Happy Customers and More Homes

Annual Report and Accounts for the year ended 31 March 2015

Co-Operative and Community Benefit Societies No. 27876R

housing solutions

HOUSING SOLUTIONS LIMITED

hsg property services

housing solutions

Housing Solutions CAPITAL PLC

The Housing Solutions Group

Housing Solutions is a registered housing provider with charitable status dedicated to providing affordable and supported homes.

We have a housing stock of over 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 maintenance staff who provide a comprehensive repair and maintenance service.

There are two subsidiaries within the Group. They are:

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

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

Our core purpose is to understand and effectively meet local affordable housing needs by involving our residents and working closely with local authority partners to deliver responsive, value for money services and homes

OWNERSHIP – each of us takes responsibility and will respond to an enquiry, issue or situation to ensure a satisfactory outcome.

INNOVATION – we will understand, value and nurture new ideas and use creative thinking, passion, energy and enthusiasm to achieve practical results.

TEAMWORK – we value each person and their job as much as we value our own. We welcome different points of view and will work co-operatively in teams and across teams to achieve more together than we could alone.

INCLUSION – our relationships with each other, residents and stakeholders are based on trust and respect and we ensure that everyone is able to fully participate in our services and organisation.

HOUSING SOLUTIONS LIMITED

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HOUSING SOLUTIONS LIMITED

Members, Executives and Advisers

BOARD OF MANAGEMENT

CHAIRMAN	Roger Mabey (resigned September 2014)
	Nigel cook (Independent - appointed September 2014)
VICE CHAIRMAN	Mark Pullen (Independent)
BOARD MEMBERS	Paul Dunn Sims (Independent – resigned February 2014)
	Deirdre Moroney (Independent – resigned September 2014)
	Hayley Peters (Independent)
	Derek Wilson (Council nominee)
	Val Bagnall (Independent)
	Alice McDonagh (Resident nominee)
	Taslim Gbaja-Biamila (Resident nominee – appointed 4 December 2013)
	John Petitt (Chief Executive)
	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

The Executive Team hold no interest in the association's shares and act within the authority delegated by the Board.

AUDITORS

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E14 5HP

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Poutney Hill
London
EC4R 0HH

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

TREASURY ADVISORS

Canaccord Genuity Limited
88 Wood Street,
London,
EC2V 7QR

VALUERS

Jones Lang LaSalle
22 Hanover Square
London
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Registered with the Homes and Communities Agency (HCA) Reg No. L4073
Registered as 0061 Co-Operative and Community Benefit Societies Reg No. 27876R
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 2015

REPORT OF 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 2015.

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 residents 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 over 5,000 properties, 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.

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

Excluding the Chief Executive, board members are paid based on a scale reflecting their relative responsibilities to the group. The total amount paid to board members during 2014/15 was £45,819 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.

POST BALANCE SHEET BUDGET EFFECT

The budget announcement on July 8th included proposed changes in the rent charging regulations applicable to all registered Housing Associations. The main change proposed a reduction in social housing general needs rents by 1% each year for the 4 years commencing April 1st 2016. Previously the formula had been increases linked to CPI + 1% margin. The effect this has on HSL is twofold – firstly, it may reduce our margins going forward and secondly, it may reduce the accounts valuation of our assets which is used for gearing covenant calculation. In respect of our margins, we have had a strong ratio of operating surplus to turnover, and we also have a mix of non-general needs properties such as Shared Ownership which are not affected by the rent reductions. We have modelled the effects and there will be no breach of our interest cover covenant in the near future. In respect of the valuation issue, we have commissioned an independent valuation update from Jones Lang LaSalle Ltd which indicates we will remain within our gearing covenant over at least the next three years. We also have adequate security to be able to meet our asset cover covenants especially since the security valuations are higher than the accounts valuations due to mortgagee in possession clauses.

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OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD
FOR THE YEAR ENDED 31 MARCH 2015

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 improvement and value for money.

Last year we launched a new six-year strategy – Twenty Twenty Vision. This focuses our activities on two clear objectives – to achieve Happy Customers and build More Homes.

The Group's key strategic objectives and their outcomes are summarised below and on the next page

CORPORATE OBJECTIVES

HAPPY CUSTOMERS

Improve our approach to customer service and achieve 91% customer satisfaction by 2017.

OUTCOME

We have made great progress against our Happy Customers Objective. In January the latest results of our annual Have Your Say Survey showed that we had hit the 91% target – two years early. This was our highest ever overall satisfaction score and puts us in the top quartile of our peer group. We have now set a target of maintaining this top quartile position.

Early in the year we launched a new Customer Service Strategy, designed to achieve a cultural shift in our approach to serving customers. As part of this we have:

- Introduced a company-wide Brilliant Customer Service training programme;
- Focused on improving services which are a priority to our customers;
- Ran an internal campaign on getting the basics of customer service right, first time;
- Listened and learnt from customer feedback;
- Developed a collaborative working pilot to trial new ways of delivering services to our customers.

In addition we changed the way we handled complaints of anti-social behaviour, moving away from telephone contact and providing a face to face service. Customer satisfaction with the handling of their case increased to 72%.

We introduced our first App to enable smart phone access to our online repair reporting and appointment service. We changed the way we schedule repairs putting the emphasis on getting the repair right first time for our customers.

The Group invested £4 million in maintaining and improving existing homes. During the year we improved 1,200 homes. Customer satisfaction with the quality of homes increased to 89%. Satisfaction with our repairs service increased to 86%.

A large part of our programme concentrated on improving the energy efficiency of homes to meet our customers' priority need to reduce their energy bills. We installed cavity wall insulation in more than 200 properties and invested in our first renewable heat incentive to improve the energy efficiency of our largest off-grid neighbourhood. We also began a pilot using BlueGen cells in Sheltered Housing schemes to produce electricity.

We launched a number of initiatives to improve our neighbourhoods as a place to live. This includes a £500k courtyard refurbishment programme which has transformed neglected areas into pleasant outside space for residents to use. In response to customer feedback we have changed the way we deliver caretaking and grounds maintenance services. Customer satisfaction with their neighbourhood as a place to live increased to 89%.

The work of our Customer Scrutiny Panel is producing improvements to our services. Last year the Panel completed two Scrutinies covering the work of our responsive repairs contractor and the work of our Tenancy and Neighbourhood Officers (TNOs). A wide range of recommendations from both Scrutinies have been implemented bringing about changes in the way our TNOs work and the appointment of a more customer focussed responsive repairs contractor.

The number of customers satisfied that we listen and act on their views increased to 83%. This score puts us in the top quartile of our peer group in the South East.

We continued to look for more efficient ways to turnaround empty properties quickly. In partnership with customers we introduced a new standard for empty properties. Turnaround time was an average of 10.3 days. This is the top performance in our peer group.

To improve the delivery and the efficiency of our Planned Maintenance Programme we have strengthened our in-house Surveying Team and invested in a new Keystone Asset Management Database, which will enable us to hold improved data on the condition of our stock and target improvements, including those around energy efficiency, more effectively.

OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD
FOR THE YEAR ENDED 31 MARCH 2015

CORPORATE OBJECTIVES

HAPPY CUSTOMERS

As part of our Community Social Responsibility programme we are continuing to offer training and support to help our customers and local residents get back into work. Our award winning Business Start-up Course is now offered in partnership with the Royal Borough of Windsor and Maidenhead, Wokingham Borough Council and Wycombe District Council and several other housing associations. Nearly 200 of our customers and local people have now taken part in the course. Many are now running their own businesses and a few have created jobs for other people.

To achieve Happy Customers we believe we need to have happy staff. We have taken steps this year to make Housing Solutions a great place to work; that is fit for the future in terms of customer service, culture and the working environment we offer our colleagues.

During the year we:

- Launched a company-wide Brilliant Customer Service training course;
- Reviewed our office space – introducing a lunch room for colleagues;
- Introduced new and innovative ways of communicating including an Open House, to get candid feedback from colleagues;
- Put greater emphasis on recruiting colleagues who matched the company's values;
- Developed new collaborative ways of working which were launched in 2015.
- We introduced our first sabbaticals for colleagues during the year.

We also developed plans to improve work/life balance for colleagues by introducing more options for flexible and home working. Nearly a quarter of our colleagues have taken advantage of this.

Our latest survey shows that we have a high level of employee engagement with the majority of colleagues happy and proud to work for the company. It also highlights that 83% of colleagues believe that the company is moving in the right direction and three quarters were positive about improvements made in customer service.

MORE HOMES

Our ambition is to build 2020 new homes by 2020.

OUTCOME

To support our growth plans we secured a new £50 million loan with Legal & General. The deferred funding has a 40 year maturity and is priced at a competitive credit spread. We also secured a new seven year £30 million Revolving Capital Facility with Barclays.

In addition we are currently in negotiations with a private investment fund that represents a number of individuals and institutions who want to invest in affordable housing.

We invested £31 million in new developments, and completed 229 new homes last year. We have another 600 homes currently on site. During the year we completed Glassford House, our first development of new build apartments for private rent. We have recently established a partnership with the Royal County of Berkshire Pension Fund, who have invested directly in this new development of 40 one and two bedroom apartments in Wokingham. This has released some of our initial investment in the scheme, which we can redirect into building more new private rented sector homes without affecting our affordable homes programme.

Work on Project Care, a £50 million regeneration programme across Buckinghamshire, was completed last year. This was designed to improve the quality of accommodation for older people and people with learning disabilities, as well as meeting future legislations on care standards. Our eighth and final new care home was completed in October. In total the programme has provided 669 beds in eight care homes and ten supported housing units for people with learning difficulties. The Group has been working in partnership with Buckinghamshire County Council and the care provider, The Fremantle Trust.

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.

OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD
FOR THE YEAR ENDED 31 MARCH 2015
VALUE FOR MONEY SELF ASSESSMENT

This section is intended to provide our stakeholders with an overview of how we are delivering value for money (vfm). We have also published a summary of our Self Assessment in our customer newsletter which can be found on our website at:

http://housingsolutions.co.uk/Aboutus/Corporatepublications.aspx

We've outlined our strategy on the previous pages. Our approach to value for money delivery is:

- Delivering more Happy Customers for the same resource;
- Maximising the number of new homes delivered to help meet local housing need;
- Building capacity to invest in more new homes by improving return on assets, reducing costs and increasing income and attracting new investment.

In summary here is what we have achieved in the year in pursuit of those goals:

- Increased overall satisfaction by 8%. 91% overall satisfaction puts us in the top 25% of providers and has been delivered with operating costs broadly static;
- 90% of customers were satisfied that rent represented value for money;
- Increased investment in new homes by 22% and completed 229 new homes in the year;
- Funded those homes primarily from our own resources and new debt, with public grant accounting for only 2% of capital expenditure;
- Increased EBITDA by £1.6m with improvements in EBITDA and operating margins. This supports future investment in services and more homes;
- Increased disposals of assets that could not deliver an appropriate return. Income from disposals increased 148% with profit on disposals nearly doubling compared to 13/14.

We monitor and govern our VFM performance by setting cost and outcome targets over the short to medium term.

We monitor our performance against our previous results, the targets we have set ourselves and against the performance of a peer group of similar landlord (South East LSVTs with a stock of 2500-7500 units).

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. The notes at the end of this section give guidance on interpreting the data.

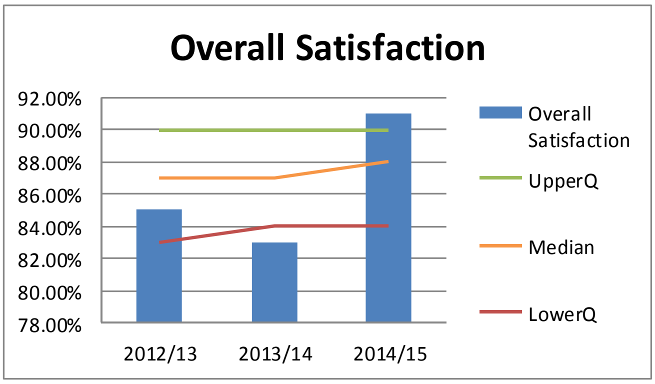
We have also included a number of actions that we will focus on during the coming year to deliver better value.

At the time of writing a number of changes, including to the income from social housing lettings, were announced as part of the Summer Budget. These will present a challenge to our ambitious growth plans and we are in the process of updating our strategy in response to this.

OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD
FOR THE YEAR ENDED 31 MARCH 2015
VALUE FOR MONEY SELF ASSESSMENT

HAPPY CUSTOMERS

We have significantly improved performance on our headline measure of happy customers. 91% of customers in our rented homes were very or fairly satisfied with Housing Solutions this year - an increase of 8% on 13/14. As we indicated in last year's self-assessment we commenced a change programme around customer service, focussed on getting more satisfaction from the same resource. This has delivered earlier than anticipated and our performance is now in the top 25% of both our peer group and providers nationally. Satisfaction with individual services has improved across every area. Here are the results from our most recent customer survey and how they compare:



Customer Satisfaction Outcomes				
	Current	Progress	Benchmark	Comparison
Overall	91%	↑	88%	Green
Repairs and Maintenance	86%	↑	83%	Amber
Quality of Home	89%	↑	87%	Green
Neighbourhood	89%	↑	88%	Amber
Views taken into account	82%	↑	72%	Green
Value for Money of Rent	90%	N/A	86%	Green

The table below shows the absolute costs of delivering these services and outcomes and how we compare:

Total cost per property of delivering specific services				
	Current	Progress	Benchmark	Comparison
Responsive and Void Maintenance	£ 786	↓	£ 810	Amber
Planned and Cyclical Maintenance	£ 992	→	£ 1,576	Green
Rent Collection	£ 147	→	£ 141	Amber
Resident Participation	£ 59	→	£ 70	Amber
ASB	£ 64	→	£ 57	Red
Tenancy Management	£ 130	→	£ 108	Red
Estate Services	£ 182	→	£ 190	Amber
Lettings	£ 82	→	£ 63	Red

OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD
FOR THE YEAR ENDED 31 MARCH 2015
VALUE FOR MONEY SELF ASSESSMENT

HAPPY CUSTOMERS

The value graph below is intended to combine the cost and performance data on the previous page, to give an overall picture of value from services provided.

It considers our cost and performance and how they compare to other providers year on year. The following services are shown:

1. Responsive/Void Maintenance
2. Rent Collection
3. ASB
4. Planned Maintenance
5. Lettings
6. Tenancy Management
7. Resident Involvement,
8. Estate Services

Below are some of the key improvements we have delivered to support the improved outcomes:

- Answered more calls on our Customer Contact centre and reduced abandonments by 4%;
- Delivered customer service training to all staff;
- Improved neighbourhoods by investing c.£500k in the improvement of common areas and completing more estate inspections (including improved customer led inspections);
- Developed our Tenancy and Neighbourhood service with the help of a review by our Customer Scrutiny Panel;
- Increased the percentage of ASB cases that were successfully resolved from 64% to 77%;
- Reduced the average time to complete a repair by over one day and implemented the recommendations from the review by our Customer Scrutiny Panel;
- Engaged with more customers struggling financially through our financial inclusion service.

Below are some of our priorities for the coming year to maintain our performance and address some of our weaknesses:

- Focus on improving collaboration between teams through a trial of geographical rather than function based delivery of services;
- Improve communication and interactions with our customers in supported housing homes (this was the only group where satisfaction decreased) so customer satisfaction is in line with the wider rented stock;
- Homeowners are our customer group who are the least satisfied with our service. We will focus on better communication of planned maintenance work and around service charges to home owners to increase their overall satisfaction;

Deliver smarter working process reviews in three areas (caretaking, rent collection and repairs management) in order to add value and reduce the cost of services in the bottom quartile.

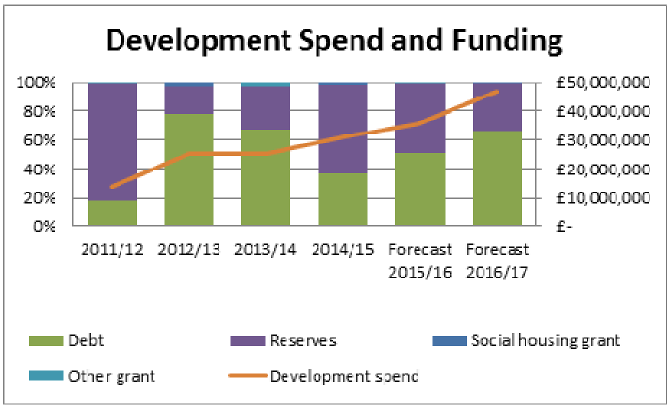
OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD
FOR THE YEAR ENDED 31 MARCH 2015
VALUE FOR MONEY SELF ASSESSMENT

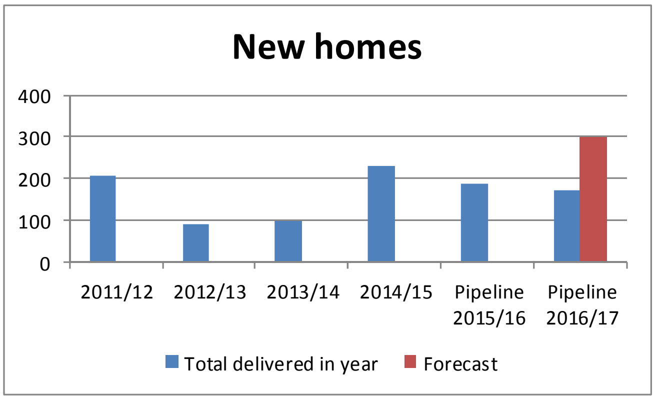
NEW HOME DELIVERY

Delivering more homes is the second part of our 2020 Vision and sits alongside creating happy customers. The supply challenges in the UK housing market are well known. We want to be part of the solution and this is why we set ourselves the ambitious challenge of 2020 new homes by 2020 when we revised our strategic plan in 2014. We invested over £31m in new homes (both completed and in progress) in 14/15 which was an increase of over 22% on the previous year. Public (social housing) grant made up only £720k or 2.3% of this investment and we expect this to reduce in 15/16. By 2016/17 we forecast social housing grant will fund under 0.5% of a total investment of over £47m.

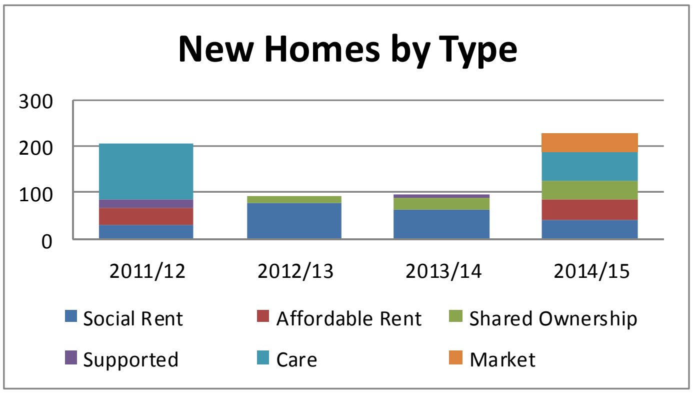
We delivered 229 new homes in the year - an increase of 133 on last year. We've also done a considerable amount of work on securing sites for future delivery. Our delivery pipeline stretches out to 2018 already and our current commitments for the next two years are shown below. We have also shown our forecast for 16/17 based on current opportunities.

The final units of our care home programme (62) were delivered alongside our first new build homes for private rent (40). The remainder of the programme was split fairly evenly between properties for social rent, affordable rent and shared ownership. We are continuing to try and deliver new units at social rent in line with locally identified housing need. Our first new build homes for private rent were let promptly and are producing an income above target. Our strategy on private rent is to invest a small amount (c. 2% of balance sheet value) into delivering new units with a medium to long term objective to act as a manager for other investors as opposed to investing ourselves. In doing this we believe that we can use our skill to increase housing supply, but continue to focus our investment predominately in affordable housing.





NEW HOME DELIVERY (CONTINUED)



We compare very well with our peer group on delivery of new homes - both new units as a percentage of existing stock and the number of staff involved in the delivery of those units put us in the top 25% of providers. Satisfaction with new homes dropped to 94% but still compares well.

These new homes are helping us towards the 2020 target, but we still have significant work to do to meet this ambitious goal. We have strengthened our development team with the recruitment of two senior staff focussed on securing and delivering new opportunities. Subsequently we expect the number of FTE staff involved in the delivery of development units indicator to worsen in the short term before improving as the new staff increase supply. We are also working with potential investors to increase appetite for the direct investment in affordable housing in order to further increase new supply.

Below are some of our priorities for the coming year:

- Delivery of 187 new homes;
- Strengthen the development pipeline for 16/17 to target 300 new homes;
- Focus on handover and defect period to increase satisfaction with new homes;
- Deliver planning consents to increase new units on existing sites (see funding section below);
- Review development strategy in light of changes to income following the Budget.

New Homes				
	Current	Progress	Benchmark	Comparison
No of FTE staff involved in the delivery of 100 development units (averaged of 3 yrs)	1.8		4.0	
New units delivered in year as a % of current stock	3.6%		1.3%	
Satisfaction with new homes	94%		94%	

OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD

FOR THE YEAR ENDED 31 MARCH 2015

VALUE FOR MONEY SELF ASSESSMENT

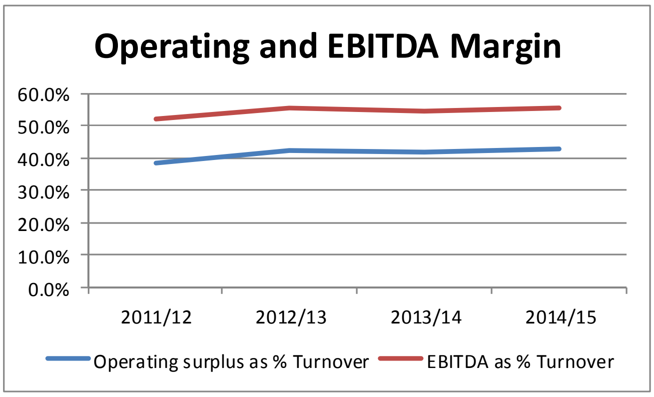
BUILDING FUNDING CAPACITY TO INVEST IN MORE NEW HOMES AND SERVICE

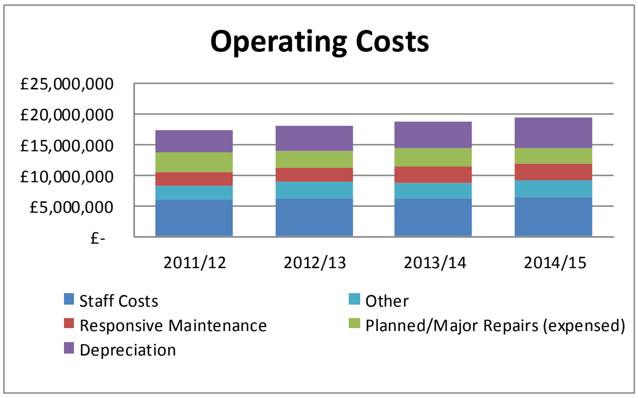
Operating surplus rose 8% and operating margin increased from 41.9% in 13/14 to 42.6%. EBITDA (Earnings before interest, tax, depreciation and amortisation) increased by £1.6m and EBITDA as % turnover also increased.

Our operating costs (excl. sales) increased 3.7% to £19.25m. Operating costs excluding depreciation increased by 1.3% in nominal terms or a 1% reduction in real terms. This was driven mainly by an 8% reduction in planned maintenance spend. We have built on the procurement savings made in 13/14 and achieved a total of £173k of savings in the year. £102k of these are recurring savings following procurement activity in 13/14 and the remaining £71k are new savings in the year.

The largest savings came from a re-procurement of our maintenance materials supply contract and the second year of a two year painting contract. We continue to use a number of frameworks through procurement clubs in order to benefit from the collective buying power of the sector.

Financial Highlights				
	2013/14	2014/15		
Turnover	£34.4m	£36.7m		
EBITDA	£18.7m	£20.4m		
Operating Surplus	£14.4m	£15.7m		
Total Stock	4937	5148		
	Current	**Progress**	**Benchmark**	**Comparison**
EBITDA as % Turnover	55.6%	⇨		
Operating margin	42.6%	⇨	30.4%	●
Weighted average cost of borrowing	4.2%	⇨	4.1%	●
ROCE	3.0%	⇨	N/A	
Overheads as % of turnover	8.6%	⇧	11.3%	●





OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD
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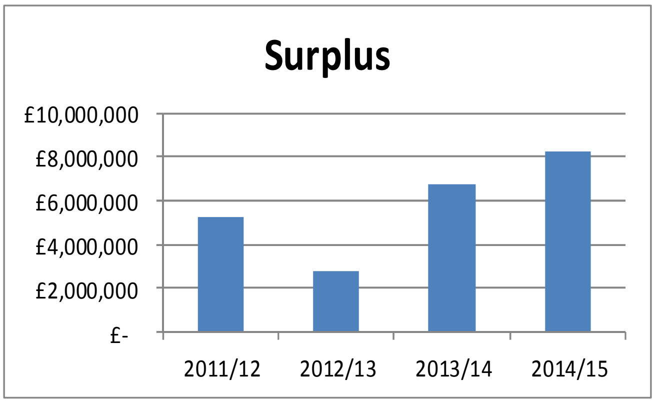
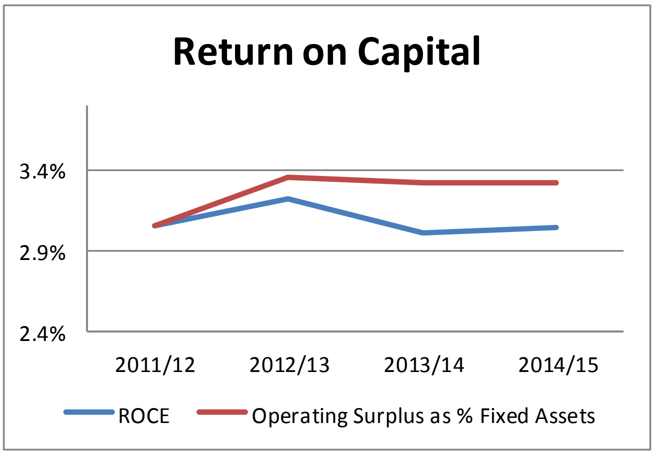
VALUE FOR MONEY SELF ASSESSMENT

BUILDING FUNDING CAPACITY TO INVEST IN MORE NEW HOMES AND SERVICE

Our ambitious development goals and minimal funding through public grant mean that we are reliant on generating strong surpluses to reinvest. 14/15 saw a positive increase in the surplus we generated. We continue to use a small proportion of resources on non-social housing activity. This includes activity to generate profit for reinvestment and/or activity that compliments our business or increases housing supply. Profit from other activities increased in the year from £960k to £1.16m. This is due to an increase in maintenance activity and the delivery of our first new build housing units for the private rented sector. Operating profit from these other activities remains a small contributor to overall operating surplus (7%) in order to manage risk.

Debt increased by £13.6m to £276m in order to fund new homes. Although debt is increasing we continue to control interest cover and gearing in order to manage the risk. Capital employed has increased from £480m to £515m. There is little change on the return on capital employed (ROCE) which remains at 3%. Operating surplus as a percentage of fixed assets remains at 3.3% which remains above ROCE as a result of timing differences between resourcing the funds to invest in new homes and turning that investment in to revenue generating assets.





OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD
FOR THE YEAR ENDED 31 MARCH 2015
VALUE FOR MONEY SELF ASSESSMENT

BUILDING FUNDING CAPACITY TO INVEST IN MORE NEW HOMES AND SERVICE

Last year we developed our new strategic asset management approach which has three strands:

- Planned maintenance investment to reduce future costs (Fix It);
- Re-development and reconfiguration to increase supply or income (Fund it);
- Sales of existing assets where we can do more to meet our happy customers and more homes objective with a capital receipt than with the existing asset (Flog it).

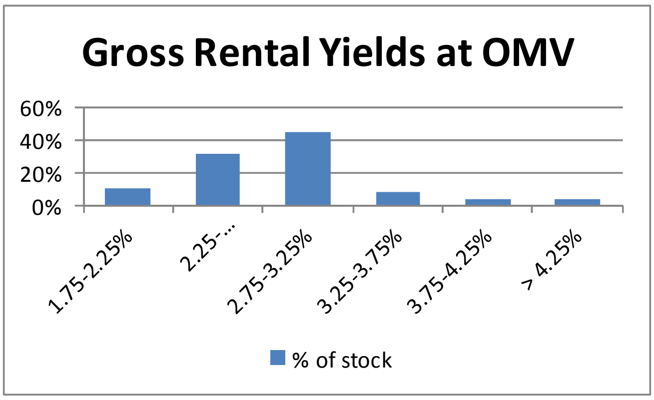
FIX IT - We reduced the number of units that have a negative net present value (NPV) over the next 30 years. This has been done by making planned maintenance investment which has reduced the ongoing costs meaning that those units now make positive contribution. Overall the number of units with a negative NPV is now 1% of stock.

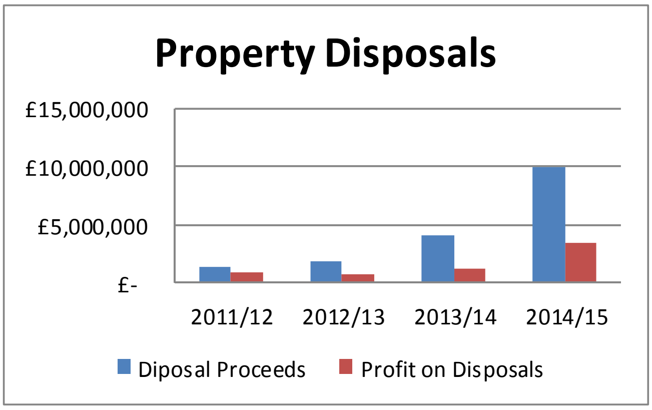
FUND IT - We completed a large project in the year to evaluate opportunities to improve return and build new homes on existing sites. We have appraised in excess of 50 opportunities, the first of which will be entered in to the planning system in 15/16.

FLOG IT - We have made considerable progress selling property where a receipt could meet our aims better, than retaining the asset. Sales receipts increased from £3.99m to £9.93m (148% increase) and profits from sales from £1.17m to £3.34m (198% increase). These sales included the disposal of number of former care home sites under our Project Care programme and the sale of an affordable housing scheme that was outside of our main operational area and had increased running costs as a result. This was sold to another registered provider better placed geographically to operate the scheme.

Here are some of our priorities for the coming year:

- Deliver new procurement and efficiency savings of at least £150k per annum;
- Review operating cost and agree new operating cost targets to 2020;
- Continue building relationships with investors - particularly focused on getting direct investment in to delivering new homes we do not have capacity to build ourselves;
- Disposals of units with high open market value and poor NPV performance. These sales will be limited according to when they become available and our ability to suitably replace them;
- Reduce number of units with negative NPV from c.1% to 0.5% stock.





OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD
FOR THE YEAR ENDED 31 MARCH 2015
VALUE FOR MONEY SELF ASSESSMENT

CONCLUSION

Since we launched our new vision 2020 Strategic Plan, which focuses on creating Happy Customers and Building More Homes, we have seen an improvement in our VFM performance across the business.

In the last year, we have:

- achieved a significant increase in our overall customer satisfaction (91%), putting us in the top 25% of providers in our peer group. We also achieved top performer status in customer satisfaction with value for money for rent, our repairs rervice and listening and acting on customer views;
- made improvements in the value for money (judged by the cost and performance relationship) of services in a number of key areas, including Planned Maintenance, Responsive and Void Maintenance, Resident Involvement and Estate Services;
- increased investment in new homes by 22% to £31m, primarily funded from our own surpluses and new debt, with public grant now accounting for only 2% of development expenditure;
- delivered 229 new homes which puts us in the top 25% of our peer group in terms of the number of new homes delivered as a percentage of existing homes;
- improved the financial management of assets through our Fix-it, Fund-it and Flog-it strategic asset management approach.

We are committed to continuing to improve our VFM performance. We have a wide range of initiatives to deliver improvements in the current year, including smarter working to improve efficiency and reduce costs, improved procurement and developing relationships with investors who can help us deliver more new homes.

NOTES

1. Cost figures are shown in nominal terms unless stated otherwise.
2. Total cost of delivering services on page 7 are calculated using the HouseMark benchmarking systems and relate to the cost of services to our rented affordable housing stock. The figures include an area cost adjustment to make a fair comparison across different operating areas.
3. Progress arrows show if our performance has improved (shown by an upward green arrow), stayed broadly the same (horizontal amber arrow) or worsened (red downward arrow) when compared to 2013/14;
4. Where benchmark performance is shown in the tables it shows the median 2014/15 performance (at the time of writing) for the peer group we use to benchmark our performance.
5. The comparison traffic light shows how we compared at the latest benchmark. 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%.
6. In the value graphs each dot on the graph represents each service. The vertical axis shows our cost position compared to peers. The lower we are on the graph the better the cost of the service is in comparison to our peer group. The horizontal axis shows our performance position in relation to our peers. The further to the right of the graph the better our performance in comparison to our peers.

OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD

FOR THE YEAR ENDED 31 MARCH 2015

FINANCIAL POSITION

The group's five year income and expenditure accounts and balance sheets are summarised in Table 1 (page 17) and the following paragraphs highlight key features of the group's financial position at 31 March 2015.

ACCOUNTING POLICIES

The group's principal accounting policies are set out on pages 26 to 28 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; deduction of capital grant from the cost of assets; 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 2015 the group owned 5,148 housing properties (2014: 4,937).

The board appointed external professional valuers to undertake the annual valuation of the group's housing properties as at 31 March 2015. The value of the properties, on an existing use for social housing basis, was £436.5 million and this has been reflected in the valuation of properties in the financial statements.

On valuation, the annual surplus of £13.5m 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 social housing grant, loan finance and working capital where we continue to show a strong current asset balance, an important indicator of liquidity.

PENSION COSTS

The group participates in the Royal County of Berkshire Pension Fund (RCBPF), a Local Government Pension Scheme. This is an average salary scheme, offering good benefits for our staff. The group has contributed to the scheme in accordance with levels, set by the actuaries, at 18.4 per cent.

The latest actuarial valuation of the RCBPF as at 31 March 2013 has been rolled forward allowing for the different financial assumptions required under IAS19/FRS17 to calculate the funding valuation at 31 March 2015.

CAPITAL STRUCTURE AND TREASURY POLICY

The group borrowed a further £20.0 million during the year, to develop general needs, supported housing and care home accommodation for the elderly. This was offset by the buyback of the majority of the Harbour Bond. £6.4m was bought back leaving a balance of £1.6m which was bought back shortly after the year end, this was done to free up security as the Harbour Bond required a high level of security.

By the year end group borrowings amounted to £276.6 million with the first repayment date being September 2017. Gearing, calculated as total loans as a percentage of the balance sheet value of completed housing property, had decreased to 62.8% by 31 March 2015 (2014: 66.2%). This decrease is due to the buyback of the Harbour Bond, increase in value of housing stock and the completion of new units. During the year £5 million has been on lent by Housing Solutions Capital plc to Housing Solutions Limited with £35 million remaining in Housing Solutions Capital plc. This is to protect the gearing within Housing Solutions Limited and ensure that the gearing buffer is adhered to. Cash held at 31 March 2015 was £46.8m compared to £46.1m at 31 March 2014.

OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD
FOR THE YEAR ENDED 31 MARCH 2015

MATURITY	**2015**	**2014**
	£m	£m
Within one year	-	-
Between one and two years	-	-
Between two and five years	**11.1**	**7.1**
After five years	**265.5**	**255.9**
	276.6	**263.0**
(Figures do not include the netting of the debt service reserve.)		

The group is borrowing principally from banks and building societies and through the bond market, at both fixed and floating rates of interest (see further details in note 19). 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 and to maintain an average duration within a range of 7 to 13 years with a target of 10 years.

At the year-end, 82 per cent of the group's borrowings were at fixed rates after taking account of interest rate swaps (2014: 81 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 trend information in Table 1 (page 17) shows that reserves have increased from a total of £211.8 million as at 31 March 2014 to £230.1 million by 31 March 2015.

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 25).

Net cash inflow from financing decreased from £50.0 million (2014) to £13.6 million (2015).

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 customers 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.

OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD
FOR THE YEAR ENDED 31 MARCH 2015

TABLE 1 – GROUP HIGHLIGHTS, FIVE YEAR SUMMARY

		2015	2014	2013	2012	2011
Group Income and Expenditure account		£000	£000	£000	£000	£000
Total turnover		36,736	34,395	31,236	28,585	27,667
Income from lettings		31,475	29,920	28,474	26,080	24,005
Operating surplus (before exceptional items)		15,649	14,422	13,154	11,010	10,973
Surplus for the year transferred to reserves		8,245	6,752	2,772	5,225	4,956
Group Balance Sheet						
Housing properties (at valuation)		461,985	424,563	382,801	351,054	330,418
Other fixed assets		9,806	9,712	9,577	8,971	7,715
Fixed assets		471,791	434,275	392,378	360,025	338,133
Net current assets		43,227	45,670	15,532	804	4,364
Total assets less current liabilities		515,018	479,945	407,910	360,829	342,497
Loans (due over one year)		276,633	263,052	213,052	177,185	172,185
Less: Debt Service Reserve		(5,185)	(4,450)	(4,825)	(4,584)	(3,897)
Net Loans		271,448	258,602	208,227	172,601	168,288
Pensions liability		13,507	9,516	7,626	7,437	5,666
Reserves:	Designated	-	-	-	-	289
	Revenue	37,794	32,313	26,194	22,541	17,951
	Revaluation	192,269	179,514	165,863	158,250	150,303
	Total	230,063	211,827	192,057	180,791	168,543
		515,018	479,945	407,910	360,829	342,497
Housing properties owned at year end:		No.	No.	No.	No.	No.
Social Housing		5,028	4,898	4,831	4,716	4,592
Non-social Housing		120	39	82	81	78
		5,148	4,937	4,913	4,797	4,670
Statistics:						
EBITDA as % of turnover		55.6%	54.4%	45.5%	51.8%	52.6%
Operating surplus as % of turnover		42.6%	41.9%	42.1%	38.5%	39.7%
Surplus for year as % of income from lettings		22.4%	22.6%	9.7%	20.0%	20.6%
Cost per unit (excluding depreciation and planned maintenance)		£1,764	£1,807	£1,762	£1,677	£1,717
Rent arrears (gross arrears as % of rent and service charges receivable)		2.6%	2.1%	2.4%	2.8%	3.4%
Liquidity (current assets divided by current liabilities)		5.6	9.7	4.0	1.2	1.7
Gearing (total loans as % of value of completed housing properties)		62.8%	66.2%	58.0%	51.3%	54.5%

OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD
FOR THE YEAR ENDED 31 MARCH 2015

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 2014 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).

OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD
FOR THE YEAR ENDED 31 MARCH 2015

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 Benefit 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 Co-Operative and Community Benefit Societies 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 Benefit 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.

POST BALANCE SHEET BUDGET EFFECTS

The budget announcement on July 8th included proposed changes in the rent charging regulations applicable to all registered Housing Associations. The main change proposed a reduction in social housing general needs rents by 1% each year for the 4 years commencing April 1st 2016. Previously the formula had been increases linked to CPI + 1% margin. The effect this has on HSL is twofold – firstly, it will reduce our margins going forward and secondly, it will reduce the accounts valuation of our assets which is used for gearing covenant calculation. In respect of our margins, we have had a strong ratio of operating surplus to turnover, and we also have a mix of non-general needs properties such as Shared Ownership which are not affected by the rent reductions. We have modelled the effects and there will be no breach of our interest cover covenant in the near future. In respect of the valuation issue, we have commissioned an independent valuation update from Jones Lang LaSalle Ltd which indicates we will remain within our gearing covenant over at least the next three years. We also have adequate security to be able to meet our asset cover covenants especially since the security valuations are higher than the accounts valuations due to mortgagee in possession clauses.

ANNUAL GENERAL MEETING

The annual general meeting will be held on 16 September 2015 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 16 September 2015 and signed on its behalf by:

MARK PULLEN
VICE 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 2015 which comprise the group and association income and expenditure accounts, the group and association statements of total recognised gains and losses, 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 Section 9 and 13 of the Co-Operative and Community Benefit 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 Board's Responsibilities set out on page 19, 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/auditscopeukprivate.

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 2015 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 Benefit 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 Benefit 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

23 SEPTEMBER 2015

HOUSING SOLUTIONS LIMITED

INCOME AND EXPENDITURE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2015

	Notes	Group 2015 £000	Group 2014 £000	Association 2015 £000	Association 2014 £000
Turnover	3	36,736	34,395	36,526	34,187
Cost of sales	3	(1,837)	(1,405)	(1,809)	(1,377)
Operating costs	3	(19,250)	(18,568)	(19,168)	(18,544)
Operating surplus	7	15,649	14,422	15,549	14,266
Profit on sale of fixed assets	8	3,429	1,170	3,429	1,170
Interest receivable and other income	9	927	183	977	284
Interest payable and similar charges	10	(11,760)	(9,023)	(11,762)	(9,020)
Surplus on ordinary activities before taxation		8,245	6,752	8,193	6,700
Tax on surplus on ordinary activities	11	-	-	-	-
Surplus for the financial year		**8,245**	**6,752**	**8,193**	**6,700**

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

The accompanying accounting policies and notes on pages 26 – 47 form an integral part of the financial statements.

The financial statements were approved and signed by the Board of Management on 16 September 2015 and are signed on its behalf by:

Vice Chairman
Mark Pullen

Secretary
John Petitt

Board Member
Hayley Peters

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS
FOR THE YEAR ENDED 31 MARCH 2015

	Notes	Group 2015 £000	Group 2014 £000	Association 2015 £000	Association 2014 £000
Surplus for the financial year		8,245	6,752	8,193	6,700
Unrealised surplus on revaluation of properties	21	13,508	14,511	13,508	14,511
		21,753	21,263	21,701	21,211
Actuarial (losses)/ gains relating to pension scheme:	26	(3,516)	(1,493)	(3,516)	(1,493)
Total recognised surplus relating to the year		18,237	19,770	18,185	19,718

HISTORICAL COST SURPLUSES AND DEFICITS

	Notes	Group 2015 £000	Group 2014 £000	Association 2015 £000	Association 2014 £000
Reported surplus on ordinary activities before taxation		8,245	6,752	8,193	6,700
Difference between historical cost depreciation and actual depreciation charge calculated on the revalued amount	22	752	860	752	860
Historical cost surplus on ordinary activities before taxation		8,997	7,612	8,945	7,560
Historical cost retained revenue surplus		8,997	7,612	8,945	7,560

The accompanying accounting policies and notes on pages 26 – 47 form an integral part of the financial statements.

CONSOLIDATED BALANCE SHEET
FOR THE YEAR ENDED 31 MARCH 2015

	Notes	2015 £000	2014 £000
Tangible Fixed Assets			
Housing properties	12	461,985	424,563
Other tangible fixed assets	12	9,806	9,712
		471,791	434,275
Current Assets			
Properties for sale	15	2,686	2,361
Debtors	16	3,078	2,476
Cash at bank and in hand		46,827	46,110
		52,591	50,947
Creditors: amounts falling due within one year	17	(9,363)	(5,277)
Net current assets		43,228	45,670
Total assets less current liabilities		**515,019**	**479,945**
Creditors: amounts falling due after more than one year	19	271,448	258,602
Pension Liability	26	13,507	9,516
Capital and reserves			
Called-up non-equity share capital	20	-	-
Revaluation reserve	21	192,270	179,514
Revenue reserve	22	37,794	32,313
		230,064	211,827
		515,019	**479,945**

The accompanying accounting policies and notes on pages 26 - 47 form an integral part of the financial statements

The financial statements were approved by the Board of Management on 16 September 2015 and are signed on its behalf by:

Vice Chairman
Mark Pullen

Secretary
John Petitt

Board Member
Hayley Peters

ASSOCIATION BALANCE SHEET
FOR THE YEAR ENDED 31 MARCH 2015

	Notes	2015 £000	2014 £000
Tangible Fixed Assets			
Housing properties	12	461,985	424,563
Other tangible fixed assets	12	7,957	7,787
		469,942	432,350
Long term investments	14	50	50
Current Assets			
Properties for sale	15	2,686	2,361
Debtors	16	4,705	4,339
Cash at bank and in hand		11,684	26,083
		19,075	32,783
Creditors: amounts falling due within one year	17	(9,118)	(5,256)
Net current assets		9,957	27,527
Total assets less current liabilities		**479,949**	**459,927**
Creditors: amounts falling due after more than one year	19	236,448	238,602
Pension Liability	26	13,507	9,516
Capital and reserves			
Called-up non-equity share capital	20	-	-
Revaluation reserve	21	192,270	179,514
Revenue reserve	22	37,724	32,295
		229,994	211,809
		479,949	**459,927**

The accompanying accounting policies and notes on pages 26 - 47 form an integral part of the financial statements

The financial statements were approved by the Board of Management on 16 September 2015 and signed on its behalf by:

Vice Chairman
Mark Pullen

Secretary
John Petitt

Board Member
Hayley Peters

CONSOLIDATED CASH FLOW STATEMENT
AS AT 31 MARCH 2015

	Notes	2015 £000	2014 £000
Net cash inflow from operating activities	25	23,565	16,628
Returns on investments and servicing of finance			
Interest received		192	183
Interest paid		(11,760)	(10,809)
Net cash outflow from returns on investments and servicing of finance		(11,568)	(10,626)
Capital Expenditure and Financial Investment			
Acquisition and construction of housing properties		(35,021)	(31,250)
Social housing grant received		720	-
Other grant received		-	786
Purchase of other fixed assets		(487)	(523)
Proceeds from sales of housing properties		9,927	3,985
Investment utilised to fund development		-	-
Net cash outflow from Capital expenditure and financial investment		(24,861)	(27,002)
Financing			
Loans received	25	13,581	50,000
Net cash inflow from financing		13,581	50,000
Increase in cash	25	**717**	**13,729**

NOTES TO THE REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

1.0 Legal Status

The Association is registered under the Co-Operative and Community Benefit Societies Act 2014 and is registered with the Homes and Communities Agency (HCA) as a housing provider.

2.0 Accounting policies

2.1 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:

2.2 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.

2.3 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.

2.4 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 12. Any movement during the year is taken to the revaluation reserve (Note 22).

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.

2.5 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

2.6 Cyclical Repairs

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

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2015

2.7 Leased Assets

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

2.8 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.

2.9 Pension Costs

The cost of providing defined benefit retirement pensions and related benefits is charged to the income and expenditure account over the period benefiting from the employee's services in accordance with FRS 17 – Retirement benefits.

2.10 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.

2.11 Designated Reserves

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

2.12 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.

2.13 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.

2.14 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 2015

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

GROUP

	2015 Turnover £000	2015 Cost of sales £000	2015 Operating costs £000	2015 Operating surplus £000
Social housing lettings	31,475	-	(17,416)	14,059
Other social housing activities				
Lifeline alarm system	159	-	(92)	67
Shared Ownership	2,238	(1,809)	-	429
Non social housing activity				
Supporting people	129	-	-	129
Market rent accommodation	542	-	(87)	455
Agency services	140	-	(153)	(13)
Garages	253	-	(31)	222
External maintenance contracts	1,478	-	(1,378)	100
Other activities	322	(28)	(93)	201
Total	**36,736**	**(1,837)**	**(19,250)**	**15,649**

	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**

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2015

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

ASSOCIATION

	2015 Turnover £000	2015 Cost of sales £000	2015 Operating costs £000	2015 Operating surplus £000
Social housing lettings	31,475	-	(17,427)	14,048
Other social housing activities				
Lifeline alarm system	159	-	(92)	67
Shared Ownership	2,238	(1,809)	-	429
Non social housing activity				
Supporting people	129	-	-	129
Market rent accommodation	542	-	(87)	455
Agency services	140	-	(153)	(13)
Garages	253	-	(31)	222
External maintenance contracts	1,478	-	(1,378)	100
Other activities	112	-	-	112
Total	**36,526**	**(1,809)**	**(19,168)**	**15,549**

	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**

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2015

3 PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

GROUP (CONTINUED)

	2015						2014
	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	21,145	3,376	257	4,443	835	30,056	28,559
Service income	691	544	-	17	167	1,419	1,361
Turnover from social housing lettings	**21,836**	**3,920**	**257**	**4,460**	**1,002**	**31,475**	**29,920**
Expenditure							
Management and other operating expenses	3,758	600	46	790	148	5,342	5,226
Services	730	540	8	57	75	1,410	1,431
Routine maintenance	1,480	667	30	468	19	2,664	2,599
Major Repairs expenditure	2,117	213	4	249	5	2,588	2,808
Bad debts	137	22	2	29	5	195	127
Property lease charges	9	-	-	-	-	9	10
Depreciation of housing properties	3,089	493	38	649	122	4,391	3,918
Other costs	574	92	7	121	23	817	784
Operating costs on social housing lettings	**11,894**	**2,627**	**135**	**2,363**	**397**	**17,416**	**16,903**
Operating surplus on social housing lettings	**9,942**	**1,293**	**122**	**2,097**	**605**	**14,059**	**13,017**
Void losses	**102**	**347**	**4**	**-**	**14**	**467**	**461**

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2015

3 PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

ASSOCIATION (CONTINUED)

	2015						2014
	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	21,145	3,376	257	4,443	835	30,056	28,559
Service income	691	544	-	17	167	1,419	1,361
Turnover from social housing lettings	**21,836**	**3,920**	**257**	**4,460**	**1,002**	**31,475**	**29,920**
Expenditure							
Management and other operating expenses	3,758	600	46	790	148	5,342	5,287
Services	741	540	8	57	75	1,421	1,431
Routine maintenance	1,480	667	30	468	19	2,664	2,599
Major Repairs expenditure	2,117	213	4	249	5	2,588	2,808
Bad debts	137	22	2	29	5	195	127
Property lease charges	9	-	-	-	-	9	10
Depreciation of housing properties	3,089	493	38	649	122	4,391	3,918
Other costs	574	92	7	121	23	817	784
Operating costs on social housing lettings	**11,905**	**2,627**	**135**	**2,363**	**397**	**17,427**	**16,964**
Operating surplus on social housing lettings	**9,931**	**1,293**	**122**	**2,097**	**605**	**14,048**	**12,956**
Void losses	**102**	**347**	**4**	**-**	**14**	**467**	**461**

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2015

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 2015 Number	Group 2014 Number	Association 2015 Number	Association 2014 Number
Social housing				
General needs	3,443	3,378	3,443	3,378
Supported housing and housing for older people	597	561	597	561
Low cost home ownership	225	217	225	217
Key worker housing	30	29	30	29
Residential care homes	733	713	733	713
Total owned	**5,028**	**4,898**	**5,028**	**4,898**
Accommodation managed for others	101	112	101	112
Total owned and managed	**5,129**	**5,010**	**5,129**	**5,010**
Non-social housing				
Market rent	120	39	120	39
Total owned and managed	**120**	**39**	**120**	**39**
Accommodation in development at the year end	**471**	**541**	**471**	**541**

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

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2015

5. Directors emoluments

The members of the board received remuneration for services provided as Directors of £45,819 (2014 - £42,731). 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:

	2015 £000	2014 £000
Emoluments including benefits in kind	483	507
Pension contributions	63	57
	546	**564**
Emoluments (excluding pension contributions) paid to:		
The highest paid Director (the Group Chief Executive)	123	121
Pension contributions to a defined benefit scheme	21	20
	144	**141**

6. Employee information

	2015 Number	2014 Number
The average weekly number of full-time equivalent persons (including the Group Chief Executive)		
Office staff	107	99
Sheltered housing mangers, caretakers and cleaners	9	6
Building maintenance staff	53	42
	169	**147**

	2015 £000	2014 £000
Staff costs (for the above persons):		
Wages and salaries	5,226	5,215
Social security costs	455	451
Pension costs - Contributions	678	567
	6,359	**6,233**

The full time equivalent number of staff who received emoluments:

	2015 Number	2014 Number
£80,001 to £90,000	2	2
£90,001 to £100,000	2	2
£110,001 to £120,000	-	-
£120,001 to £130,000	1	1

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2015

7. Operating Surplus

	Group 2015 £000	Group 2014 £000
Operating surplus is stated after charging/(crediting):		
Depreciation		
- housing stock	4,391	3,918
- other assets	393	372
Operating lease rentals:		
- hire of motor vehicles	40	40
- other leases	21	26
Auditors remuneration (including VAT)		
- for audit purposes	26	26
- for non-audit purposes	-	-
- tax compliance	4	3
- other	1	1
Internal Auditors remuneration	36	32

8. Profit on Sale of Fixed Assets – Housing properties

	Group 2015 £000	Group 2014 £000
Disposal proceeds	9,927	3,985
Cost of sales (administration)	(53)	(4)
Carrying value of fixed assets	(6,445)	(2,811)
Profit on sale of fixed assets	**3,429**	**1,170**

9. Interest Receivable and Similar Income

	Group 2015 £000	Group 2014 £000	Association 2015 £000	Association 2014 £000
Intercompany interest receivable	-	-	51	128
Interest receivable	192	183	191	156
Surplus on revaluation of investment	735	-	735	-
	927	**183**	**977**	**284**

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2015

10. Interest Payable and Similar Charges	Group 2015 £000	Group 2014 £000	Association 2015 £000	Association 2014 £000
Loans and bank overdrafts	12,172	9,996	6,120	4,220
Interest payable to group companies	-	-	6,054	5,776
Interest payable capitalised on housing properties under construction	(950)	(1,351)	(950)	(1,351)
Other interest	-	3	-	-
Breakage Costs	538	-	538	-
Deficit on revaluation of investment	-	375	-	375
	11,760	**9,023**	**11,762**	**9,020**
Capitalisation rate used to determine the finance costs capitalised during the period	**4.5%**	**4.5%**	**4.5%**	**4.5%**

11. 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 2015 £000	Group 2014 £000	Association 2015 £000	Association 2014 £000
Reconciliation of current tax charge				
Surplus per accounts	8,245	6,752	8,193	6,700
Expected tax at 21% (2014: 23%)	(1,732)	(1,553)	(1,721)	(1,541)
Explained by:				
Charitable activities	1,721	1,541	1,721	1,541
Capital allowances in excess of depreciation	10	53	-	-
Unrelieved tax losses	1	(41)	-	-
Current tax charge for the period	**-**	**-**	**-**	**-**

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2015

12 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
Cost or Valuation at 1 April 2014	**413,587**	**25,178**	**19,030**	**2,673**	**460,468**
Completed	12,852	(12,852)	3,468	(3,468)	-
Additions	9,573	11,112	1,768	3,538	25,991
Disposals/Write offs	(194)	-	-	-	(194)
Improvements/Capitalised Repairs	1,188	-	-	-	1,188
Revaluation	16,812	-	(3,304)	-	13,508
Valuation adjustment	784	-	235	-	1,019
At 31 March 2015	**454,602**	**23,438**	**21,197**	**2,743**	**501,980**
Depreciation at 1 April 2014	**(33,443)**	**(702)**	**(1,760)**	**-**	**(35,905)**
Depreciation charged in year	(3,457)	-	(182)	-	(3,639)
Revaluation depreciation	(714)	-	(38)	-	(752)
Depreciation charged in the year	4,171	-	220	-	4,391
Eliminated on revaluation	(4,171)	-	(220)	-	(4,391)
Released on disposal	147	-	154	-	301
At 31 March 2015	**(37,467)**	**(702)**	**(1,826)**	**-**	**(39,995)**
Net book value as at 31 March 2015	**417,135**	**22,736**	**19,371**	**2,743**	**461,985**
Net book value as at 31 March 2014	**380,144**	**24,476**	**17,270**	**2,673**	**424,563**
Cost or valuation at 31 March 2015 is represented by:					
Gross Cost	282,001	22,736	21,017	2,743	328,497
Historic Cost Depreciation	(13,679)	-	(1,371)	-	(15,050)
Less SHG	(52,597)	-	(5,989)	-	(58,586)
Revaluation	201,410	-	5,714	-	207,124
Total	**417,135**	**22,736**	**19,371**	**2,743**	**461,985**

During the year work to existing properties to the value of £1,188,000 (2014: £429,000) was capitalised. A further £2,664,000 (2014: £2,599,000) was spent on routine maintenance and £2,588,000 (2014: £2,808,000) on major repairs expenditure.

Long leasehold and freehold housing properties include £950,000 (2014: £1,350,000) 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 £436.5m (2014: £397.4m) 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 2015 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% (2014: 5.75%). 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 2015 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 2015

12 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 2014	**413,587**	**25,178**	**19,030**	**2,673**	**460,468**
Completed	12,852	(12,852)	3,468	(3,468)	-
Additions	9,573	11,112	1,768	3,538	25,991
Disposals/Write offs	(194)	-	-	-	(194)
Improvements/Capitalised Repairs	1,188	-	-	-	1,188
Revaluation	16,812	-	(3,304)	-	13,508
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The full valuation of all properties was carried out as at 31 March 2015 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 2015

12 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 2014	2,081	7,124	154	133	985	1,929	12,406
Additions	2	10	-	119	102	254	487
Disposals/Write-off	-	-	(24)	-	-	-	(24)
At 31 March 2015	**2,083**	7,134	130	252	1,087	2,183	12,869
Depreciation at 1 April 2014	(156)	(406)	(145)	(102)	(527)	(1,358)	(2,694)
Charge for Year	(77)	(46)	(1)	(24)	(47)	(197)	(393)
Adjustment re Write-off	-	-	24	-	-	-	24
At 31 March 2015	(233)	(452)	(122)	(126)	(574)	(1,555)	(3,063)
Net book value as at 31 March 2015	**1,850**	**6,682**	**8**	**126**	**513**	**628**	**9,806**
Net book value as at 31 March 2014	**1,925**	**6,718**	**9**	**31**	**458**	**571**	**9,712**

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 2014	7,124	154	133	985	1,929	10,325
Additions	10	-	119	102	254	485
Disposals/Write-off	-	(24)	-	-	-	(24)
At 31 March 2015	7,134	130	252	1,087	2,183	10,786
Depreciation at 1 April 2014	(406)	(145)	(102)	(527)	(1,358)	(2,538)
Charge for Year	(46)	(1)	(24)	(47)	(197)	(315)
Adjustment re Write-off	-	24	-	-	-	24
At 31 March 2015	(452)	(122)	(126)	(574)	(1,555)	(2,829)
Net book value as at 31 March 2015	**6,682**	**8**	**126**	**513**	**628**	**7,957**
Net book value as at 31 March 2014	**6,718**	**9**	**31**	**458**	**571**	**7,787**

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2015

13. 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)

14. Long term investment

	Group 2015 £000	Group 2014 £000	Association 2015 £000	Association 2014 £000
Investment in Housing Solutions Capital PLC	-	-	50	50
	-	**-**	**50**	**50**

15. Properties for Sale

	Group 2015 £000	Group 2014 £000	Association 2015 £000	Association 2014 £000
Shared ownership properties	2,686	2,361	2,686	2,361
	2,686	**2,361**	**2,686**	**2,361**

16. Debtors

	Group 2015 £000	Group 2014 £000	Association 2015 £000	Association 2014 £000
Due within one year				
Rent and service charge receivable	1,278	971	1,278	971
Less provision for bad and doubtful debts	(623)	(486)	(623)	(486)
	655	485	655	485
Other tax and social security	-	128	-	128
Prepayments and accrued income	320	279	320	279
Amounts owed by group undertakings	-	-	1,663	1,926
Other debtors	2,103	1,584	2,067	1,521
	3,078	**2,476**	**4,705**	**4,339**

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2015

17. Creditors: amounts falling due within one year	Group 2015 £000	Group 2014 £000	Association 2015 £000	Association 2014 £000
Trade creditors	857	464	857	464
Rent received in advance	814	685	814	685
Other tax and social security	257	-	257	-
Fixed asset creditors	2,496	2,220	2,496	2,220
Accrued interest	1,022	702	787	702
Bond Buyback	2,486	-	2,486	-
Other creditors	237	409	237	406
Recycled capital grant fund (Note 18)	389	270	389	270
Accruals	805	527	795	509
	9,363	**5,277**	**9,118**	**5,256**

18. Recycled capital grant fund	Group 2015 £000	Group 2014 £000	Association 2015 £000	Association 2014 £000
As at 1 April 2014	270	92	270	92
Withdrawals	-	-	-	-
Additions	119	178	119	178
At 31 March 2015	**389**	**270**	**389**	**270**

19. Creditors: Amounts falling due after more than one year	Group 2015 £000	Group 2014 £000	Association 2015 £000	Association 2014 £000
Housing Loans				
Harbour PLC bond – Fixed at 5.28%	1,633	8,052	1,633	8,052
Note Purchase Agreement	120,000	120,000	-	-
Legal & General Investment Management (LGIM)	20,000	-	-	-
Amounts due to subsidiary undertakings	-	-	105,000	100,000
Debt service reserve fund	(5,185)	(4,450)	(5,185)	(4,450)
Term Loan	135,000	135,000	135,000	135,000
	271,448	**258,602**	**236,448**	**238,602**

During April 2015 the Harbour bond was bought back and is no longer in existence. Excluding the Harbour Bond and the debt service reserve, maturity of the loans between 2 and 5 years is £11.4m (2014: £7.1m). After 5 Years £267.9m (2013: £255.9m)
The Note Purchase Agreement is repayable in 2034 and the LGIM loan in 2054, the term loan is repayable from 2017 to 2037. Rates of interest average between 0.79% and 5.46%
Housing loans are secured by specific charges on the housing properties and by a first fixed charge on HSL's bank accounts.

20. Non-equity share capital

	Association 2015 Number	Association 2014 Number
Shares of £1 each issued and fully paid		
At 1 April 2014	9	9
Shares issued during the year	-	-
Shares surrendered during the year	-	-
As at 31 March 2015	**9**	**9**

21. Revaluation Reserve

	Group 2015 £000	Group 2014 £000	Association 2015 £000	Association 2014 £000
At 1 April 2014	179,514	165,863	179,514	165,863
Revaluation during the year	13,508	14,511	13,508	14,511
Transfer to revenue reserve	(752)	(860)	(752)	(860)
As at 31 March 2015	**192,270**	**179,514**	**192,270**	**179,514**

22. Revenue Reserve

	Group 2015 £000	Group 2014 £000	Association 2015 £000	Association 2014 £000
At 1 April 2014	32,313	26,194	32,295	26,228
Surplus for the year	8,245	6,752	8,193	6,700
Actuarial (losses)/gains on pension scheme	(3,516)	(1,493)	(3,516)	(1,493)
Transfer from revaluation reserve	752	860	752	860
Surplus as at 31 March 2015	**37,794**	**32,313**	**37,724**	**32,295**

23. Leasing commitments

	Group and Association 2015 Motor Vehicles £000	Group and Association 2015 Other Leases £000	Group and Association 2014 Motor Vehicles £000	Group and Association 2014 Other Leases £000
The group has annual commitments in respect of non cancellable operating leases as follow:-				
Expiring within one year	27	5	24	11
Expiring between two and five years	13	15	16	15
	40	**20**	**40**	**26**

24. Capital Commitments

	Group 2015 £000	Group 2014 £000	Association 2015 £000	Association 2014 £000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	27,476	39,596	27,476	39,596
Capital expenditure that has been authorised by the board but has not been contracted for	6,923	12,019	6,923	12,019

The total amount contracted for at 31 March 2015 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 2015

25. Cashflow

(i) Net cash inflow from operating activities

	2015 £000	2014 £000
Operating surplus	15,649	14,422
Depreciation	4,784	4,290
Defined benefit pension operating charge	717	625
Impact of settlements and curtailments	-	-
Net return on assets	413	337
Defined benefit pension contributions paid	(665)	(574)
	20,898	19,100
Working capital movements		
Properties for sale	(325)	(2,361)
Debtors	(631)	1,111
Creditors	3,623	(1,222)
Net cash inflow from operating activities	23,565	16,628

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

	As at 31 March 2015 £000	As at 31 March 2014 £000
Increase/(Decrease) in cash	717	29,000
Cash inflow from increase in debt	(13,581)	(50,000)
Change in net debt resulting from cash flows	(12,864)	(21,000)
Change in market value of debt service reserve	735	(375)
Movement in net debt for the period	(12,129)	(21,375)
Net Debt at 1 April 2014	(212,492)	(191,117)
Net Debt at 31 March 2015	**(224,621)**	**(212,492)**

(iii) Analysis of changes in net debt

	1 April 2014 £000	Cashflow £000	Non-cash movement £000	31 March 2015 £000
Cash at bank and in hand	46,110	717	-	46,827
Investment	-	-	-	-
Changes in cash	46,110	717	-	46,827
Loans	(258,602)	(13,581)	735	(271,448)
Net Debt	**(212,492)**	**(12,864)**	**735**	**(224,621)**

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014

26. Pensions

Circa 54% of the group's employees are members of the Royal County of Berkshire Pension Scheme. The pension cost includes £665,000 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:

	2015 % per annum	**2014 % per annum**	**2013 % per annum**
Rate of salary increase	3.30%	3.60%	3.40%
Rate of pension increase	2.5%	2.8%	2.6%
Employer's contribution	18.4%	17.6%	16.9%
Discount rate	3.4%	4.5%	4.6%
Inflation assumption	3.3%	3.6%	3.4%

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2015

26. Pensions (continued)

The estimated asset distribution of the Fund as a whole, as at 31 March 2015, is as follows:

Assets	Asset Distribution 2015	Asset Distribution 2014	Asset Distribution 2013
Equities	44.0%	42.0%	41.0%
Bonds	15.0%	17.0%	22.0%
Property	12.0%	12.0%	10.0%
Cash	5%	2%	0%
Other	24%	27%	-
Alternative Assets	0%	0%	27.0%
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	**2015 £000**	**2014 £000**	**2013 £000**	**2012 £000**	**2011 £000**
Share of net pension fund deficit measured under FRS17 as at 31 March 2015 comprised the following:					
Total market value of assets	15,297	13,754	12,451	11,097	10,848
Present Value of pension fund liabilities	(28,733)	(23,204)	(20,077)	(18,534)	(16,514)
Present Value of unfunded liabilities	(71)	(66)	-	-	-
FRS17 pension fund deficit recognised in the balance sheet	**(13,507)**	**(9,516)**	**(7,626)**	**(7,437)**	**(5,666)**

The following amounts have been recognised in the financial statements in the year ended 31 March 2015 under the requirements of FRS 17:	**2015 £000**	**2014 £000**	**2013 £000**	**2012 £000**	**2011 £000**
Operating Surplus:					
Service Cost	717	625	567	615	(1,255)
Total operating charge	**717**	**625**	**567**	**615**	**(1,255)**
Net interest on the defined liability (asset)	**(413)**	**(337)**	**(332)**	**(262)**	**(434)**
Statement of total recognised surpluses and deficits (STRSD):					
Return on Fund assets in excess of interest	672	-	-	-	-
Other actuarial gains on assets	-	471	-	-	-
Actual return less expected return on pension scheme assets	-	-	574	(684)	(330)
Experience loss on defined benefit obligation	(1)	(1,487)	(3)	-	-
Changes in financial assumptions underlying the present value of the scheme liabilities	(4,187)	(477)	(480)	(774)	2,776
Actuarial (loss)/gain recognised in STRSD	**(3,516)**	**(1,493)**	**91**	**(1,458)**	**2,446**

Reconciliation of opening & closing balances of the present value of the defined benefit obligation

Opening defined benefit obligation	23,270	20,077	18,534	16,514	19,654
Current service	717	625	521	525	742
Interest cost	1,038	916	846	918	1,074
Change in financial assumptions	4,187	971	-	-	-
Change in demographic assumptions	-	(494)	-	-	-
Experience loss on defined benefit obligation	1	1,487	482	774	(2,776)
Losses (gains) on curtailments	-	-	50	93	-
Estimated benefit paid net of transfers in	(668)	(528)	(548)	(476)	(386)
Past service cost	-	-	-	-	(1,994)
Contributions by scheme participants	263	220	196	190	204
Unfunded pension payments	(4)	(4)	(4)	(4)	(4)
Closing defined benefit obligation	**28,804**	**23,270**	**20,077**	**18,534**	**16,514**

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2015

26. Pensions (Cont'd)

	2015 £000	2014 £000	2013 £000	2012 £000	2011 £000
Reconciliation of opening & closing balances of the fair value of Fund assets					
Opening fair value of Fund assets	13,754	12,451	11,097	10,848	10,172
Interest on assets	625	579	608	656	640
Return on assets less interest	672	(201)	-	-	-
Other actuarial gains/(losses)	-	672	574	(684)	(330)
Administration expenses	(10)	(10)	-	-	-
Contribution by employer including unfunded	665	574	529	568	553
Contributions by Scheme participants	263	220	196	190	203
Estimated benefits paid plus unfunded net of transfers in	(672)	(531)	(553)	(481)	(390)
Closing Fair value of Fund assets	**15,297**	**13,754**	**12,451**	**11,097**	**10,848**

Movement in deficit during the year	2015 £000	2014 £000	2013 £000	2012 £000	2011 £000
Deficit in scheme at beginning of the year	(9,516)	(7,626)	(7,437)	(5,666)	(9,482)
Service cost	(717)	(625)	(567)	(615)	1,255
Employer contributions	665	574	525	564	549
Net return on assets	(413)	(337)	(238)	(262)	(434)
Other Costs	(10)	(9)	-	-	-
Actuarial (loss)/gain	(3,516)	(1,493)	91	(1,458)	2,446
Deficit at end of the year	**(13,507)**	**(9,516)**	**(7,626)**	**(7,437)**	**(5,666)**

Details of experience surpluses and deficits for the year to 31 March 2015:	2015 £000	2014 £000	2013 £000	2012 £000	2011 £000
Difference between the expected and actual return on scheme assets	672	672	574	684	100
Experience surpluses and deficits on scheme liabilities	(1)	(1,487)	(3)	(2)	(157)
Total amount recognised in statement of total recognised surpluses and deficits	(3,516)	(1,493)	91	(1,458)	2,446

27. 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 £11,170 (2014: £10,783) for electricity generated by the photo voltaic panels on residents' roofs and Housing Solutions Limited charged HSG Property Services Limited £11,170 (2014: £10,783) for the rental of residents' roofs. HSL charged HSG interest £50,767 (2014: £50,767).

Housing Solutions Capital PLC was charged £6,053,947 (2014: £5,776,190) for interest on the Note Purchase Agreement loan and received £6,053,947 (2014: £5,776,190) in interest from the parent Housing Solutions Limited, for its loan to the parent company.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2015

28. Legislative Provisions

The association is incorporated under the Co-Operative and Community Benefit Societies Act 2014, Registration No. 27876R and is a Registered Social Landlord under the Housing Act 1974, Registration No. L4073

29. 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.

30. Post Balance Sheet Event

The budget announcement on July 8th included proposed changes in the rent charging regulations applicable to all registered Housing Associations. The main change proposed a reduction in social housing general needs rents by 1% each year for the 4 years commencing April 1st 2016. Previously the formula had been increases linked to CPI + 1% margin. The effect this has on HSL is twofold – firstly, it may reduce our margins going forward and secondly, it may reduce the accounts valuation of our assets which is used for gearing covenant calculation. In respect of our margins, we have had a strong ratio of operating surplus to turnover, and we also have a mix of non-general needs properties such as Shared Ownership which are not affected by the rent reductions. We have modelled the effects and there will be no breach of our interest cover covenant in the near future. In respect of the valuation issue, we have commissioned an independent valuation update from Jones Lang LaSalle Ltd which indicates we will remain within our gearing covenant over at least the next three years. We also have adequate security to be able to meet our asset cover covenants especially since the security valuations are higher than the accounts valuations due to mortgagee in possession clauses.