group, chaired by the Chief Executive, to review all significant proposed changes. For every proposed change the Group is presented with a detailed cost benefit analysis.

MORE EFFICIENT CUSTOMER INVOLVEMENT

We restructured customer involvement in the year to great effect. The cost was reduced by 40% as a result of bringing real focus and streamlining the involved groups. Our new Customer Scrutiny Panel produced two comprehensive and high quality scrutinies in the year which have already made changes to the way services are delivered. One scrutiny looked at the work of our external contractors and how we manage them. Their recommendations have not only contributed to a significant increase in customer satisfaction over the past year but is also underpinning the current procurement of new external contractor partners. The Your Home, Your Say and Your Neighbourhood customer groups have made a vital contribution in a range of areas from contributing to policy change to inspecting work completed.

MORE THAN JUST A LANDLORD

We do more than just managing and building homes. We invest a modest amount (c.1% of surplus for the year, plus giving staff the opportunity to each invest three hours of time) in community initiatives. The biggest of these is our Strive programme. Strive is an initiative that provides training to start your own business. We offer the training to our customers and others in the communities where we work. In partnership with Local Authorities and other Registered Providers we delivered this training to 105 people in the year for an investment of £43k. Many of those who completed the Strive programme are now in business and we are even buying back some of their services. Examples include a photographer we have employed to record a number of community events, a 'Lady with a van' who we have recommended to customers downsizing, to help with their removals and a self-employed gardener who we have contracted to run our Garden Help Scheme for our older and disabled residents. There are clearly tangible savings in unemployment and housing benefits as our Strive graduates move into self-employment. This also has a beneficial effect on the local economy as well as raising our profile within the local community. However the main value of the programme is in the social value it delivers to all the graduates through improved confidence and self-esteem. We have started work on trying to estimate a value for these social benefits using the HACT model*. Although still in development it is worth noting that the model indicates that delivering employment training has value of £800 per person and creating self-employment has a social value over £11k per person.

We continue to run successful apprenticeship programmes for both Trades and office based staff with many moving into permanent jobs within the organisation. In addition we have developed a strong partnership with Ways into Work - a charity who help people with disabilities and/or learning difficulties into work. 2 of our recent Ways into Work placements, neither of whom have ever been able to work before, have now moved into formal apprenticeships with us.

AWARDS

We were awarded the prestigious Leaders in Diversity accreditation in early 2014. The award demonstrates excellence in equality, diversity and inclusion practice. It reflects the work we have done through training to increase staff awareness in all these areas; our commitment to offer job opportunities for people with learning disabilities and make our website and documents accessible; as well as the work with do with contractors to ensure they comply with equality and diversity training.

We achieved the ISO 14001 accreditation for environmental management. We were recertified for the ISO 9001 accreditation for quality management principles including a strong customer focus.

Service Performance

	Current	Progress	Benchmark	Comparison
Average days to complete repairs	8.7	→	8.5	
Current Tenant Rent Arrears	2.3%	↑	2.6%	
Days to relet property (standard relets excluding major works)	9	↑	23	
Additional income generated for residents through the Financial Inclusion Service	£108,000	↑	N/A	
Decent Homes Standard	100%	→	100%	

*This uses the Community investment values from the Social Value Bank (Authors: HACT and Daniel Fujiwara (www.hact.org.uk / www.simetrica.co.uk); Source: www.socialvaluebank.org).

OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD
FOR THE YEAR ENDED 31 MARCH 2014

VALUE FOR MONEY SELF ASSESSMENT - MORE HOMES

MEETING HOUSING NEED

We have set a target in our Strategic Plan to deliver 2020 new homes by the year 2020.

Those new homes will be targeted at addressing local housing need. As highlighted on page 8, we work closely with our local authority partners to balance housing need evident from their Housing Registers or Waiting Lists with the needs of our own customers who require a transfer.

As a result we have agreed different priorities of tenure, house size etc for new homes in each of our areas of operation.

We delivered 96 new homes in the year including 64 homes for social rent, 26 for shared ownership and 6 supported units. This was an increase on the 91 homes we delivered in 2012/13 but is below our average level of annual development over the past three years.

We are coming to the end of our work on Project Care, a £50m regeneration programme across Buckinghamshire, which is designed to improve the quality of accommodation for older people and people with learning disabilities, as well as meeting future legislation on care standards.

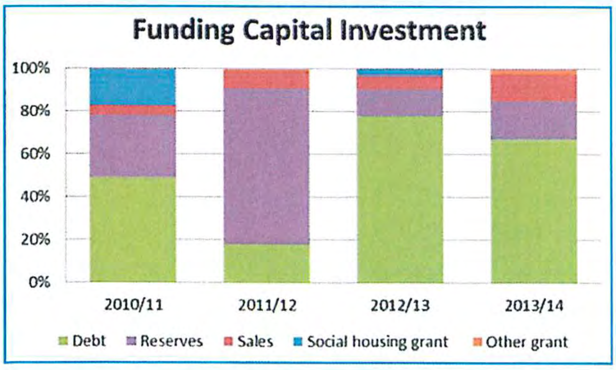
Our eighth and final new care home will be completed this year. In total the programme will provide 669 beds in eight care homes and ten supported housing units for people with learning difficulties. The Group is working in partnership with Buckinghamshire County Council and the care provider, The Fremantle Trust.

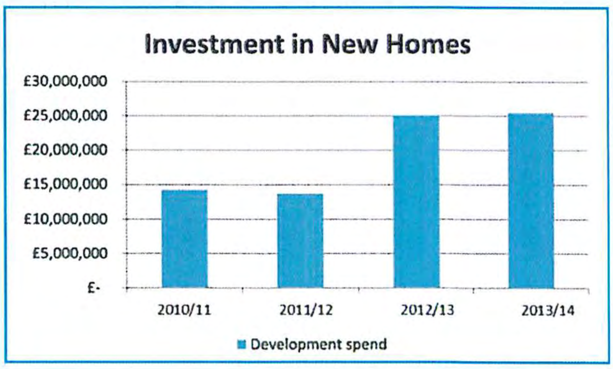
We are currently on target to deliver 320 new homes in the coming year. As the graph on page 6 shows we have a challenging target of 320 new homes in 14/15 followed by around 220 in 15/16. We have been working towards ensuring delivery of this significant increase for the past couple of years. This includes taking the strategic decision to focus on 'Section 106' sites, where the homes are delivered by private developers as part of a wider development. Under current market conditions this has opened up more opportunities and ensured that the vast majority of our planned new homes are already on site if not nearing completion.

As a result of our growing development programme and increases in the investment in existing homes and estates, capital expenditure has increased.

The graph below shows the change in how we are funding the capital expenditure. As grant has reduced, an increased proportion of capital expenditure has been funded by loans, sales and our reserves.

We are still receiving some local authority grant (as part of the Do It Yourself Shared Ownership scheme which is run in partnership with the Royal Borough of Windsor and Maidenhead) but as the graph below shows we delivered our 2013/14 development programme with almost no grant funding.





OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD
FOR THE YEAR ENDED 31 MARCH 2014

VALUE FOR MONEY SELF ASSESSMENT - MORE HOMES

Building new homes is the largest part of our efforts to meet local affordable housing need. We also have initiatives to extend homes to provide additional living space and to encourage downsizing. Last year these created an additional 56 bedrooms in total for use by families who really needed them.

We continue to provide maintenance services to other housing providers and for the first time this year have trialled a product aimed at private households. The Fixmy boiler and emergency products have their first customers and we are planning to market them more widely in the coming year.

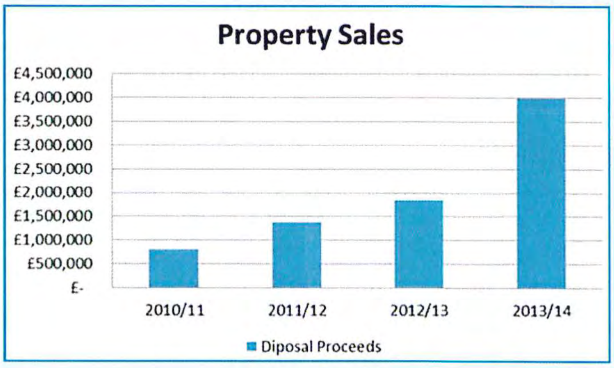
We became a partner in a project to bring empty properties back in to use during the year. The project is a partnership between a consortium of 15 local authorities and the HCA which aims to refurbish empty properties for use as affordable housing. We are providing project management, refurbishment and on-going housing management and maintenance services.

MAXIMISING OUR RETURN ON ASSETS

We have made progress this year in understanding more about the performance of our assets. We have put in place a Fix-it, Fund-it or Flog-it assessment process to deal with the small number of properties with a negative net present value (NPV). It is this assessment process that is driving the sales proceeds and profit. We have mapped all of our portfolio on a NPV basis to understand the contribution to our core purpose.

Whilst our business plan is not reliant on significant property sales, it is one way that we can add funding for more new homes.

Proceeds from property sales have increased from £1.85m to £3.99m and profit from £780k to £1.17m. This higher level of proceeds is enough to fund 25 new homes.



New Homes

	Current	Progress	Benchmark	Comparison
No of FTE staff involved in the delivery of 100 development units (averaged of 3 yrs)	1.6		3.5	
New units delivered in year as a % of current stock	2.2%		1.8%	
New units currently in progress to be completed in following year	6.5%		N/A	

OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD
FOR THE YEAR ENDED 31 MARCH 2014

VALUE FOR MONEY SELF ASSESSMENT - MORE HOMES

MAXIMISING OUR RETURN ON ASSETS

These sales included:

- A sheltered scheme that included bedsit accommodation and where falling demand and high maintenance costs contributed to a negative net present value forecast. After evaluating the options for refurbishment, redevelopment or sale it was decided to sell the scheme as this had the highest risk adjusted return.
- Care home properties that have been replaced by new build accommodation or are no longer required which did not have an efficient future social housing use so were sold on the open market.
- An affordable housing scheme that was geographically isolated for our main operational area and thus had an operating cost premium. We had already outsourced the operation of the scheme to a local provider as it was more efficient than us operating it. However, in the year we sold the scheme to the main provider as we believe that they are better placed to operate it in the long term.

Another angle of efficient use of our assets is understanding open market value (OMV).

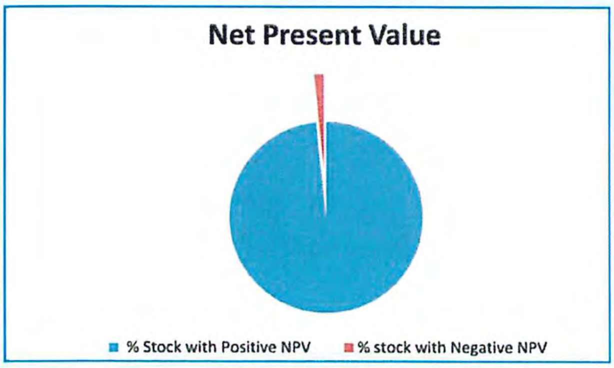
For the first time we have introduced open market value as a part of our modelling. The graph below shows the gross rental yields at open market value for our stock. As we work to maximise the number of new homes we can deliver we must consider how efficient our continued investment in high value homes (particularly those with lower NPVs) is and if sale when properties become empty and reinvestment of proceeds could deliver a net increase in affordable homes.

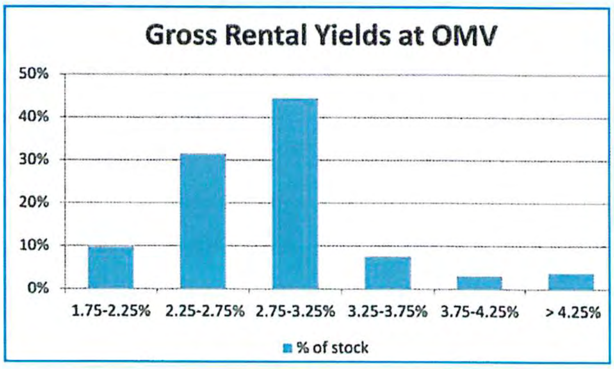
We have set an objective for the coming year to further revise our strategic asset management approach in order to re-evaluate the most efficient use of our assets to meet our core purpose. We are also reappraising new development opportunities within our existing stock.

We have invested in a Keystone Asset Management (KAM) database that will enable us to hold improved data on the condition of our stock. This will be implemented in 2014/15 and will allow us to:

- improve our approach to planned maintenance;
- target improvements that will improve the energy efficiency of properties;
- improve communication with customers about planned changes to their homes.

In response to customer feedback we developed an in-house Gas Installation Team to carry out boiler replacements as part of our planned maintenance programme. We expect this to improve customer service, produce efficiency savings and add flexibility to our team, enabling them to deal with peaks in workload particularly during the winter months.





OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD
FOR THE YEAR ENDED 31 MARCH 2014

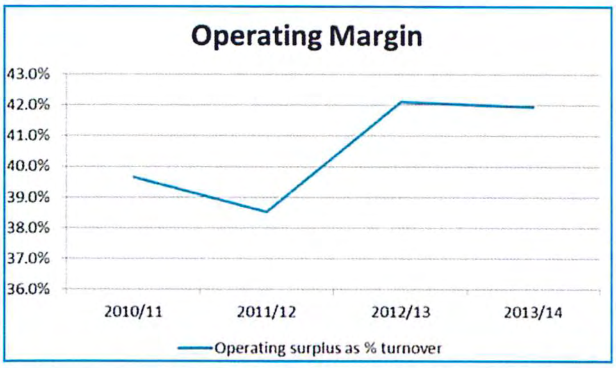
VALUE FOR MONEY SELF ASSESSMENT - FINANCIAL HIGHLIGHTS

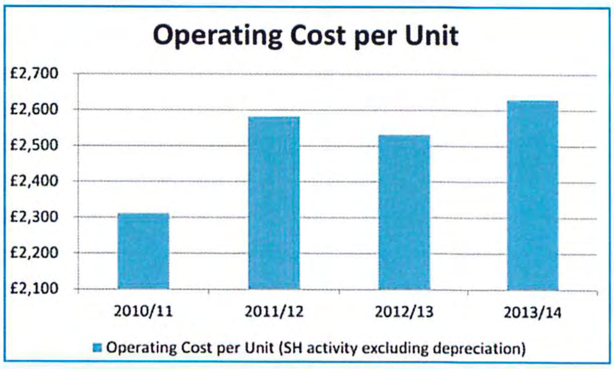
MAINTAINING STRONG OPERATING MARGINS

Our operating margins, have stayed steady at 42% and remain strong compared to the sector as a whole. Operating margin is important in terms of ability to service debt and generate surplus to invest in our existing property and new homes.

OPERATING COSTS

Operating costs have increased from £18.04m in 12/13 to £18.57m in 13/14. This increase equates to a 2.9% increase in nominal terms or a 0.3% decrease in real terms (using RPI). We generally compare operating costs on a per unit basis for social housing activity. This allows a fairer comparison year on year. Our operating cost per unit (social housing lettings excluding depreciation) has increased from £2531 to £2630. This equates to a 3.9% increase in nominal terms. The graph below shows our operating cost per unit over the past four years.





Financial Highlights

	2013/14	2012/13		
Turnover	£34.4m	£31.2m		
EBITDA	£18.7m	£14.2m		
Total Stock	4937	4913		
	Current	Progress	Benchmark	Comparison
Operating margin	42%	⇨	30%	
Weighted average cost of borrowing	4.1%	⇨	4.1%	
ROCE	3.0%	⇩	N/A	

OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD
FOR THE YEAR ENDED 31 MARCH 2014

VALUE FOR MONEY SELF ASSESSMENT - FINANCIAL HIGHLIGHTS

CHALLENGING YEAR ON REPAIRS

The main driver in pushing up operating costs for the year was an 11.6% increase in responsive maintenance costs. This was due to a number of factors; an increase in responsive repair costs as we dealt with storm damage to properties during the winter months; an increase in the number of void properties and higher than normal sickness absence, which reduced the productivity of our trades team.

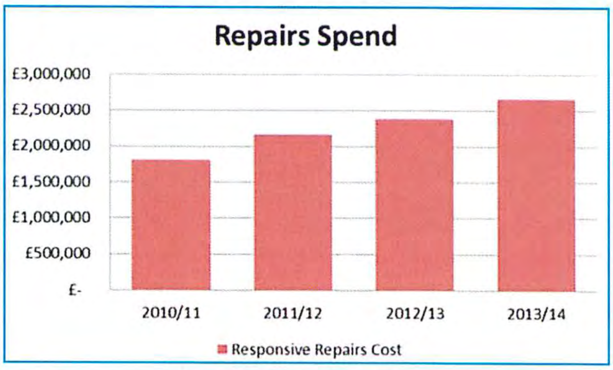
Maintenance costs overall increased by 7.9% in nominal terms. The upward trend in responsive maintenance costs is partly explained by the make-up of our property portfolio as certain property types (e.g. Care Homes) can have higher usage of the service due to wear and tear.

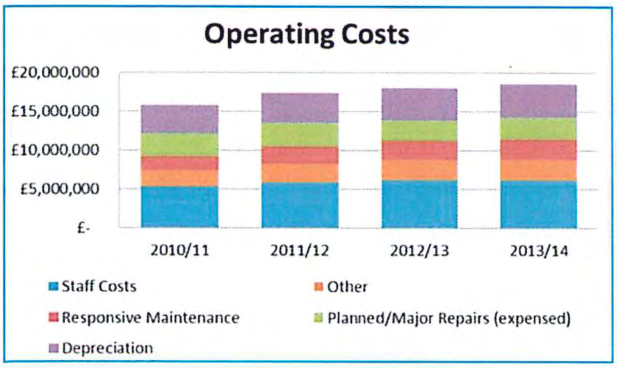
However, there is also a general increase in repairs usage as well as upward pressures on cost.We've already put in place a series of initiatives to manage responsive repairs expenditure. These include:

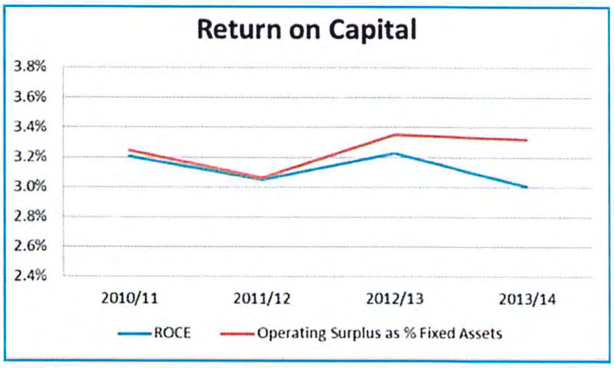
- Additional planned maintenance programmes (specifically on roof replacements and boiler upgrades) where failures are leading to increased responsive costs;
- A re-launch of the Home MoT initiative to tackle high usage of the repairs service;
- Some changes to our regular maintenance visits to our Care Homes and Supported Housing properties to ensure that they remain more efficient than on-demand visits;
- Re-procuring our main subcontractor services that support our in-house team following a review by our Customer Scrutiny Panel;
- Trialling a revision to the way jobs are issued to our engineers to reduce non-productive time;
- Changes to the management of sickness absence.

SURPLUS ON OTHER ACTIVITY

We continue to use our resources on some non-social housing activity. These include areas that complement our core business such as supporting people activity and/or where we can make profit and recover overheads such as external maintenance contracts. Surplus on these activities increased from £949k in 12/13 to £960k in 13/14. Income and profit from our market rent property increased in the year as did income from our green energy investments. Income from external maintenance contracts fell in the year, as a result of lower turnover and reduced productivity.







OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD
FOR THE YEAR ENDED 31 MARCH 2014

VALUE FOR MONEY SELF ASSESSMENT

RETURN ON CAPITAL EMPLOYED

Capital employed is the total amount of capital we use to generate our returns. In summary it's the investment required to operate our business.

The capital employed grew from £408m to £480m, due to an increase in debt and a comparative increase in properties and cash.

We use return on capital employed as one measure of how efficiently we are using our assets.

The return on the capital employed (ROCE) has fallen from 3.2% to 3.0%. This is due to timing differences between the initial resourcing of funds, to their eventual conversion into revenue earning completed developments.

What we strive to do in improving our ROCE is to invest wisely in high yielding assets, and to review, and where necessary dispose of low yielding assets for re-investment.

NEW BORROWINGS

We raised an additional £50m of debt during the year with our loans increasing from £213m to £263m. We increased treasury management resource to manage risk in this area.

Some of this additional debt has already been invested but cash at bank and in hand has increased to meet the higher development targets. Although the drawdown of £50 million new debt increased overall interest costs, we negotiated a delayed and phased drawdown. The result was a cash benefit of £734k, compared to having the debt for the whole of 2013/14. Weighted average cost of borrowing in the year was 4.1%.

Capital expenditure in the year increased by nearly 10% to £31.2m. The majority of our capital spend (£25.5m in 13/14) is on building new homes.

However, a significant amount of investment (£5.75m) has gone in to improvements to existing properties and estates.

CONCLUSION

We are confident that our continuing focus on value for money will lead to further financial savings and increased customer satisfaction over the next few years.

We have set a target over this current financial year to reduce the direct cash cost per property by 3.5% (excluding planned maintenance).

We plan to achieve these cost savings whilst increasing front line staff resources by approximately 6%. Those new staff will help us deliver on our target of 320 new homes in 2014/15 and 2020 by year 2020.

They will also be key in helping us meet our challenging targets to improve customer satisfaction to top quartile performance when compared to our peer group - 85% overall satisfaction by March 2015, 88% by 2016 and 91% by 2017.

FINANCIAL POSITION

The group's five year income and expenditure accounts and balance sheets are summarised in Table 1 (page 21) and the following paragraphs highlight key features of the group's financial position at 31 March 2014.

ACCOUNTING POLICIES

The group's principal accounting policies are set out on pages 30 to 32 of the financial statements. The policies that are most critical to the financial results relate to accounting for housing properties and include: capitalisation of costs; housing property depreciation; and treatment of shared ownership properties.

The group has adopted the Statement of Recommended Practice (SORP) Accounting by Registered Social Housing Providers Update 2010. There were no significant changes to accounting policies in the current year.

HOUSING PROPERTIES

At 31 March 2014 the group owned 4,937 housing properties (2013: 4,913).

The board appointed external professional valuers to undertake the annual valuation of the group's housing properties as at 31 March 2014. The value of the properties, on an existing use for social housing basis, was £397.4 million and this has been reflected in the valuation of properties in the financial statements.

On valuation, the annual surplus of £6.8m over the carrying value has been taken to the property revaluation reserve.

Our investment in housing properties this year was funded through a mixture of working capital with operating surpluses, loan finance and working capital where we continue to show a strong current asset balance, an important indicator of liquidity. The group treasury management arrangements are considered below.

PENSION COSTS

The group participates in the Royal County of Berkshire Pension Fund (RCBPF), a Local Government Pension Scheme. This is a final salary scheme, offering good benefits for our staff. The group has contributed to the scheme in accordance with levels, set by the actuaries, at 17.6 per cent.

The latest actuarial valuation of the RCBPF as at 31 March 2010 has been rolled forward allowing for the different financial assumptions required under IAS19 to calculate the funding valuation at 31 March 2014.

CAPTIAL STRUCTURE AND TREASURY POLICY

The group borrowed a further £50.0 million during the year, to develop general needs, supported housing and care home accommodation for the elderly.

By the year end group gross borrowings amounted to £263.1 million. Gearing, calculated as total loans as a percentage of the balance sheet value of completed housing property, had increased to 66.2% by 31 March 2014 (2013: 58.0%). This increase is due to the issue of notes to the value of £50million through M&G. Cash held increased to £46.1m from £17.1m at 31 March 2013.

OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD
FOR THE YEAR ENDED 31 MARCH 2014

MATURITY	2014 £m	2013 £m
Within one year	-	-
Between one and two years	-	-
Between two and five years	7.1	3.0
After five years	255.9	210.1
	263.0	**213.1**

(Figures do not include the netting of the debt service reserve.)

The group is borrowing principally from banks and through the bond market, at both fixed and floating rates of interest (see further details in note 20). Interest rate swaps are used to generate the desired interest profile and to manage the group's exposure to interest rate fluctuations.
The group's policy is to keep between 65 per cent and 90 per cent of its borrowings at fixed rates of interest.

At the year end, 81 per cent of the group's borrowings were at fixed rates after taking account of interest rate swaps (2013: 76 per cent). The fixed rates of interest range from 1.5 per cent to 5.5 per cent. Our all in average cost of funds was 4.1 per cent.

The group's lending agreements require compliance with a number of financial and non-financial covenants. The group's position is monitored on an on-going basis and reported to the board at each meeting. The group funding committee regularly reviews the group's treasury position including requirements for new loan facilities. Recent reports confirmed that the group was in compliance with its loan covenants both at the balance sheet date currently and also the Board expects to remain compliant in the foreseeable future. The group borrows and trades only in sterling and so is not exposed to currency risk.

CASH FLOWS

Cash inflows and outflows during the year are shown in the consolidated cash flow statement (page 29).

Net cash inflow from financing increased from £35.9 million (2013) to £50.0 million (2014).

FUTURE DEVELOPMENTS

The group continues to assess the impact of the government policy on its business plan and intended future developments. The group's resources are only committed once funding has been secured. Other initiatives continue to be developed to assist our tenants in dealing with changes to housing and other benefits.

STATEMENT OF COMPLIANCE

In preparing this Operating and Financial Review and Board report, the board has followed the principles set out in the Statement of Recommended Practice (SORP): Accounting for registered social housing providers.

HOUSING SOLUTIONS LIMITED

OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD
FOR THE YEAR ENDED 31 MARCH 2014

TABLE 1 – GROUP HIGHLIGHTS, FIVE YEAR SUMMARY

		2014	2013	2012	2011	2010
Group Income and Expenditure account		£000	£000	£000	£000	£000
Total turnover		34,395	31,236	28,585	27,667	26,522
Income from lettings		29,920	28,474	26,080	24,005	22,549
Operating surplus (before exceptional items)		14,422	13,154	11,010	10,973	9,002
Surplus for the year transferred to reserves		6,752	2,772	5,225	4,956	3,681
Group Balance Sheet						
Housing properties (at valuation)		424,563	382,801	351,054	330,418	295,186
Other fixed assets		9,712	9,577	8,971	7,715	7,876
Fixed assets		434,275	392,378	360,025	338,133	303,062
Net current assets		45,670	15,532	804	4,364	3,345
Total assets less current liabilities		479,945	407,910	360,829	342,497	306,407
Loans (due over one year)		263,052	213,052	177,185	172,185	162,180
Less: Debt Service Reserve		(4,450)	(4,825)	(4,584)	(3,897)	(3,822)
Net Loans		258,602	208,227	172,601	168,288	158,358
Pension liability		9,516	7,626	7,437	5,666	9,483
Reserves:	Designated	-	-	-	289	289
	Revenue	32,313	26,194	22,541	17,951	2,169
	Revaluation	179,514	165,863	158,250	150,303	136,108
	Total	211,827	192,057	180,791	168,543	138,566
		479,945	407,910	360,829	342,497	306,407
Housing properties owned at year end:		**No.**	**No.**	**No.**	**No.**	**No.**
Social Housing		**4,898**	4,831	4,716	4,592	4,453
Non-social Housing		39	82	81	78	74
		4,937	4,913	4,797	4,670	4,527
Statistics:						
EBITDA as % of turnover		54.4%	45.5%	51.8%	52.6%	42.7%
Operating surplus as % of turnover		41.9%	42.1%	38.5%	39.7%	33.9%
Surplus for year as % of income from lettings		22.6%	9.7%	20.0%	20.6%	16.3%
Cost per unit (excluding depreciation and planned maintenance)		£1,807	£1,762	£1,677	£1,717	£1,551
Rent arrears (gross arrears as % of rent and service charges receivable)		2.1%	2.4%	2.8%	3.4%	3.7%
Liquidity (current assets divided by current liabilities)		9.7	4.0	1.2	1.7	1.6
Gearing (total loans as % of value of completed housing properties)		66.2%	58.0%	51.3%	54.5%	55.7%

INTERNAL CONTROLS ASSURANCE

The board acknowledges its overall responsibility, applicable to all organisations within the group, for establishing and maintaining the whole system of internal control and for reviewing its effectiveness.

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

The process for identifying, evaluating and managing the significant risks faced by the group is ongoing and has been in place throughout the period commencing 1 April 2013 up to the date of approval of the report and financial statements.

Key elements of the control framework include:

- board approved terms of reference and delegated authorities for audit, group funding and emergency committees;
- clearly defined management responsibilities for the identification, evaluation and control of significant risks;
- robust strategic and business planning processes, with detailed financial budgets and forecasts;
- formal recruitment, retention, training and development policies for all staff;
- established authorisation and appraisal procedures for significant new initiatives and commitments;
- a sophisticated approach to treasury management which is subject to external review each year;
- regular reporting to the appropriate committee on key business objectives, targets and outcomes;
- board approved whistle-blowing and anti-theft and corruption policies;
- board approved fraud policies, covering prevention, detection and reporting, together with recoverability of assets;
- regular monitoring of loan covenants and requirements for new loan facilities.

A fraud register is maintained and is reviewed annually by the audit committee. During the year there were no reports of actual or suspected frauds.

The board cannot delegate ultimate responsibility for the system of internal control but has delegated authority to the audit committee to regularly review the effectiveness of the system of internal control.

The board receives an annual report from the audit committee and meeting minutes. The audit committee has received the Chief Executive's annual review of the effectiveness of the system of internal control for the group, and the annual report of the internal auditor, and has reported its findings to the board.

NHF CODE OF GOVERNANCE

We are pleased to report that the group complies with the principal recommendations of the NHF Code of Governance (revised).

STATEMENT OF THE RESPONSIBILITIES OF THE BOARD FOR THE REPORT AND FINANCIAL STATEMENTS

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

Co-operative and Community Benefits Societies legislation requires the board to prepare financial statements for each financial year. Under that law the board have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under the Industrial and Provident Society legislation the board 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 group and association at the end of the year and of the surplus or deficit of the association and group for that period.

In preparing those financial statements the Board is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers Update 2010, have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and association and enable it to ensure that the financial statements comply with the Co-operative and Community benefits Societies Act 2014. It is also responsible for safeguarding the assets of the group and 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 Housing Providers Update 2010.

The board is responsible for the maintenance and integrity of the corporate and financial information on the group's website.

GOING CONCERN

The group's business activities, its current financial position and factors likely to affect its future development are set out within this Operating and Financial Review. On 29 May 2014, Housing Solutions Capital agreed a £50 million loan with Legal and General Investment Management Ltd. This facility will enable the Housing Solutions Group to commit to and develop new Social Housing properties over the next 3 years. The first draw down of £20million will take place in December 2014 with three further drawdowns of £10 million taking place during 2015. This is a fixed term facility which matures in 2054.
The group also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

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 4 September 2014 at Crown House, Crown Square, Waldeck Road, Maidenhead, Berkshire, SL6 8BY.

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 of which the group's and association's auditors are unaware;
- the board members have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

EXTERNAL AUDITORS

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

The report of the board was approved by the board on 4 September 2014 and signed on its behalf by:

ROGER MABEY
CHAIRMAN

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOUSING SOLUTIONS LIMITED

We have audited the financial statements of Housing Solutions Limited for the year ended 31 March 2014 which comprise the group and association income and expenditure accounts, the group and association statements of total recognised gains and losses, the historical cost surpluses and deficits, 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 housing association's members, as a body, in accordance with regulations made under Sections 87 and 98 (7) of the Co-operative and Community Benefits Societies act 2014. Our audit work has been undertaken so that we might state to the housing 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 housing association and the housing 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 THE AUDITOR

As explained more fully in the Statement of Responsibility of the Board for the Report and Financial Statements set out on page 23 the board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

give a true and fair view of the state of the group and parent association's affairs as at 31 March 2014 and of the group and parent's income and expenditure for the year then ended;
have been properly prepared in accordance with the Co-operative and Community Benefits Societies Act 2014, 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 the Co-operative and Community benefits Societies Act 2014 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the parent association has not kept proper accounting records or returns adequate for our audit have not been received from branches not visited by us;
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

19 SEPTEMBER 2014

HOUSING SOLUTIONS LIMITED

INCOME AND EXPENDITURE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014

	Notes	Group 2014 £000	Group 2013 £000	Association 2014 £000	Association 2013 £000
Turnover	3	34,395	31,236	34,187	31,056
Cost of sales	3	(1,405)	(39)	(1,377)	(6)
Operating costs	3	(18,568)	(18,043)	(18,544)	(17,912)
Exceptional item	11	-	(3,066)	-	(3,066)
Operating surplus	7	14,422	10,088	14,266	10,072
Profit on sale of fixed assets	8	1,170	777	1,170	777
Interest receivable and other income	9	183	282	284	282
Interest payable and similar charges	10	(9,023)	(8,375)	(9,020)	(8,375)
Surplus on ordinary activities before taxation		6,752	2,772	6,700	2,756
Tax on surplus on ordinary activities	12	-	-	-	-
Surplus for the financial year		6,752	2,772	6,700	2,756

All of the group's turnover and surplus disclosed above are derived from continuing activities.

The accompanying accounting policies and notes on pages 30–50 form an integral part of the financial statements.

The financial statements were approved and signed by the Board of Management on 4 September 2014 and are signed on its behalf by:

Chairman
Roger Mabey

Secretary
John Petitt

Vice Chairman
Mark Pullen

HOUSING SOLUTIONS LIMITED

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS
FOR THE YEAR ENDED 31 MARCH 2014

	Notes	Group 2014 £000	Group 2013 £000	Association 2014 £000	Association 2013 £000
Surplus for the financial year		6,752	2,772	6,700	2,756
Unrealised surplus on revaluation of properties	23	14,511	8,403	14,511	8,403
		21,263	11,175	21,211	11,159
Actuarial (losses)/ gains relating to pension scheme:	28	(1,493)	91	(1,493)	91
Total recognised surplus relating to the year		19,770	11,266	19,718	11,250

HISTORICAL COST SURPLUSES AND DEFICITS

	Notes	Group 2014 £000	Group 2013 £000	Association 2014 £000	Association 2013 £000
Reported surplus on ordinary activities before taxation		6,752	2,772	6,700	2,756
Difference between historical cost depreciation and actual depreciation charge calculated on the revalued amount	24	860	790	860	790
Historical cost surplus on ordinary activities before taxation		7,612	3,562	7,560	3,546
Historical cost retained revenue surplus		7,612	3,562	7,560	3,546

The accompanying accounting policies and notes on pages 30-50 from an integral part of the financial statements.

CONSOLIDATED BALANCE SHEET
FOR THE YEAR ENDED 31 MARCH 2014

	Notes	2014 £000	2013 £000
Tangible Fixed Assets			
Housing properties	13	424,563	382,801
Other tangible fixed assets	13	9,712	9,577
		434,275	392,378
Current Assets			
Properties for sale	16	2,361	-
Debtors	17	2,476	3,587
Cash at bank and in hand		46,110	17,110
		50,947	20,697
Creditors: amounts falling due within one year	18	(5,277)	(5,165)
Net current assets		45,670	15,532
Total assets less current liabilities		479,945	407,910
Creditors: amounts falling due after more than one year	20	258,602	208,227
Pension Liability	21	9,516	7,626
Capital and reserves			
Called-up non-equity share capital	22	-	-
Revaluation reserve	23	179,514	165,863
Revenue reserve	24	32,313	26,194
		479,945	407,910

The accompanying accounting policies and notes on pages 30-50 form an integral part of the financial statements

The financial statements were approved by the Board of Management on 4 September 2014 and are signed on its behalf by:

Chairman
Roger Mabey

John Petitt

Secretary
John Petitt

Vice Chairman
Mark Pullen

ASSOCIATION BALANCE SHEET
FOR THE YEAR ENDED 31 MARCH 2014

	Notes	2014 £000	2013 £000
Tangible Fixed Assets			
Housing properties	13	424,563	382,801
Other tangible fixed assets	13	7,787	7,735
		432,350	390,536
Long term investments	15	50	-
Current Assets			
Properties for sale	16	2,361	-
Debtors	17	4,339	5,298
Cash at bank and in hand		26,083	17,110
		32,783	22,408
Creditors: amounts falling due within one year	18	(5,256)	(5,000)
Net current assets		27,527	17,408
Total assets less current liabilities		**459,927**	**407,944**
Creditors: amounts falling due after more than one year	20	238,602	208,227
Pension Liability	21	9,516	7,626
Capital and reserves			
Called-up non-equity share capital	22	-	-
Revaluation reserve	23	179,514	165,863
Revenue reserve	24	32,295	26,228
		459,927	**407,944**

The accompanying accounting policies and notes on pages 30-50 form an integral part of the financial statements

The financial statements were approved by the Board of Management on 4 September 2014 and signed on its behalf by:

Chairman
Roger Mabey

Secretary
John Petitt

Vice Chairman
Mark Pullen

CONSOLIDATED CASH FLOW STATEMENT
AS AT 31 MARCH 2014

	Notes	2014 £000	2013 £000
Net cash inflow from operating activities	27	16,628	16,791
Returns on investments and servicing of finance			
Interest received		183	41
Interest paid		(10,809)	(11,580)
Net cash outflow from returns on investments and servicing of finance		(10,626)	(11,539)
Capital Expenditure and Financial Investment			
Acquisition and construction of housing properties		(31,250)	(28,461)
Social housing grant received		-	900
Other grant received		786	-
Purchase of other fixed assets		(523)	(606)
Proceeds from sales of housing properties		3,985	777
Investment utilised to fund development		-	-
Net cash outflow from Capital expenditure and financial investment		(27,002)	(27,390)
Financing			
Loans received	27	50,000	35,867
Net cash inflow from financing		50,000	35,867
Increase in cash	27	29,000	13,729

1.0 Legal Status

The association is registered under the Industrial and Provident Societies Act 1965 and is registered with the Homes and Communities Agency (HCA) as a housing provider.

2.1 Accounting policies

2.2 Basis of preparation

The principal statements of the group have been prepared in accordance with applicable financial reporting standards and under the historical cost accounting rules, as modified for the revaluation of housing properties. The financial statements are prepared in accordance with the Statement of Recommended Practice - "Accounting by Registered Social Housing Providers Update" (SORP) 2010, and comply with the Accounting Direction for Private Registered Providers of Social Housing 2012. A summary of the more important accounting policies which have been consistently applied in dealing with items which are considered material in relation to the group's financial statements is set out below:

2.3 Turnover

Turnover represents rental receivable in the year, income from shared ownership first tranche sales and other services included at the invoiced value (excluding VAT) of goods and services supplied in the year.

2.4 Revenue Recognition

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

2.5 Housing Properties

Housing properties are principally properties available for rent.

Housing properties under construction are stated at cost less related social housing and other capital grants. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure in respect of improvements.

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

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

Valuation – existing housing properties are re-valued annually on the basis set out in Note 13. Any movement during the year is taken to the revaluation reserve (Note 23).

Depreciation – The group separately identifies the major components which comprise its housing properties, and charges depreciation, so as to write-down the cost of each component to its estimated residual value, on a straight line basis.
Mobile homes are depreciated over their expected useful economic life of 15 years.

Where SHG has been allocated to a component; the depreciable amount is arrived at on the basis of original cost, less the proportion of SHG and other grants attributable to the component, less residual value.

The group depreciates the major components of its housing properties at the following annual rates:

	%pa	Number of years
Structure	1.0	100
Roofs	1.3	75
Bathrooms	3.3	30
Kitchens	4.0	25
Windows and doors	3.3	30
Heating systems	5.0	20

Land is not depreciated

Social Housing Grant – Social Housing Grant (SHG) is receivable from the Homes and Communities Agency (the HCA) and is utilised to reduce the capital costs of housing properties, including land costs. It is allocated to the land and structure components of the associated asset in proportion to their cost. Grant receivable in respect of identifiable components is allocated to those components.

SHG due from the HCA or received in advance is included as a current asset or liability. SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same 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.

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

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.

Impairment - Housing properties, including those with individual components, which are depreciated over a period in excess of 50 years are subject to impairment reviews annually. 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, being the higher of the net realisable value or the value in use to the group. Any such write down is charged to operating surplus.

Properties for sale – Shared ownership first tranche sales, completed properties for outright sale and property under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Sale of Housing Properties – Sold properties are written out of the accounts at historic cost and any increase or decrease in the existing use value since purchase is transferred to the Revenue Reserve from the Revaluation Reserve.

Capitalisation of Interest - 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:

- interest on borrowings specifically financing the development programme after deduction of social housing grant received in advance; or
- a fair amount of interest on borrowings of the association as a whole after deduction of 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.

Capitalisation of Development Administration Costs - The cost of housing properties comprises their purchase price, together with directly attributable costs in bringing them into working condition for their intended use. Directly attributable costs, in accordance with FRS 15 – Tangible fixed assets, include salary costs of own employees incurred directly in respect of the construction or acquisition of the property, and incremental costs that would have been avoided only if individual properties had not been constructed or acquired.

2.6 Fixed Assets and Depreciation

Tangible fixed assets, except housing properties, are stated at cost less accumulated depreciation. Depreciation is charged on a straight-line basis to write off the cost over the following expected useful life of the assets:

Other freehold property	100 years
Free/Leasehold premises' improvements	21 years
Office furniture and equipment	5 years
Computer equipment	5 years
Motor vehicles	5 years
Plant & machinery	25 years

2.7 Cyclical Repairs

All actual costs for cyclical repairs are charged to the income and expenditure account as incurred.

2.8 Leased Assets

Rentals paid under operating leases are charged to the income and expenditure account as incurred. There are no finance leases.

2.9 Value Added Tax (VAT)

The group and its subsidiaries, excluding HSG Property Services Limited, are group registered for VAT, but a large proportion of its income, including rents, is exempt for VAT purposes. The majority of expenditure is subject to VAT which cannot be reclaimed, and is shown gross of VAT. Where a part of the VAT incurred is recovered, this is reflected within the operating costs in the income and expenditure account.

2.10 Pension Costs

The company operates a defined benefits pension scheme and the pension charge is based on a full actuarial valuation dated 31 march 2014. The assets of the scheme are held separately from those of the company and are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term to the liability. The net surplus or deficit is presented separately from other net assets on the balance sheet. The movement in the surplus or deficit is split between operating charges, finance items and, in the statement of total recognized gains and losses, actuarial gains and losses.

2.11 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 liability method on all timing differences that have arisen, but not reversed by the balance sheet date.

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

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

2.12 Designated Reserves

The group establishes designated reserves where reserves are earmarked for a particular purpose.

2.13 Financial Instruments

The group does have the appropriate rules to enable it to enter into third party hedging arrangements. However, none are in place at this time. Were such arrangements entered into and not settled at year end a disclosure note would be made showing the fair value, as either a potential asset or liability at that date.

Where loans are re-financed, any gains or losses arising are recognised in the income and expenditure account in the year in which the refinancing takes place, except where the new debt gives the same economic result as the old debt, in which case the cost or benefit is spread over the remaining maturity of the debt.

2.14 Basis of consolidation

The consolidated accounts include the parent and its subsidiaries. Intra-group surpluses and deficits are eliminated on consolidation. Housing Solutions Limited is the parent with HSG Property Services Limited and Housing Solutions Capital PLC being active subsidiaries during the year.

Payton Homes Limited and Fenhatch Limited are dormant companies.

These bodies are subsidiaries by virtue of the power of Housing Solutions Limited to control the composition of their boards of management.

2.15 Revaluation Reserve

The difference between the market value of current asset investments and the historical cost carrying value is credited to the Revaluation Reserve. When housing properties are revalued, the difference between the carrying value of the properties and the valuation is credited to the housing property revaluation reserve.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014

3 PARTICULARS OF TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

GROUP

	2014 Turnover £000	2014 Cost of sales £000	2014 Operating costs £000	2014 Operating surplus £000
Social housing lettings	29,920	-	(16,903)	13,017
Other social housing activities				
Lifeline alarm system	138	-	(85)	53
Shared Ownership	1,821	(1,377)	-	444
Non social housing activity				
Supporting people	143	-	-	143
Market rent accommodation	360	-	(105)	255
Agency services	154	-	(141)	13
Garages	267	-	(45)	222
External maintenance contracts	1,281	-	(1,198)	83
Other activities	311	(28)	(91)	192
Total	**34,395**	**(1,405)**	**(18,568)**	**14,422**

	2013 Turnover £000	2013 Cost of sales £000	2013 Operating costs £000	2013 Operating surplus £000
Social housing lettings	28,474	-	(16,263)	12,211
Other social housing activities				
Lifeline alarm system	138	-	(105)	33
Shared Ownership	-	(6)	-	(6)
Non social housing activity				
Supporting people	149	-	-	149
Market rent accommodation	297	-	(39)	258
Agency services	174	-	(124)	50
Garages	247	-	(24)	223
External maintenance contracts	1,478	-	(1,350)	128
Other activities	279	(33)	(138)	108
Sub-Total	**31,236**	**(39)**	**(18,043)**	**13,154**
Exceptional item (see Note 11)	-	-	(3,066)	(3,066)
Total	**31,236**	**(39)**	**(21,109)**	**10,088**

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014

3 PARTICULARS OF TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

ASSOCIATION

	2014 Turnover £000	2014 Cost of sales £000	2014 Operating costs £000	2014 Operating surplus £000
Social housing lettings	29,920	-	(16,964)	12,956
Other social housing activities				
Lifeline alarm system	138	-	(85)	53
Shared Ownership	1,821	(1,377)	-	444
Non social housing activity				
Supporting people	143	-	-	143
Market rent accommodation	360	-	(105)	255
Agency services	154	-	(141)	13
Garages	267	-	(45)	222
External maintenance contracts	1,281	-	(1,198)	83
Other activities	103	-	(6)	97
Total	**34,187**	**(1,377)**	**(18,544)**	**14,266**

	2013 Turnover £000	2013 Cost of sales £000	2013 Operating costs £000	2013 Operating surplus £000
Social housing lettings	28,474	-	(16,270)	12,204
Other social housing activities				
Lifeline alarm system	138	-	(105)	33
Shared Ownership	-	(6)	-	(6)
Non social housing activity				
Supporting people	149	-	-	149
Market rent accommodation	297	-	(39)	258
Agency services	174	-	(124)	50
Garages	247	-	(24)	223
External maintenance contracts	1,478	-	(1,350)	128
Other activities	99	-	-	99
Sub-Total	**31,056**	**(6)**	**(17,912)**	**13,138**
Exceptional item (see Note 11)	-	-	(3,066)	(3,066)
Total	**31,056**	**(6)**	**(20,978)**	**10,072**

3 PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

GROUP (CONTINUED)

	2014						2013
	General needs housing	Supported housing and housing for older people	Key worker housing	Care homes	Low cost home ownership	Total	Total
	£000	£000	£000	£000	£000	£000	£000
Rent receivable net of identifiable service charges	20,258	3,418	105	3,971	807	28,559	27,015
Service income	523	680	-	20	138	1,361	1,459
Turnover from social housing lettings	**20,781**	**4,098**	**105**	**3,991**	**945**	**29,920**	**28,474**
Expenditure							
Management and other operating expenses	4,504	544	1	57	120	5,226	5,260
Services	1,016	171	5	199	40	1,431	1,405
Routine maintenance	1,567	626	13	374	19	2,599	2,347
Major Repairs expenditure	2,437	304	2	59	6	2,808	2,710
Bad debts	90	15	-	18	4	127	184
Property lease charges	10	-	-	-	-	10	15
Depreciation of housing properties	2,826	450	14	522	106	3,918	3,828
Other costs	556	94	3	109	22	784	514
Operating costs on social housing lettings	**13,006**	**2,204**	**38**	**1,338**	**317**	**16,903**	**16,263**
Operating surplus on social housing lettings	**7,775**	**1,894**	**67**	**2,653**	**628**	**13,017**	**12,211**
Void losses	**98**	**342**	**4**	**-**	**17**	**461**	**486**

3 PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

ASSOCIATION (CONTINUED)

	2014						2013
	General needs housing	Supported housing and housing for older people	Key worker housing	Care homes	Low cost home ownership	Total	Total
	£000	£000	£000	£000	£000	£000	£000
Rent receivable net of identifiable service charges	20,258	3,418	105	3,971	807	28,559	27,015
Service income	523	680	-	20	138	1,361	1,459
Turnover from social housing lettings	**20,781**	**4,098**	**105**	**3,991**	**945**	**29,920**	**28,474**
Expenditure							
Management and other operating expenses	4,565	544	1	57	120	5,287	5,267
Services	1,016	171	5	199	40	1,431	1,405
Routine maintenance	1,567	626	13	374	19	2,599	2,347
Major Repairs expenditure	2,437	304	2	59	6	2,808	2,710
Bad debts	90	15	-	18	4	127	184
Property lease charges	10	-	-	-	-	10	15
Depreciation of housing properties	2,826	450	14	522	106	3,918	3,828
Other costs	556	94	3	109	22	784	514
Operating costs on social housing lettings	**13,067**	**2,204**	**38**	**1,338**	**317**	**16,964**	**16,270**
Operating surplus on social housing lettings	**7,714**	**1,894**	**67**	**2,653**	**628**	**12,956**	**12,204**
Void losses	**98**	**342**	**4**	**-**	**17**	**461**	**486**

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014

4 ACCOMMODATION IN MANAGEMENT AND DEVELOPMENT

GROUP AND ASSOCIATION

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

	Group 2014 Number	Group 2013 Number	Association 2014 Number	Association 2013 Number
Social housing				
General needs	3,378	3,341	3,378	3,341
Supported housing and housing for older people	561	556	561	556
Low cost home ownership	217	189	217	189
Key worker housing	29	29	29	29
Residential care homes	713	716	713	716
Total owned	**4,898**	**4,831**	**4,898**	**4,831**
Accommodation managed for others	112	103	112	103
Total owned and managed	**5,010**	**4,934**	**5,010**	**4,934**
Non-social housing				
Market rent	39	82	39	82
Total owned and managed	**39**	**82**	**39**	**82**
Accommodation in development at the year end	**541**	**296**	**541**	**296**

The group manages accommodation for One Housing Group a registered social landlord.

5. Directors emoluments

The members of the board received remuneration for services provided as Directors of £42,731 (2013 - £29,360). The remuneration paid to the executive directors of Housing Solutions Group (defined as the Group Chief Executive, the Group Business Director, the Group Finance Director, the Group Operations Director and the Group Commercial Director) was:

	2014 £000	2013 £000
Emoluments including benefits in kind	507	474
Pension contributions	57	62
	564	536
Emoluments (excluding pension contributions) paid to:		
The highest paid Director (the Group Chief Executive)	121	118
Pension contributions to a defined benefit scheme	20	19
	141	137

6. Employee information

	2014 Number	2013 Number
The average weekly number of full-time equivalent persons (including the Group Chief Executive)		
Office staff	99	104
Sheltered housing managers, caretakers and cleaners	6	7
Building maintenance staff	42	37
	147	148

	2014 £000	2013 £000
Staff costs (for the above persons):		
Wages and salaries	5,215	4,726
Social security costs	451	390
Pension costs - Contributions	567	469
	6,233	5,585

The full time equivalent number of staff who received emoluments:

	2014 Number	2013 Number
£80,001 to £90,000	2	2
£90,001 to £100,000	1	2
£110,001 to £120,000	-	1
£120,001 to £130,000	1	-

7. Operating Surplus	Group 2014 £000	Group 2013 £000
Operating surplus is stated after charging/(crediting):		
Depreciation		
- housing stock	3,918	3,828
- other assets	372	307
Operating lease rentals:		
- hire of motor vehicles	40	32
- other leases	26	23
Auditors remuneration (including VAT)		
- for audit purposes	26	24
- for non-audit purposes	-	-
- tax compliance	3	2
- other	1	-
Internal Auditors remuneration	32	28

8. Profit on Sale of Fixed Assets – Housing properties	Group 2014 £000	Group 2013 £000
Disposal proceeds	3,985	1,848
Cost of sales (administration)	(4)	(54)
Carrying value of fixed assets	(2,811)	(1,017)
Profit on sale of fixed assets	1,170	777

9. Interest Receivable and Similar Income	Group 2014 £000	Group 2013 £000	Association 2014 £000	Association 2013 £000
Intercompany interest receivable	-	-	128	-
Interest receivable	183	41	156	41
Surplus on revaluation of investment	-	241	-	241
	183	282	284	282

10. Interest Payable and Similar Charges

	Group 2014 £000	Group 2013 £000	Association 2014 £000	Association 2013 £000
Loans and bank overdrafts	9,996	9,305	4,220	8,520
Interest payable to group companies	-	-	5,776	785
Interest payable capitalised on housing properties under construction	(1,351)	(930)	(1,351)	(930)
Other interest	3	-	-	-
Deficit on revaluation of investment	375	-	375	-
	9,023	8,375	9,020	8,375
Capitalisation rate used to determine the finance costs capitalised during the period	4.5%	4.5%	4.5%	4.5%

11. Exceptional Item

	Group 2014 £000	Group 2013 £000	Association 2014 £000	Association 2013 £000
Housing Solutions Limited	-	2,737	-	2,737
Furnival Housing Limited	-	329	-	329
	-	3,066	-	3,066

During the year ended 31 March 2013, Housing Solutions prepaid £62 million of the Harbour PLC bond and this incurred breakage costs as noted above. Also during the year, Housing Solutions paid off in full, the £184,000 Furnival loan and this incurred breakage costs as noted above.

12. Corporation Tax

Analysis of Charge in Period

UK Corporation Tax on surplus for the year.
The reconciliation to the expected charge is as follows

	Group 2014 £000	Group 2013 £000	Association 2014 £000	Association 2013 £000
Reconciliation of current tax charge				
Surplus per accounts	6,752	2,772	6,700	2,756
Expected tax at 23% (2013: 24%)	(1,553)	(665)	(1,541)	(661)
Explained by:				
Charitable activities	1,541	661	1,541	661
Capital allowances in excess of depreciation	53	24	-	-
Unrelieved tax losses	(41)	(20)	-	-
Current tax charge for the period	-	-	-	-

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014

13 TANGIBLE FIXED ASSETS - PROPERTIES

GROUP	Housing Properties and Mobile Homes	Housing Properties under Construction	Shared Ownership Properties	Shared Ownership Properties Under Construction	Total
	£000	£000	£000	£000	£000
Net Book Value at 1 April 2013	**352,020**	**11,878**	**15,330**	**3,573**	**382,801**
Completed	5,319	(5,319)	2,397	(2,397)	-
Additions	13,589	17,917	548	1,497	33,551
Disposals/Write offs	(2,811)	-	-	-	(2,811)
Improvements/Capitalised Repairs	429	-	-	-	429
Revaluation	15,360	-	(849)	-	14,511
Historic Cost Depreciation	(2,933)	-	(125)	-	(3,058)
Revaluation Depreciation	(829)	-	(31)	-	(860)
At 31 March 2014	**380,144**	**24,476**	**17,270**	**2,673**	**424,563**

Net Book Value at 31 March 2014 is represented by:

Gross Cost	274,777	24,476	16,387	2,673	318,313
Historic Cost Depreciation	(13,097)	-	(1,315)	-	(14,412)
Less SHG	(53,048)	-	(5,989)	-	(59,037)
Revaluation	171,512	-	8,187	-	179,699
Total	**380,144**	**24,476**	**17,270**	**2,673**	**424,563**

During the year work to existing properties to the value of £429,000 (2013: £1,188,000) was capitalised. A further £2,599,000 (2013: £3,119,000) was spent on routine maintenance and £2,808,000 (2013: £3,899,000) on major repairs expenditure.

Long leasehold and freehold housing properties include £1,350,000 (2013: £930,000) of capitalised interest in the year. Social housing grant relating to housing properties in the course of construction is matched to the cost of the development at year end creating a current asset for grant to be received and a current liability for grant received in advance.

Housing properties were valued at £397.4m (2013: £367.4m) on the basis of Existing Use Valuation for Social Housing (EUV-SH). The existing use value assumes a theoretical sale subject to the tenancies subsisting on 31 March 2013 to a buyer approved by the Homes and Communities Agency. The valuation method discounted the cash flows from rental and other income less management, maintenance and repair expenditure to their present value using a discount rate of 5.75% (2013: 5.5%). The rent increases have been assumed based on the Rent Influencing Regime (rent restructuring).

The full valuation of all properties was carried out as at 31 March 2014 by Jones Lang LaSalle, 30 Warwick Street, London, W1B 5NH, a firm providing valuation and consultancy, in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual. The valuer is "external."

13 TANGIBLE FIXED ASSETS - PROPERTIES

ASSOCIATION	Housing Properties and Mobile Homes	Housing Properties under Construction	Shared Ownership Properties	Shared Ownership Properties Under Construction	Total
	£000	£000	£000	£000	£000
Cost or Valuation at 1 April 2013	**352,020**	**11,878**	**15,330**	**3,573**	**382,801**
Completed	5,319	(5,319)	2,397	(2,397)	-
Additions	13,589	17,917	548	1,497	33,551
Disposals/Write offs	(2,811)	-	-	-	(2,811)
Improvements/Capitalised Repairs	429	-	-	-	429
Revaluation	15,360	-	(849)	-	14,511
Historic Cost Depreciation	(2,933)	-	(125)	-	(3,058)
Revaluation Depreciation	(829)	-	(31)	-	(860)
At 31 March 2014	**380,144**	**24,476**	**17,270**	**2,673**	**424,563**
Cost or valuation at 31 March 2014 is represented by:					
Gross Cost	274,777	24,476	16,387	2,673	318,313
Historic Cost Depreciation	(13,097)	-	(1,315)	-	(14,412)
Less SHG	(53,048)	-	(5,989)	-	(59,037)
Revaluation	171,512	-	8,187	-	179,699
Total	**380,144**	**24,476**	**17,270**	**2,673**	**424,563**

During the year work to existing properties to the value of £429,000 (2013: £1,188,000) was capitalised. A further £2,599,000 (2013: £3,119,000) was spent on routine maintenance and £2,808,000 (2013: £3,899,000) on major repairs expenditure.

Long leasehold and freehold housing properties include £1,350,000 (2013: £930,000) of capitalised interest in the year. Social housing grant relating to housing properties in the course of construction is matched to the cost of the development at year end creating a current asset for grant to be received and a current liability for grant received in advance.

Housing properties were valued at £397.4m (2013: £367.4m) on the basis of Existing Use Valuation for Social Housing (EUV-SH). The existing use value assumes a theoretical sale subject to the tenancies subsisting on 31 March 2014 to a buyer approved by the Homes and Communities Agency. The valuation method discounted the cash flows from rental and other income less management, maintenance and repair expenditure to their present value using a discount rate of 5.75% (2013: 5.5%). The rent increases have been assumed based on the Rent Influencing Regime (rent restructuring).

The full valuation of all properties was carried out as at 31 March 2014 by Jones Lang LaSalle, 30 Warwick Street, London, W1B 5NH, a firm providing valuation and consultancy, in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual. The valuer is "external."

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014

13 TANGIBLE FIXED ASSETS - OTHER

GROUP	Plant & Machinery	Other Freehold Property	Motor Vehicles	Furniture and Equipment	Free/ Leasehold Improve-ments	Computer Equipment	Total
	£000	£000	£000	£000	£000	£000	£000
Cost at 1 April 2013	1,920	7,115	154	157	935	1,843	12,124
Additions	176	9	-	3	50	285	523
Disposals/Write-off	(15)	-	-	(27)	-	(199)	(241)
At 31 March 2014	**2,081**	7,124	154	133	985	1,929	**12,406**
Depreciation at 1 April 2013	(79)	(360)	(140)	(117)	(483)	(1,369)	(2,548)
Charge for Year	(77)	(46)	(5)	(12)	(44)	(188)	(372)
Adjustment re Write-off	-	-	-	27	-	199	226
At 31 March 2014	(156)	(406)	(145)	(102)	(527)	(1,358)	(2,694)
Net book value as at 31 March 2014	**1,925**	**6,718**	**9**	**31**	**458**	**571**	**9,712**
Net book value as at 31 March 2013	**1,841**	**6,746**	**14**	**45**	**452**	**479**	**9,577**

ASSOCIATION	Other Freehold Property	Motor Vehicles	Furniture and Equipment	Free/ Leasehold Improve-ments	Computer Equipment	Total
	£000	£000	£000	£000	£000	£000
Cost at 1 April 2013	7,115	154	157	935	1,843	10,204
Additions	9	-	3	50	285	347
Disposals/Write-off	-	-	(27)	-	(199)	(226)
At 31 March 2014	7,124	154	133	985	1,929	10,325
Depreciation at 1 April 2013	(360)	(140)	(117)	(483)	(1,369)	(2,469)
Charge for Year	(46)	(5)	(12)	(44)	(188)	(295)
Adjustment re Write-off	-	-	27	-	199	226
At 31 March 2014	(406)	(145)	(102)	(527)	(1,358)	(2,538)
Net book value as at 31 March 2014	**6,718**	**9**	**31**	**458**	**571**	**7,787**
Net book value as at 31 March 2013	**6,755**	**14**	**40**	**452**	**474**	**7,735**

14. Investment in subsidiaries

As required by statute, the financial statements consolidate the results of HSG Property Service Limited, Housing Solutions Capital PLC and Payton Homes Limited are all both subsidiaries of the association. The association has the right to appoint members to the boards of the subsidiaries and thereby exercises control over them.

	% Shareholding	Country of incorporation	Principal Activity
HSG Property Services Limited	100	England	Provides photo voltaic panels and other energy saving solutions to save costs and creates revenue for the group
Housing Solutions Capital PLC	100	England	Facilitates capital market funding for the group
Payton Homes Limited	100	England	Property lettings agent (dormant)

15. Long term investment

	Group 2014 £000	Group 2013 £000	Association 2014 £000	Association 2013 £000
Investment in Housing Solutions Capital PLC	-	-	50	-
	-	-	50	-

16. Properties for Sale

	Group 2014 £000	Group 2013 £000	Association 2014 £000	Association 2013 £000
Shared ownership properties	2,361	-	2,361	-
	2,361	-	2,361	-

17. Debtors

	Group 2014 £000	Group 2013 £000	Association 2014 £000	Association 2013 £000
Due within one year				
Rent and service charge receivable	971	1,168	971	1,168
Less provision for bad and doubtful debts	(486)	(436)	(486)	(436)
	485	732	485	732
Other tax and social security	128	-	128	-
Prepayments and accrued income	279	973	279	973
Amounts owed by group undertakings	-	-	1,926	1,766
Other debtors	1,584	1,882	1,521	1,827
	2,476	3,587	4,339	5,298

18. Creditors: amounts falling due within one year

	Group 2014 £000	Group 2013 £000	Association 2014 £000	Association 2013 £000
Trade creditors	464	1,535	464	1,535
Rent received in advance	685	631	685	631
Other tax and social security	-	52	-	52
Fixed asset creditors	2,220	63	2,220	63
Accrued interest	702	1,512	702	1,512
Other creditors	409	125	406	125
Recycled capital grant fund (Note 19)	270	92	270	92
Receipts in advance	-	2	-	2
Accruals	527	1,153	509	988
	5,277	**5,165**	**5,256**	**5,000**

19. Recycled capital grant fund

	Group 2014 £000	Group 2013 £000	Association 2014 £000	Association 2013 £000
As at 1 April 2013	92	30	92	30
Withdrawals	-	(30)	-	(30)
Additions	178	92	178	92
At 31 March 2014	270	92	270	92

20. Creditors:

Amounts falling due after more than one year

	Group 2014 £000	Group 2013 £000	Association 2014 £000	Association 2013 £000
Housing Loans				
Harbour PLC bond – Fixed at 5.28%	8,052	8,052	8,052	8,052
Note Purchase Agreement	120,000	70,000	-	-
Amounts due to subsidiary undertakings	-	-	100,000	70,000
Debt service reserve fund	(4,450)	(4,825)	(4,450)	(4,825)
Furnival loan	-	-	-	-
Revolver Loan	-	-	-	-
Term Loan	135,000	135,000	135,000	135,000
	258,602	208,227	238,602	208,227

Excluding the debt service reserve fund, maturity of the loans is as follows: Between 2 and 5 years £7.1m (2013 £3.0m). After 5 years £255.9m (2013 £210.1m).

The Harbour PLC bond is repayable in 2033 and the Note Purchase Agreement in 2034, the term loan is repayable from 2017 to 2037. Rates of interest average between 0.79% and 5.47%
Housing loans are secured by specific charges on the housing properties and by a first fixed charge on HSL's bank accounts.

21. Pension Liability

	Group 2014 £000	Group 2013 £000	Association 2014 £000	Association 2013 £000
Pension liability	9,516	7,626	9,516	7,626

22. Non-equity share capital

	Association 2014 Number	Association 2013 Number
Shares of £1 each issued and fully paid		
At 1 April 2013	9	9
Shares issued during the year	-	-
Shares surrendered during the year	-	-
As at 31 March 2014	9	9

23. Revaluation Reserve

	Group 2014 £000	Group 2013 £000	Association 2014 £000	Association 2013 £000
At 1 April 2013	165,863	158,250	165,863	158,250
Revaluation during the year	14,511	8,403	14,511	8,403
Transfer to revenue reserve	(860)	(790)	(860)	(790)
As at 31 March 2014	**179,514**	**165,863**	**179,514**	**165,863**

24. Revenue Reserve

	Group 2014 £000	Group 2013 £000	Association 2014 £000	Association 2013 £000
At 1 April 2013	26,194	22,541	26,228	22,591
Surplus for the year	6,752	2,772	6,700	2,756
Actuarial (losses)/gains on pension scheme	(1,493)	91	(1,493)	91
Transfer from revaluation reserve	860	790	860	790
Surplus as at 31 March 2014	32,313	26,194	32,295	26,228

25. Leasing commitments

	Group and Association 2014 Motor Vehicles £000	Group and Association 2014 Other Leases £000	Group and Association 2013 Motor Vehicles £000	Group and Association 2013 Other Leases £000
The group has annual commitments in respect of non cancellable operating leases as follow:-				
Expiring within one year	24	11	14	11
Expiring between two and five years	16	15	18	12
	40	26	32	23

26. Capital Commitments

	Group 2014 £000	Group 2013 £000	Association 2014 £000	Association 2013 £000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	39,596	25,565	39,596	25,565
Capital expenditure that has been authorised by the board but has not been contracted for	12,019	53,479	12,019	53,479

The total amount contracted for at 31 March 2014 relates to approved schemes for which grant approval has been received, private finance arranged or which will be met from the group's own resources.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014

27. Cashflow

(i) Net cash inflow from operating activities

	2014 £000	2013 £000
Operating surplus	14,422	13,154
Depreciation	4,290	4,135
Defined benefit pension operating charge	625	521
Impact of settlements and curtailments	-	50
Net return on assets	337	238
Defined benefit pension contributions paid	(574)	(529)
	19,100	17,569
Working capital movements		
Properties for sale	(2,361)	-
Debtors	1,111	(1,323)
Creditors	(1,222)	545
Net cash inflow from operating activities	16,628	16,791

(ii) Reconciliation of net cashflows to movements in net debt

	As at 31 March 2014 £000	As at 31 March 2013 £000
Increase/(Decrease) in cash	29,000	13,729
Cash inflow from increase in debt	(50,000)	(35,867)
Change in net debt resulting from cash flows	(21,000)	(22,138)
Change in market value of debt service reserve	(375)	241
Movement in net debt for the period	(21,375)	(21,897)
Net Debt at 1 April 2013	(191,117)	(169,221)
Net Debt at 31 March 2014	**(212,492)**	**(191,117)**

(iii) Analysis of changes in net debt

	1 April 2013 £000	Cashflow £000	Non-cash movement £000	31 March 2014 £000
Cash at bank and in hand	17,110	29,000	-	46,110
Investment	-	-	-	-
Changes in cash	17,110	29,000	-	46,110
Loans	(208,227)	(50,000)	(375)	(258,602)
Net Debt	**(191,117)**	**(21,000)**	**(375)**	**(212,492)**

28. Pensions

Most of the group's employees are members of the Royal County of Berkshire Pension Scheme. The pension cost includes £574,000 of contributions payable by the group to this fund this year. The Royal County of Berkshire Pension Scheme is a defined benefit scheme providing benefits based on final pensionable pay. The group's actuarial liabilities in respect of the scheme are subject to triennial valuation by independent actuaries. The most recent actuarial valuation showed that the market value of the scheme's assets was £1,572 million and that the actuarial value of these assets represented 87% of the benefits that had accrued to members. The required contribution was calculated on the following assumptions:

		% per annum
Investment return	- Equities	6.9%
	- Corporate Bonds	3.9%
Rate of salary increase		4.5%
Rate of pension increase		2.7%
Employer's contribution		18.4%
Date of the last valuation		31 March 2013

The estimated asset distribution of the Fund as a whole, as at 31 March 2013, is as follows:

Assets

	£m	Asset Distribution %
Absolute Return	140	9%
Commodities	153	10%
Hedge Funds	132	8%
Infrastructure	73	5%
Equities	641	41%
Bonds	243	15%
Property	147	9%
Gilts and Cash	43	3%
Total	**1,572**	**100%**

The above information refers to the Fund as a whole, as the asset distribution of the group has not been provided.

In order to comply with the additional disclosures required under FRS17, the Actuary has updated assumptions as follows:

	2014 % per annum	2013 % per annum	2012 % per annum
Rate of salary increase			3.60%
Rate of pension increase			2.8%
Employer's contribution			17.4%
Discount rate			4.5%
Inflation assumption			3.6%

28. Pensions (continued)

The estimated asset distribution of the Fund as a whole, as at 31 March 2014, is as follows:

Assets	**Asset Distribution 2014**	**Asset Distribution 2013**	**Asset Distribution 2012**
Equities	42.0%	41.0%	35.0%
Bonds	17.0%	22.0%	25.0%
Property	12.0%	10.0%	10.0%
Cash	2%	0%	2.0%
Other	27%	-	-
Alternative Assets	0%	27.0%	28.0%
Total	100%	100%	100%

The above information refers to the Fund as a whole, as the asset distribution of the group has not been provided.

Additional disclosures required under the provisions of FRS17 – Housing Solutions Group	**2014 £000**	**2013 £000**	**2012 £000**	**2011 £000**	**2010 £000**
Share of net pension fund deficit measured under FRS17 as at 31 March 2014 comprised the following:					
Total market value of assets	13,754	12,451	11,097	10,848	10,172
Present Value of pension fund liabilities	(23,204)	(20,077)	(18,534)	(16,514)	(19,654)
Present Value of unfunded liabilities	(66)	-	-	-	-
FRS17 pension fund deficit	(9,516)	(7,626)	(7,437)	(5,666)	(9,482)

The following amounts have been recognised in the financial statements in the year ended 31 March 2014 under the requirements of FRS 17:	**2014 £000**	**2013 £000**	**2012 £000**	**2011 £000**	**2010 £000**
Operating Surplus:					
Service Cost	625	567	615	(1,255)	540
Total operating charge	**625**	**567**	**615**	**(1,255)**	**540**
Net interest on the defined liability (asset)	**(337)**	**(332)**	**(262)**	**(434)**	**(331)**
Statement of total recognised surpluses and deficits (STRSD):					
Other actuarial gains on assets	471	-	-	-	-
Actual return less expected return on pension scheme assets	-	574	(684)	(330)	2,009
Experience loss on defined benefit obligation	(1,487)	(3)	-	-	-
Changes in financial assumptions underlying the present value of the scheme liabilities	(477)	(480)	(774)	2,776	(6,648)
Actuarial (loss)/gain recognised in STRSD	(1,493)	91	(1,458)	2,446	(4,639)

28. Pensions (Cont'd)

Movement in deficit during the year	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Deficit in scheme at beginning of the year	(7,626)	(7,437)	(5,666)	(9,482)	(4,525)
Service cost	(625)	(567)	(615)	1,255	(540)
Employer contributions	574	525	564	549	553
Net return on assets	(337)	(238)	(262)	(434)	(331)
Other Costs	(9)	-	-	-	-
Actuarial (loss)/gain	(1,493)	91	(1,458)	2,446	(4,639)
Deficit at end of the year	**(9,516)**	**(7,626)**	**(7,437)**	**(5,666)**	**(9,482)**

Details of experience surpluses and deficits for the year to 31 March 2014:	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Difference between the expected and actual return on scheme assets	672	574	684	100	2,009
Experience surpluses and deficits on scheme liabilities	(1,487)	(3)	(2)	(157)	(71)
Total amount recognised in statement of total recognised surpluses and deficits	(1,493)	91	(1,458)	2,446	(4,639)

29. Related Parties

Tenant members of each association are charged normal policy rents and receive no favourable treatment in any respect as a result of their membership of the association.

Derek Wilson is a member of the Housing Solutions Limited Board and is a councillor of the Royal Borough of Windsor and Maidenhead Council. All transactions with the Royal Borough of Windsor and Maidenhead Council are made at arm's length on normal commercial terms.

Transactions between the company and its 100% owned subsidiaries, which are related parties, have been eliminated on consolidation for the group

HSG Property Services Limited charged the parent Housing Solutions Limited £10,783 (2013: £9,464) for electricity generated by the photo voltaic panels on residents' roofs and Housing Solutions Limited charged HSG Property Services Limited £10,783 (2013 - £9,464) for the rental of residents' roofs. HSL charged HSG interest £50,767 (2013: £50,720).

Housing Solutions Capital PLC was charged £5,776,190 (2013: £785,345) for interest on the Note Purchase Agreement loan and received £5,776,190 (2013: £785,345) in interest from the parent Housing Solutions Limited, for its loan to the parent company.

30. Legislative Provisions

The association is incorporated under the Industrial and Provident Societies Act 1965, Registration No. 27876R and is a Registered Social Landlord under the Housing Act 1974, Registration No. L4073

31. Principal activities of subsidiaries

HSG Property Services Limited provides photo voltaic panels on residents' roofs providing residents with an efficient source of energy and creates revenue for the group through the Feed In Tariff programme.

Housing Solutions Capital PLC is set up to facilitate capital market funding for the Group.

32. Post Balance Sheet Event

On 29 May 2014, Housing Solutions Capital agreed a £50 million loan with Legal and General Investment Management Ltd. This facility will enable the Housing Solutions Group to commit to and develop new Social Housing properties over the next 3 years. The first draw down of £20million will take place in December 2014 with three further drawdowns of £10million taking place during 2015. This is a fixed term facility which matures in 2054.

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یہ دستاویز اگر آپ کو کسی دیگر زبان یا دیگر شکل میں درکار ہو، یا اگر آپ کو ترجمان کی خدمات چاہئیں تو برائے مہربانی ہم سے رابطہ کیجئے۔

यह दस्तावेज़ यदि आपको किसी अन्य भाषा या अन्य रूप में चाहिये, या आपको आनुवाद-सेवाओं की आवश्यक्ता हो तो हमसे संपर्क करें

જો તમને આ દસ્તાવેજ બીજી ભાષા અથવા રચનામાં જોઈતો હોય, અથવા જો તમને ઇન્ટરપ્રિટરની સેવાઓ જોઈતી હોય તો, કૃપા કરી અમારો સંપર્ક સાધો.

ਜੇ ਇਹ ਦਸਤਾਵੇਜ਼ ਤੁਹਾਨੂੰ ਕਿਸੇ ਹੋਰ ਭਾਸ਼ਾ ਵਿਚ ਜਾਂ ਕਿਸੇ ਹੋਰ ਰੂਪ ਵਿਚ ਚਾਹੀਦਾ ਹੈ, ਜਾਂ ਜੇ ਤੁਹਾਨੂੰ ਗੱਲਬਾਤ ਸਮਝਾਉਣ ਲਈ ਕਿਸੇ ਇੰਟਰਪ੍ਰੇਟਰ ਦੀ ਲੋੜ ਹੈ, ਤਾਂ ਤੁਸੀਂ ਸਾਨੂੰ ਦੱਸੋ।

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