Financial Statements

2013/14

Report and financial statements for
the year ended **31 March 2014**

housing&care21

(formerly known as Housing 21)


housing&care21

Contents

Chairman's statement

2013/14 was a year of change and challenge, but it was also a year of achievement and for taking the critical decisions that give cause for confidence in the prospects for the future success of Housing & Care 21.

Lord Ben Stoneham
Chairman

New Leadership

After making a commitment to put right the problems of the Oldham PFI contract by entering into a Deed of Variation and agreeing to undertake a programme of rectification works, the Board determined that a change of leadership was required and accepted the resignation of Pushpa Raguvaran as Chief Executive. She was replaced by Bruce Moore initially on an interim basis in September 2013, but his appointment as Chief Executive was made permanent in December 2013.

It was apparent that further changes to the Executive were also needed and a decision was taken to create a new smaller Executive with greater emphasis on setting priorities and devolving decision making. After an external recruitment process we are delighted to have appointed Tony Tench to a new role as Chief Operations Officer. Tony brings a wealth of experience and energy to this role and will be a real asset to Housing & Care 21. He will work alongside Paul Weston as Chief Finance Officer. Paul had already established a strong financial focus and ensured that Housing & Care 21 was operating as a viable business with considerable financial strength and resilience.

This smaller Executive of Bruce Moore, Paul Weston and Tony Tench will also be instrumental in unlocking the leadership potential in the talented tier of senior managers, as well as creating a substantial efficiency saving.

Mike Stansfield took the decision to step down from the main Board and his position as Chair of the Oldham Retirement Housing Partnership Board slightly ahead of his scheduled retirement date to allow scope for recruitment of new Board members.

I am very pleased that we have been able to recruit four excellent new Board members: Kathleen Boyle, Stephen Hughes, Michael Knott and Liz Potter. It is already clear that they will add new insights, skills and perspectives to further strengthen the quality of the Board's governance.

Although it is not actually a committee of the Board, a strong link is also maintained with the National Committee who, with Keith Stacey as Chair, are starting to find their voice and develop into an effective forum for review, challenge and promotion of the views and issues of greatest importance to residents and customers.

Chairman's statement *cont'd*

We have reviewed the strategic priorities for Housing & Care 21 and are focusing our attention on doing the things we do best.

Strong Performance

Despite the changes and problems in Oldham, underlying performance and financial results of Housing & Care 21 have shown continued improvement.

Performance across all areas of activity was on or better than the budgeted position which produced a healthy Group operating surplus of £18.2 million (after exceptional items of £5.6m).

The Regional and Locality teams are starting to show their potential and provide a firm foundation of sustained delivery and development of services. Efficiencies and improvements are also being made in the corporate departments to ensure these are aligned with business priorities to help enhance the capacity to deliver value for money and customer focused support.

Housing & Care 21 is the leading developer and operator of Extra Care housing. In 2013/14 we completed a further 153 new Extra care properties (123 for rent and 30 for shared ownership). At the end of the financial year we still had a considerable programme of 1,710 properties under development with pressure to complete these before April 2015 to meet the deadlines for the Homes and Communities Agency.

We have continued to maintain a comprehensive £15.7 million programme of investment in existing properties to ensure these continue to meet the expectations and demands of current and future generations of older people.

The programme of rectification works agreed under the Deed of Variation of the Oldham PFI contract is also on track and hitting all the milestones to ensure that the properties in Oldham meet the standards that the tenants and Oldham Council have a right to expect.

Greater Focus

We have reviewed the strategic priorities for Housing & Care 21 and are focusing our attention on doing the things we do best – management of retirement housing courts, Extra Care housing, and providing home care services.

Our focus remains primarily on meeting the needs of older people and hence during the year we disposed of 263 general family housing properties to other housing associations which generated a receipt of £20.4 million for investment back into our core areas of business.

We also disposed of the subsidiary company Complete Care Holdings Limited for over £10 million and have plans to dispose of other non-core subsidiaries.

By focusing on the things we do best, Housing & Care 21 will be able to pay greater attention to the key risks and challenges we face in these businesses and avoid potential mistakes or problems that have previously been experienced.

Confidence for the Future

At the end of 2013/14 Housing & Care 21 was in good shape and well positioned for continued future success.

In April 2014 Housing & Care 21 changed its name to better reflect the balance of housing and care services we provide.

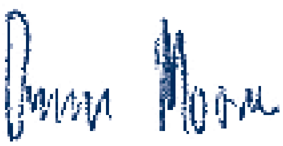
In May 2014 we moved into a modern and professional new corporate head office in Tricorn House, Birmingham.

In May 2014 we also secured an additional £75 million of funds from Royal Bank of Scotland, a new lender to Housing & Care 21, to create a significant contingency and additional capacity to undertake further developments.

2014 is the 50th anniversary year for Housing & Care 21 and with a renewed sense of purpose and commitment we believe there is considerable cause for optimism for the future.

Chief Executive's statement

There is no denying that 2013/14 was a year of challenge and change for Housing & Care 21.



Bruce Moore
Chief Executive

After ensuring that the failures encountered with the Oldham PFI contract could be rectified and securing the funding required to meet development commitments, the Board took decisive action to make changes to the leadership and strategy of the organisation. Steps were initiated to address underlying concerns and re-establish confidence in the future prospects for Housing & Care 21.

Clarity and Commitment

The range and extent of Housing & Care 21's activities demonstrate a deeply felt ambition and desire to be a leading provider of housing and care services for older people. However, aspirations for growth in scale, scope and size must also be realistic and based on firm foundations.

The change of organisational name provides a clear message that the organisation is committed to providing both care and housing services. However, despite the intent to provide integrated services, we recognise that the services at the heart of our operations each have distinct drivers, dynamics and demands. Housing & Care 21 has therefore identified *three core business areas* at the heart of its operations (Retirement Housing, Extra Care, and Home Care) each with their own particular characteristics, potential and challenges.

Retirement Housing

This is the core housing service providing quality accommodation and services for 11,453 households in 358 Retirement Housing Courts across England.

There is though a risk that without investment and attention it could start to decline in popularity. Business plans are therefore being developed for each Court to guide future investment decisions, opportunities are being created for increased devolution of decisions to reflect local requirements and attention is being given to develop the role and responsibilities of Court Mangers to ensure their critical contribution is properly rewarded and recognised.

Extra Care

Housing & Care 21 is the largest provider of Extra Care housing and we are about to complete our 100th Extra Care development.

We intend to carry on developing Extra Care properties, despite a decline in availability of grant funding, but intend to target investment in areas where there is an opportunity to link the provision of the property to the operation of the care service. We will also continue to learn from experience and consider the potential for innovation and improvement in the service models, designs and sustainability of Extra Care developments. A key consideration is the affordability of Extra Care for those who purchase a full or part share in their property as well as those that rent, as well as ensuring that there is clarity about the suitability of the service for residents with a range of needs and circumstances.

Chief Executive's statement *cont'd*

Housing & Care 21 is the largest provider of Extra Care housing and we are about to complete our 100th Extra Care development.

Home Care

Homecare is a challenging business with low margins and an emphasis on 'time and task' commissioning that presupposes that care workers will be engaged on zero-hour contracts at low wage rates. Housing & Care 21 has made considerable progress in eliminating loss making care contracts, but further work is needed to improve quality assurance and standards of care.

A substantial investment is also being made in new software systems to support the efficient and effective operation of the care business and to identify ways in which this might help transform and enhance operation of our care services.

Focus on core activities

Close attention is continuing to be maintained on the subsidiaries established to operate the Kent and Oldham PFI projects to ensure that these continue to operate successfully for the remainder of their contractual terms.

The Regional and Locality management structures that are responsible for the performance across a mixed portfolio of services in a particular area have been successful in driving operational improvements and financial performance. It is essential that the central and corporate support services are also aligned to operational service models. A process of moving these functions to a central office location in Birmingham will provide an opportunity to reduce overhead costs as well as providing a more effective support service.

Housing & Care 21 has confirmed that its commitment and primary focus will be on providing contemporary care and housing services and solutions to address the needs of older people of modest means.

As a consequence we successfully transferred a legacy portfolio of 263 family housing properties to other landlords, which generated an additional receipt of £20.4 million. We also started a process of disposing of subsidiary businesses acquired as part of the Claimar Care Group with the disposal of Complete Care Holdings Limited realising £10.5m (comprising £9m sales proceeds and £1.5m gift aid proceeds). The holding values of other Claimar Care Group subsidiaries have also been adjusted to reflect the base values at which these companies may be transferred out of the Housing & Care 21 Group.

Discussions are also being held with Gharana Housing Association to decide whether this will transfer to another parent housing association or be integrated into the operations of Housing & Care 21.

Priorities and Risks

Although significant progress has been made to strengthen the position and potential of Housing & Care 21 there are many more changes and improvements that still need to be made.

A framework of corporate priorities has been developed to provide clarity of purpose and ensure all parts of the organisation are working together towards a common purpose and strategy. These reflect both identified business opportunities and an assessment of the risks facing the organisation and the actions identified to address or control them.

Considerable emphasis has been given to the importance of effective assurance and risk management. All senior managers have completed assurance statements that confirm their areas of responsibility, that they have assessed, checked and critically reviewed the operation and the effectiveness of the controls and procedures that apply. This process also required them to highlight any areas of concern and the actions being taken to address them.

Whilst the controls that are in operation are adequate there is still considerable scope for improvement. It is likely that as further checks and changes are made other issues will come to the surface, but there are already early signs that a positive culture of openness, ownership and accountability is now starting to develop and become established.

Culture and Criteria for Success

Housing & Care 21 is fortunate to have many excellent staff who are committed to providing the best possible service to the residents and clients they serve.

Sometimes they may have felt that they were doing this despite rather than because of the recognition and support they received from Housing & Care 21.

People are the essence of any organisation and a major programme has therefore been commenced to engage with staff at all levels, in all roles throughout the organisation to establish a common set of three principles by which will guide the decisions, influence behaviours and shape the way in which we all work. The three factors are: '21'; 'better'; and 'experience'.

Chief Executive's statement *cont'd*

21

The '21' in our name refers to the intention *to create a 21st century organisation and services*. 21 is the prompt for us to think about opportunities for innovation and new ways of working as well as the need to modernise our properties and consider new design possibilities.

BETTER

This acknowledges the recent problems and current challenges faced by Housing & Care 21 and the need to take steps to address them. But Housing & Care 21 should also *aim to be better than other providers* and competitors in doing the things it does and improving the quality of life of the residents and clients we serve and support.

EXPERIENCE

Housing & Care 21 has 50 years of experience and know-how gained from providing services to older people.

We should be confident about sharing what we know whilst continuing to build a pool of knowledge and experience for the future, learning from both our successes and mistakes. Ultimately we will be judged by our residents and clients, so we need to find ways to better understand and improve their perceptions and experience.

To drive improvement we will focus on developing the leadership potential not just of the Board, Executives and Senior Management, but across the whole organisation. Better leadership skills will ensure that residents and clients are given more opportunity to shape, control and exercise choices about the services they receive.

Housing & Care 21 will not be successful unless we work together and with others. We are breaking down internal barriers and blockages between different functions and teams, but also seeking to identify the right business partners and local stakeholders to work with to develop and improve our services.

Quality and Value for Money are key guiding principles that need to be used to test and challenge ways of working to ensure that we are maximising the potential without compromising on safety, assurance, customer experience or reliability. This requires both internal scrutiny as well as external assessments of services and performance.

Housing & Care 21 must be prepared to advocate and also to listen. Open, genuine, clear and honest communication is going to be essential for success.

Confidence for the Future

As these financial statements demonstrate the underlying business of Housing & Care 21 has considerable strength. Financial stress tests have shown that even with the simultaneous impact of multiple adverse scenarios the organisation remains resilient and has the reserves, funding headroom, interest cover and capacity to continue to operate and develop services and properties for the benefit of the older people with housing and care needs that we exist to serve.

Despite the challenges and changes of the last financial year, Housing & Care 21 is well positioned for future success.

I consider it a great privilege to have been appointed to lead the organisation as it moves from recovery to stability and into a process of improvement and innovation. With the benefit of a revitalised Board under the strong leadership of Lord Ben Stoneham together with support from the skilled and experienced Executive of Paul Weston (Chief Financial Officer) and Tony Tench (Chief Operations Officer), the prospects for the future success of Housing & Care 21 look promising.

Paul Weston, Chief Financial Officer

Tony Tench, Chief Operations Officer

Report of the Board

Board and Committee Members

The Board of Housing & Care 21 exercises control and formulates strategy, both directly and through delegation to its committees.

Board appointments (and resignations during the year)

Name	Position	Appointed/*(Resigned)*
Lord Ben Stoneham	Chair and Member	29 July 2011
Kathleen Boyle	Member	31 January 2014
Simon Fanshawe OBE	Member	29 July 2011
Matthew Harker	Member	1 April 2006
Stephen Hughes	Member	31 January 2014
Richard Humphries	Member	21 October 2009
Ken Jeffries	Member and Tenant	24 September 2010
Michael Knott	Member	31 January 2014
Jenny Owen CBE	Member	31 May 2011
Liz Potter	Member	31 January 2014
Sanaya Robinson	Member	6 November 2009
Helena Herklots	Member	1 January 2007 / *(Resigned 31 July 2013)*
Mike Stansfield	Member	2 October 2006 / *(Resigned 27 September 2013)*

Lord Ben Stoneham

Ben spent most of his career in the newspaper industry directing operations and business decisions. He has developed considerable experience of housing, having previously been the chair of two other housing associations and a major urban regeneration scheme. He is currently the frontbench spokesperson on Business, Innovation and Skills for the Liberal Democrats in the House of Lords.

Kathleen Boyle

Kathleen brings knowledge and familiarity of the housing and care sectors through 30 years experience working in national and local organisations. Her roles have included policy development at the National Housing Federation, Board Member at Croydon Churches Housing Association and Director of L'Arche London, a local charity providing housing and care.

Simon Fanshawe OBE

Simon is an entrepreneur, non-executive director and broadcaster who regularly comments on social policy, politics, the arts and equality. He currently works with organisations to use diversity to transform their performance. Until 2013 he was chair of Sussex University's governing Council. He was a co-founder of Stonewall. He is on the Board of Brighton Dome and Festival.

Report of the Board *cont'd*

Matthew Harker

Matthew is currently a Director in the Mergers and Acquisitions Group of Societe Generale. As an investment banker, Matthew brings considerable expertise in financial advisory across a number of business sectors including experience in social housing and health care. Matthew has previously held roles with UBS Investment Bank and NM Rothschild Investment Banking.

Stephen Hughes

Stephen has extensive local government experience and was previously Chief Executive of Birmingham City Council. He is a qualified accountant and also a member of the Institute of Customer Service. Stephen brings insight into delivering first class customer services in the housing and social care environment and knowledge and experience of PFI projects.

Richard Humphries

Richard has considerable understanding of health and social care issues through his role as Assistant Director (Policy) at the health policy think-tank the King's Fund, and over 35 years experience in local government, the NHS and central government. He is co-chair of the Association of Directors of Adult Social Services (ADASS) Associates Network.

Ken Jeffries

As a Resident Board member, Ken provides the customer input and perspective into the decision-making and strategic direction of the Board. Ken has worked as a customer services manager and was a mortgage and insurance broker, as well serving in the Royal Navy.

Michael Knott

Michael provides an extensive range of experience from a career that has moved from consumer goods, through engineering and then to health and social care. Michael is the founder of Caring and Support Today Limited providing help and advice for people seeking care. Michael was also previously the Managing Director of Shaw Healthcare.

Jenny Owen CBE

Jenny brings 36 years' experience of social care in local authorities, central government and regulation. She was previously Deputy Chief Executive and Director of Adult Social Care at Essex County Council. Jenny is also an experienced non-executive director who is also on the Board of the Royal Free Hospital London, and the Alzheimer's Society. She is a member of ADASS having been the President in 2010.

Liz Potter

Liz has 30 years of housing experience and brings a range of experience to the Board. She was previously chair of Orbit Housing Group. Liz advises on governance and has been involved in recovery action plans with the HCA. As Director of Policy at the NHF, she negotiated a much improved deal for housing associations on rent restructuring and support funding for older people.

Sanaya Robinson

As a Chartered Accountant and Corporate Treasurer who has held a number of senior finance management and director posts in high profile organisations, Sanaya brings best practice expertise on financial reporting and audit issues. Her experience includes FTSE 100 plcs and a housing association, where she was interim FD. Sanaya also serves on the Board of another Registered Provider and a Building Society.

Report of the Board *cont'd*

Board Committees

The Board has delegated specific responsibilities for internal and external audit and risk management to the Audit and Risk Management Committee and responsibilities for remuneration, nominations and the governance framework to the Governance Committee.

Membership of Committee is as follows:

Audit and Risk Management Committee	Governance Committee
Sanaya Robinson (Chair)	Richard Humphries (Chair)
Stephen Hughes	Simon Fanshawe OBE
Ken Jeffries	Ken Jeffries
Michael Knott	Jenny Owen CBE
Jenny Owen CBE	Liz Potter
Lord Ben Stoneham	Sanaya Robinson
	Lord Ben Stoneham

The Board is supported by a National Committee and Regional Partnership Groups, which ensure that the views and perspectives of residents and customers are considered when reviewing and improving services.

Executive and Secretary

Executive Name	Position
Bruce Moore	Chief Executive (appointed 9 September 2013)
Paul Weston	Chief Financial Officer
Tony Tench	Chief Operations Officer (appointed 10 March 2014)
Pushpa Raguvaran	Chief Executive (until 29 August 2013)
Tayo Bilewu	Director of Property (until 4 May 2014)
Peter Caley	Director of Organisational Development / HR (until 31 May 2013)
Sandy Staff	Interim Director of Organisational Development / HR (appointed 7 May 2013, until 30 September 2013)
Les Clarke	Director of Operations (until 1 November 2013)
Dominic Rothwell	Director of Business Development (until 1 November 2013)

Secretary Name	Position
Paul Hutton	Head of Legal Services and Company Secretary (appointed 3 December 2013)
Stephen Bateman	Director of Business Improvement and Company Secretary (until 2 December 2013)

The Executives are supported by the Senior Management Team. The Board has a delegated authority framework which includes specific delegation to the Executive and Senior Management Team members.

Bankers and Advisors

Bankers	Barclay's Bank plc	Corporate Banking, Level 28, 1 Churchill Place, Canary Wharf, London, E15 5HP
Independent External Auditors	BDO LLP	2 City Place, Beehive Ring Road, Gatwick, RH6 0PA
Principal Solicitors	Devonshires LLP	30 Finsbury Circus, London, EC2M 7DT

Registration

Housing & Care 21 is incorporated under the Industrial and Provident Societies Act 1965 (Registered number 16791R) and registered under the Housing and Regeneration Action 2008 (Number L0055). Housing & Care 21 is an exempt charity.

Insurance of Directors and Officers

Directors are covered by Directors and Officers Liability insurance to an indemnity limit of £10m in respect of their duties as directors of the Group.

Registered Office

Housing & Care 21, Tricorn House, 51-53 Hagley Road, Edgbaston, Birmingham, B16 8TP

Report of the Board *cont'd*

Principal Activities and Structure

Housing & Care 21's aim is for older people to have a fulfilling and happy later life and contributes to this by:

- Providing retirement housing for rent and ownership in 46 local authorities and 309 towns and cities across England
- Being the largest provider of Extra Care housing with 28 developments and 98 courts and 3,461 properties
- Providing more than 80,000 hours of homecare each week
- Developing new housing for older people. With 153 new units completed in 2013/14 and a further 1,710 scheduled for completion by 31 March 2015; and
- Promoting dementia awareness and specialist dementia services

The mission of Housing & Care 21 is to *promote independence and choice for older people through quality housing, care and support.*

The purpose of Housing & Care 21 is to *provide contemporary care and housing services and solutions to address the needs of older people of modest means.*

Contemporary – Commitment to providing a modern and forward looking 21st century service.

Care and Housing – Recognition that both care and housing are core competencies that set the scope and focus any business activities.

Solutions that meet individual needs – Not simply adopting and applying prescribed or standard responses.

Older people – People over retirement age (65+) should become the primary focus of our work and services we provide.

Addressing needs – Aim to increase well-being and not just desires and aspirations.

For those of modest means – Helping those most likely to benefit from support and assistance.

Housing & Care 21 has over 28,000 customers, delivers more than 80,000 hours of care each week, and manages over 18,000 sheltered housing, flats, extra care apartments and specialist accommodation for people with dementia, learning disabilities and mental health conditions. In order to deliver these services, Housing & Care 21 employs more than 6,400 staff.

Report of the Board *cont'd*

Group Structure and active companies as at 31 March 2014.

Housing & Care 21 (the Parent) is an Industrial and Provident Society with exempt charitable status. As a Registered Provider of Social Housing it provides care and housing with associated amenities. It is registered with the Financial Conduct Authority and regulated by the Homes and Communities Agency. Its constitution is contained in its Rule Book.

The Group's main subsidiaries are as follows:

First Call Community Systems Limited (First Call) is a private company limited by shares. It was a subsidiary of Claimar Care Group Limited but is now a subsidiary of Housing & Care 21. The principal activity of the company is the provision of domiciliary care. Its constitution is contained in its Memorandum and Articles of Association.

Gharana Housing Association Limited (GHAL) is an Industrial and Provident Society with exempt charitable status and comprises two sheltered housing schemes in Northamptonshire.

H21 Guernsey LBG (H21G) is a private company limited by guarantee and incorporated under and subject to the law of the States of Guernsey. The purpose of this subsidiary is the management of a scheme for and on behalf of the States of Guernsey.

Kent Community Partnerships Limited (KCP) is an Industrial and Provident Society with exempt charitable status. It is a special purpose vehicle set up under the PFI to build and manage extra care housing in Kent under a contract with Kent County Council.

Oldham Retirement Housing Partnership Limited (ORHP) is an Industrial and Provident Society with exempt charitable status. It is a special purpose vehicle set up under the Private Finance Initiative (PFI) to refurbish and manage retirement housing in Oldham under a contract with Oldham Metropolitan Borough Council.

Paediatric Nursing Link Limited (PNL) is a private company limited by shares. It was a subsidiary of Complete Care Holdings Limited but is now a subsidiary of Housing & Care 21. It is a registered employment agency providing nursing staff to the NHS. Its constitution is contained in its Memorandum and Articles of Association.

Surecare Community Services Limited (Surecare) is a private company limited by shares. It was a subsidiary of Claimar Care Group Limited but is now a subsidiary of Housing & Care 21. It operates in the field of health care franchising, community care delivery and monitoring. Its constitution is contained in its Memorandum and Articles of Association.

Holding companies

Claimar Care Group Limited is a private company limited by shares. It is a subsidiary of Housing & Care 21 but was also the holding company for Surecare, First Call and PNL which were sold to Housing & Care 21 during the financial year.

During the financial year Complete Care Holdings Limited was disposed of and the Group divested of War Memorial Village Derby.

Anvil Court, Horley

Report of the Board *cont'd*

Board Member Responsibilities

The responsibilities and expectations of Board members are documented in Board member contracts. All Board members share collective responsibility for:

- Setting plans to achieve the objectives of the Group, and taking key decisions in relation to them
- Approving and reviewing the budget and financial statements
- Establishing and overseeing a framework of delegation to staff
- Monitoring the Group's performance in relation to the agreed plans, objectives, budgets and risk mitigation
- The effective working of the Board; and
- Ensuring that the Group's affairs are conducted solvently, lawfully and in accordance with accepted standards of best practice and propriety

The Board met 10 times during 2013/14, and held two away day sessions, in order to discharge these duties.

The composition of the Board is kept under review to ensure the mix of skills and experience is appropriate for the effective governance of the Group. During the last year, 4 new Board members joined the Board thereby enhancing the range of experience and expertise.

On an individual basis Board member responsibilities include:

- Supporting the values and objectives of the Group
- Contributing to the decisions of the Board and any Committee of which they are a member by drawing on their skills and experience
- Representing the Group positively to all external audiences, respecting confidentiality and complying with the Code of Conduct; and
- Registering all interests that might have a bearing on the Group's work and declaring any potential or actual conflicts of interest as and when they arise

Performance of the Board, Committees and its Members are appraised annually on both an individual and collective basis. Individual Members are appraised by the Chair, and the Chair by the Chair of the Governance Committee. An Annual Assessment of Board effectiveness takes place. In the current year this was based on an assessment of skills by an independent third party as well as a review of compliance with specific areas of the NHF Code of Governance by Internal Audit. The Board complies with all standards and expectations and future requirements in terms of skills and training are being addressed by the Governance Committee

Responsibilities in respect of the report and financial statement

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

Industrial and Provident Society law and social housing legislation require the Board members to prepare financial statements for each financial year in accordance with United Kingdom Accounting Standards and applicable laws. Board members approve the financial statements when they are satisfied that they give a true and fair view of the state of affairs of the Group and of the surplus or deficit of the Group for that period.

In preparing these financial statements, the Board members are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social landlords (updated 2010) have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, the Housing and Regeneration Act 2008 and the Accounting Direction for Social Housing in England From April 2012. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Board is also responsible for ensuring that the Report of the Board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social landlords (updated 2010).

Financial statements are published and made available on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements.

Report of the Board *cont'd*

Responsibilities in respect of governance and internal control

The Group, which includes all subsidiaries both regulated and unregulated entities, is committed to achieving best practice in all aspects of corporate governance and has adopted the National Housing Federations Code of Governance as its Governance Framework. During the year ended 31 March 2014, the Group has assessed itself as being compliant with the Code of Governance.

The Board acknowledges that it has overall responsibility for establishing and maintaining the system of internal control and for reviewing its adequacy and effectiveness. This applies in respect of all companies and subsidiaries within the Group. Whilst the Board is responsible for overall strategy and policy of Housing & Care 21, the day to day running of the Group is delegated to the Chief Executive and other Executives.

The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. However, the system of internal control adopted by the Board is designed to manage risk and to provide reasonable, but not absolute, assurance that key business objectives and expected outcomes will be achieved.

The Board has agreed that the adopted framework of internal control is appropriate for the size, nature and complexity of the Group and is adequate. However, the Board is aware that there are control weaknesses in the operation of the Group and the systems of internal control operating within the Group have not proved to be wholly effective. Steps are, however, being taken to address these concerns and establish a stronger culture of control and assurance.

The Group is currently assessed by the Homes and Communities Agency as regulator at a rating of G2 and V2. The Board is committed to taking the steps necessary to return the rating to a standard of G1 and V1.

Risk Management

The management of risk is acknowledged as being fundamentally important to Housing & Care 21. The risks of not meeting organisational objectives are continually assessed to measure their significance, and required action. Regular risk management reporting takes place to the Audit and Risk Management Committee and Board, and the Group has a well developed risk management strategy and framework in place, which includes:

- how we identify and manage risks and opportunities, which sets out responsibilities for the Board, Management Team and Officers; and
- documentation of risk maps, setting out the risk of failing to meet business objectives, together with controls and actions needed to manage the risks

During 2013/14 the risks to the Group and progress in implementing mitigation plans were reviewed in detail by the Risk Manager, Senior Management Team, Executive, Audit and Risk Management Committee and the Board. The outcome of both the detailed and on-going reviews identified a number of new strategic risks. Management of these risks has been aligned with corporate priorities and strategic plans.

Key risks and uncertainties have been identified and are proactively managed through the following measures:

- Ensuring the financial strategy and business model continues to satisfy our core customer base
- Operating systems and processes are adequate for delivery of services to our customers

Mulberry Court, Cirencester

Report of the Board *cont'd*

- Ensuring the delivery of our committed development programme
- Ensuring the adequacy of internal controls and funding arrangements; and
- The effective management and control of subsidiary companies

Housing & Care 21 continuously manages risks and tracks progress and impact of actions required in order to mitigate risks to an acceptable level.

In addition to the risk framework, Housing & Care 21 incorporates risk management into a range of day to day operational activities. These include:

- Internal Audit using a risk approach to the audit programme based on risk maps, inherent risks, and outcomes of performance reports
- Investment Committee approving new business and developments, which are based on pre-agreed appraisals and rates of return
- Sensitivity analysis over key areas of risk and uncertainty built into our financial forecasts
- Regular reviews of operational performance in terms of assets and service quality
- Robust budgetary control, monitoring and reporting
- Setting of Group policies in compliance with legislation and regulatory requirements
- Formal project governance for key projects
- Business continuity plans for all office and operational sites
- Information security, data protection and disaster recovery arrangements
- Robust employment procedures, and the commitment to train, develop and appraise our employees; and
- Scanning of the housing and care environment and reviewing the impact to the Group

Assurance Statements

At the end of the 2013/14 year the Chief Executive introduced the requirement for members of the Senior Management Team to provide individual assurance statements. These identified risks from an individual operational perspective, and provided information on how the risks were identified, evaluated and managed.

The actions to manage those significant unmitigated risks arising from the exercise have been incorporated into department business plans for 2014/15, with those of a strategic nature incorporated into the corporate risk map.

Internal Audit

Housing & Care 21 has an Internal Audit function that is managed in-house by the Internal Audit Manager, who reports to the Chief Executive. The in-house team is supported by third party providers commissioned for specialist areas and where sector benchmarking is advantageous. The function operates independently of management and has no operational responsibility other than for Anti-Fraud and Whistle-blowing. The Internal Audit work is carried out in compliance with Internal Audit Standards.

The programme of internal audit work focuses on reviewing objectively the policies, procedures and effectiveness of internal controls within core operational areas and areas of risk. During 2013/14, a range of systems were audited covering operational, corporate and financial areas.

The audit findings have highlighted that some controls in a number of areas were not fully effective. Core areas for development have included updating policy and procedures, improving compliance, and developing better preventative and detective controls to support robust fraud management.

These findings along with a greater awareness of potential fraud risk led to an increased focus on reviewing core areas, and providing proactive information on effective controls to the Group. A series of presentations have been made to senior management on their role in ensuring both effective risk management and controls are in place, increasing general accountability. In addition, the lack of a clear culture of accountability, weak control and assurance mechanisms has itself been identified as a key risk for the Group.

The programme of audit work reflects the commitment that has been made to improving controls and assurance mechanisms and to ensure that all areas of high inherent risk are audited over a two year period.

The progress and outcomes of audit work is reported to the Executive, Senior Management and Audit and Risk Management Committee. This includes reporting on implementation of recommendations. During the year management implemented 86% of recommendations which were due to be implemented, outstanding actions have been confirmed by management as being progressed.

Improvements in controls in the year as a result of the work of Internal Audit include those in the areas of:

- Core financial systems
- Information systems and security; and
- Property compliance

Report of the Board *cont'd*

Anti Fraud, Corruption and Bribery

As part of its system of internal control, the Group has an approved anti-fraud strategy and policy in place. The policy defines fraud, and the strategy covers prevention and detection arrangements, and process for reporting and responding to suspected fraud. The Group is committed to act at all times with honesty and integrity in safeguarding the resources for which it is responsible and expects the same from its employees and contractors and seeks appropriate redress when subjected to fraud, this includes recovering losses and passing details of wrongdoing to the Police.

During the year the Group launched a Confidential Whistle-blowing line to support its Whistle-blowing policy. The success of this has been proven with potential fraud and safeguarding cases being brought to light. One case relating to an expenses fraud resulted in formal disciplinary action against the employee concerned with losses recovered.

The Group was subject to a bank mandate fraud at the end of 2013, which resulted in a net loss of £20k. The incident resulted in a full review of fraud controls in the area concerned and of those contained in the Group's fraud risk register. Internal Audit also re-focussed its work on reviewing fraud controls across key financial systems.

Although no system can fully protect against fraud, the Group is aware of the importance of effective fraud awareness and anti fraud controls. As such the Group intends to undertake further work to improve overall fraud awareness during the next year.

The Group maintains a register of all incidents of fraud and attempted fraud. The Audit and Risk Management Committee receives a report at each meeting detailing the incidents, the action taken, and improvements in controls as a result of investigations.

The Group also has in place an Anti-Bribery Policy.

Financial, operational and governance reporting

The regular reports to the Executive and Board are a fundamental element of the control framework and provide assurance over the achievement of the Group's aims and objectives and compliance with internal and external standards. In 2013/14 reporting included:

- actual and forecast reports of operating budget and longer terms business plans. The robustness of budget management and reviewing contract models provided effective budget outcomes in the year, with agreed surpluses achieved
- positive assurance over treasury and covenant compliance; and
- mixed levels of operational performance and performance against key performance indicators at the year end. Performance is reported on a range of indicators which cover housing and care management, repairs and maintenance, customer satisfaction and complaints

Health and Safety

The Board acknowledges its duty of care to all employees, service users and residents in respect of all matters relating to Health and Safety (including Fire Safety) and, as such, has approved detailed health and safety policies and procedures. Dedicated Health and Safety Managers manage a devolved framework for Health and Safety management and regularly review the policies and procedures, supervise and review risk assessments, and manage key actions arising from the risk assessments

In addition, in order to promote a health and safety culture, a Health and Safety Forum comprising of staff and service user / resident representatives and chaired by the Chief Operations Officer was introduced. This discussion Group, which meets quarterly, review all key health and safety initiatives, policies and procedures and the way in which they will be communicated. Additional briefings and communications through newsletters, e-mail bulletins and the intranet also continue to take place to raise awareness.

Despite the commitment to health and safety, in a Group of the size, nature and complexity of Housing & Care 21 a number of incidents can still occur. When this happens it is important that they are handled sensitively and treated as an opportunity for learning and improvement.

Reporting on incidents takes place to members of the Senior Management Team and the Audit and Risk Management Committee.

Report of the Board *cont'd*

Care Quality and Safeguarding

The Group has an Internal Quality Team which assesses compliance with Housing & Care 21's Quality Standards which are aligned to those adopted by the Care Quality Commission (CQC).

Regular auditing of operational sites by the Quality Team, and through management Self Assessments (using a Quality Audit review tool) measures compliance with standards. Formal reporting highlights the outcomes of audits, areas of non compliance and themes arising and enables the Group to focus on areas for attention and improvement.

Where services are deemed not compliant, either by the CQC or internally, action plans to improve services are put into place. Reporting of service quality takes place to the Executive and Board.

Safeguarding

The Group has established procedures for the raising and reporting of safeguarding incidents (including perceived financial, physical, sexual abuse, neglect, mental health issues and medication issues), and their onward reporting to the management of Housing & Care 21 or third parties such as Local Authorities.

Complaints

The Group has a formal complaints procedure through which customers can express their dissatisfaction with services, and through which they can also raise compliments.

Each compliant is logged, investigated and managed on an individual basis using a two stage process. Reporting on the nature of complaints, by region and by department takes place to the Executive and the Board.

Audit and Risk Management Committee

The Audit and Risk Management Committee meets with members of the Executive and Senior Management Teams, Internal Auditors and External Auditors to review specific reporting and internal control matters in order to satisfy itself that systems are operating effectively and to ensure that the highest standards of effective governance are in place. The Committee, which met formally 4 times during the year, considered risk management, health and safety, insurance, fraud, internal audit findings and implementation of recommendations, the external audit strategy and outcomes, and the Group's financial statements.

The annual self assessment of effectiveness of the Committee against good practice identified that it was meeting expectations in respect of its essential functions.

In reviewing the control environment of the Group the Audit and Risk Management Committee and Board is satisfied that the overall framework for internal control is adequate. However, due to the levels of system control improvements arising from the findings of Internal Audit and the mixed levels of performance operationally, it is unable to assess all areas of control as being effective. Where weaknesses have been found, action is being taken to close control deficiencies.

Governance Committee

The Group's Governance Committee met for the first time during 2013/14. The responsibilities of the Committee include reviewing compliance with good governance principles along with reviewing and approving nominations and remuneration. The Committee combines the prior roles of the Nominations and Remuneration Committees. During the year the Committee has reviewed the outcomes of the independent Board skills assessment and has considered and approved the Directors' remuneration.

Equal Opportunities

The Group is committed to equal opportunities and in particular supports the employment of disabled persons. We work to ensure that everyone has equal access to opportunities and that the attributes, talents and skills of our workforce reflect those of the communities we serve through;

- Recognising that employees have the right to work in a supportive, safe and harassment free environment
- Promoting an environment where standards of conduct are of the highest level and to ensure that no one is harassed, bullied or victimised; and
- Promoting a supportive, accessible and open working environment where all employees have the opportunity to reach their potential

We have carried out an exploratory study of experiences of equality and diversity issues in Housing & Care 21's services. This focused research project has helped identify some of the areas we need to focus on going forward. The key findings from the report have been incorporated into our Diversity Strategy.

By order of the Board

Paul Hutton
Secretary
27 June 2014

Operating & Financial Review

Performance across all areas of activity was on or better than the budgeted position which produced a healthy Group operating surplus of £18.2 million (after exceptional items of £5.6m).

During the year the Group continued to deal with a number of operational issues including a Deed of Variation from the PFI contract with Oldham MBC, securing additional facilities, stabilising its care business and rationalising its housing portfolio. The Group disposed of one subsidiary (Complete Care Holdings Limited) and divested of one subsidiary in the year (War Memorial Village Derby). Complete Care Holdings Limited was a commercial care business specialising in complex care packages. The sale generated cash proceeds of £9m (plus dividends and gift aid receipts of £1.5m) and a loss in the Group of £0.9m. War Memorial Village Derby was a standalone housing association and predominantly consisted of family units. The divestment resulted in a loss of £1.9m in the year.

In the prior year, difficulties were identified with the Group's Oldham PFI scheme operated via the subsidiary company, Oldham Retirement Partnership Limited (ORHP), which resulted in exceptional costs of £12.3m being incurred. During 2013/14 an agreement to rectify defects was reached with Oldham MBC and a variation to the PFI contract was signed. This agreement committed the Group to invest a further £19.4m into the project to rectify the defects over a three year period. The governance structure of the project has been overhauled during the year including a dedicated project director and the project is now progressing as expected. Prior to the signing of the Deed of Variation, the Group continued to incur deductions and legal costs of £2.8m which is reflected as an exceptional item in the Income and Expenditure account in the current year. The project is still forecast to make a positive return to the Association. The Group will endeavour to bring claims against the relevant parties, where applicable, to recover some of these costs.

Housing

The Group generated a surplus from social housing activities of £28.2m during the year compared to £28.7m in the previous year. The Group's strategy is to consolidate its housing operations to concentrate on Retirement Housing and Extra Care going forward. During the year, family housing units were disposed of which generated surpluses of £5.5m and cash proceeds of £20.4m.

The Group's development programme continues to grow with 153 units being completed in the financial year with a further 1,710 units to be developed over the next 3 years. Extra Care schemes in Yarnton, Horley and Portsmouth were opened during the financial year.

The number of units of accommodation as at 31 March 2014 were as follows:

	Group	
	2014	2013
Owned and managed	15,655	15,714
Owned but managed by others	249	330
Managed for others	1,448	1,448
Leasehold	863	935
Total	18,215	18,427
Units in development		
For rent	1,174	822
For shared ownership	511	292
For outright sales	25	138
Total	1,710	1,252

Operating & Financial Review *cont'd*

Care and Health Services

The Group made a deficit from Care and Health Services of £8.6m (after allocating central overheads), an improvement of £2.4m from the prior year. Historically the Care Services segment has been supported by other areas of the Group as the strategy was to increase turnover which led to the Group entering into less profitable contracts. The Board took the decision to remove the concentration on turnover and focus on more sustainable operating profits (before the allocation of central overheads).

The Group has continued to invest in its Service Management Solution ("SMS") technology which aims to provide greater control and efficiency over the delivery of care services. During the year, 4 sites were tested within this technology and it is expected that further sites will be rolled out during the next financial year. The total investment in SMS as at 31 March 2014 was £2.4m.

Group Overview

Our results are summarised as follows:

	Group			
	Turnover		Operating Surplus	
	2014	2013	**2014**	2013
	£m	£m	**£m**	£m
Social housing lettings	107.8	102.5	21.1	24.1
Other social housing activities	12.9	12.8	7.1	4.5
Social Housing Activities	120.7	115.3	28.2	28.6
Management Services (excluding exceptional costs)	17.8	18.9	4.1	5.2
Care and Health Services	80.2	87.6	(8.6)	(10.9)
Other	-	0.2	-	0.2
	218.7	222.0	23.7	23.1
Less exceptional costs			(5.5)	(12.3)
Operating surplus			18.2	10.8
Disposals of housing properties, other assets and subsidiaries			3.1	(0.5)
Net finance costs			(13.1)	(14.5)
Taxation			(0.0)	(0.0)
Net surplus / (deficit)			8.2	(4.2)

Total Group turnover decreased in the year by £3.3m to £218.7m. The Group's turnover from social housing lettings increased by £5.3m during the year due to the impact of inflationary increases on rent and a reduction in voids. Turnover generated from Care and Health Services decreased by £7.4m of which £3.8m was due to the sale of Complete Care Holdings Limited with the balance due mainly to a reduction in delivery of care hours stemming from the decision to exit loss making contracts.

The operating surplus (excluding exceptional costs) for the year improved by £0.6m to £23.7m. However, the surplus from Social Housing Activities decreased by £0.4m and Care and Health Services improved by £2.3m to a deficit of £8.6m. The reduced surplus generated from Social Housing Activities was predominantly due to a number of one off costs incurred in the financial year around restructuring the Group's central cost base. The gross return from the Group's Care and Health Services improved during the year with a reduction in agency costs, more efficient rostering reducing costs and elimination of some of the loss making contracts.

The disposal of housing properties, other assets and subsidiaries includes the loss on disposal/divestment of two group subsidiaries of £2.8m offset by surplus on sale of housing properties and other assets of £5.9m.

Net interest costs have decreased by £1.4m to £13.1m in the financial year due to a reduction in the Group's net debt. The Group's weighted average interest rate was 4.30% at 31 March 2014 (2013: 4.29%).

Operating & Financial Review *cont'd*

Balance sheet debt and liquidity

The Group's balance sheet overall is consistent with the prior year with movements noted in Housing Properties, Borrowings Notes and Goodwill.

The housing properties balance has increased from to £924.2m to £972.1m as a result of capitalised repair spend of £15.7m, net spend on new developments of £44.0m, an increase in valuation of £20.0m, offset by depreciation of £16.0m and disposal of properties with a value of £15.9m.

The Group's total borrowings have decreased in the year by £13.2m to £416.8m due to net repayments in the financial year. During the financial year, a £65m facility, of which £42m had been drawn down at 31 March 2013, was renewed and the availability increased by £25m. The maturity dates of the two £45m tranches are now 2016 and 2018. This facility was disclosed in short term creditors in the prior year but has been disclosed within long term creditors in the current year.

The Group's goodwill balance has reduced from £25.4m to £12.1m as at 31 March 2014. This is as a result of annual amortisation (£3.4m) and the sale of Complete Care Holdings Limited (£7.9m). Following this sale, the Group's goodwill balance was reviewed for impairment and an additional charge of £2.1m was recognised in the financial year. The residual goodwill of £12.1m balance predominantly relates to the care business within the Association.

Cash flow

The Group generated cash inflow from operations of £54.9m (2013: £41.3m) which has been used to pay net interest on borrowings of £14.8m (2013: £12.3m) with the balance re-invested into our housing properties.

The Group's total spend on housing properties was £69.3m (2013: £44.1m) which has been largely funded by social housing grants of £12.3m (2013: £10.9m) and disposal proceeds, £26.9m of which £20.4m (2013: £4.9m) related to Family housing sales. The balance of funding came from operational cash flow. We have managed our cash position and made net repayments in the year of £13.2m (2013: £9.0m).

Our total cash holdings remained consistent year-on-year at £41.1m (2013: £39.5m) with total net debt reducing by £13.2m (2013: reduction of £24.6m).

Operating & Financial Review *cont'd*

Treasury

The Group's day-to-day operations are funded from on-going trading activities, with the development programme being funded from retained earnings, bank funding and social housing grants. The Group has a centralised treasury function, charged with managing financing and treasury risks which is overseen by the Chief Financial Officer. The treasury function operates within the parameters of a treasury policy which is subject to annual Board approval. The policy ensures that the Group has adequate liquidity to meet financial obligations and prevents speculative investments.

The treasury function monitors and reports to the Board compliance with financial covenants of which interest cover and gearing are most sensitive. The Board is satisfied that the Group is in compliance with these covenants.

Debt is managed through the Association with the exception of the PFI contracts which are managed through Special Purpose Vehicles.

	2014	2013
	£m	£m
Cash at bank and in hand	41.1	39.5
Loans	(416.8)	(430.0)
Group Net Debt	(375.7)	(390.5)

The loans fall due for repayment as follows:

	Group	
	2014	2013
	£m	£m
Less than 1 year	(8.7)	(51.1)
Due between 1 and 2 years	(7.8)	(8.1)
Due between 2 and 5 years	(39.8)	(38.3)
Due after 5 years	(360.5)	(332.5)
	(416.8)	(430.0)

The loan funding headrooms for the Group and Housing & Care 21 as at 31 March 2014 were:

	Housing & Care 21	**Subsidiaries**	**Group**
	£m	**£m**	**£m**
Total facility available	378.9	143.1	522.0
Total drawdowns	273.7	143.1	416.8
Headroom	**105.2**	**0.0**	**105.2**

The Group seeks to reduce its exposure to volatility in interest rates by balancing its loan book over fixed, floating and inflation-linked rates. As at 31st March 2014 the mix within the Group's loan book comprised 55.0% fixed (2013: 54.2%), 34.5% floating (2013: 32.6%) and 10.6% index linked (2013: 13.2%).

In May 2014 the Association agreed a new £75m facility with RBS, a new lender to the Group. The facility is split into £25m and £50m tranches maturing in 2019 and 2024 respectively.

Operating & Financial Review *cont'd*

Creditor Payment Policy

The Group agrees payment terms with its suppliers when it enters into binding contracts. It seeks to abide by these terms when it is satisfied that the supplier has provided the goods or services in accordance with agreed terms and conditions.

Going Concern

After making enquiries, the directors of Housing & Care 21 have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the going concern basis has been adopted in these financial statements.

Accounting Policy Changes

Housing & Care 21 has not made any changes to its accounting policies in the current financial year. The key accounting policies are stated in the notes to the financial statements and have been consistently applied throughout the year in preparing these financial statements.

Charitable and political gifts

Housing & Care 21 made charitable donations of £3,340 (2013: £10,000) during the year. This payment was to Carers UK (a charity registered with the Charities Commission, number 246329) at the request of a former Non-Executive Director who waived their director's salary in return for this payment. The Non-Executive Director is also the Chief Executive Officer of Carers UK. No other donations were made during the year.

Kingsway, Blackburn

Operating & Financial Review - Value for Money

Value for Money

The information below summarises the Group's annual Value for Money Self Assessment. A comprehensive review of Value for Money is also available on our website (**www.housingandcare21.co.uk**).

Strategy & Governance

In 2012/13 Housing & Care 21 developed a specific Value for Money strategy. The strategy goes beyond the aim to have efficient central costs by challenging the organisation to consider Value for Money in every decision that it makes. The key objectives of the strategy are to:

- Embed a Value for Money and continuous improvement culture across the business and ensure that all staff recognise the need to seek Value for Money as part of their routine activities
- Continue and enhance a robust approach to making decisions on the use of resources, including the return on assets and on processes for optimising the future return on assets
- Understand the costs and outcomes of our specific services as well as factors that influence these
- Assess, on a regular basis, how we compare to others and to challenge our internal performance
- Have a strong performance management and scrutiny function
- Involve our customers and other stakeholders in achieving our objectives by determining key priorities for improvement, having regard to both customer priorities and best practice

Although the focus above is on cost, Value for Money is also about delivering a high quality service to our customers.

The strategy challenges Housing & Care 21 to demonstrate that we are working to improve our efficiency and effectiveness year on year and to prove that we are making the best use of resources at our disposal. Performance is monitored by the Board and is a key principle of all of Housing & Care 21's corporate priorities.

During 2013/14 the Group announced its intention to focus on three key principles – "21", Better and Experience. Better directly translates into what we are seeking to achieve by fully embracing a Value for Money culture.

Customer Engagement

Towards the end of last year various forums were established in which customers can give their views and influence the services the Group provides including challenge of Value for Money. These include:

- the National Committee - our main customer panel that meets regularly with senior staff ensuring we are aware of customer views
- the Regional Partnership Groups who work closely with Regional Directors helping to improve services in the regions
- Court Voice and Resident Associations who work with staff locally on our courts; and
- Partner Shop - a national database of customers who are interested in giving their views on a wide variety of topics including Value for Money

However, we believe there is more we can do and a key focus for 2014/15 will be to effectively reach those customers who are not involved in the current forums. This may be achieved through less formal routes such as via the Court and Locality managers. We will also conduct more structured customer surveys, including formalised service reviews with our care customers.

Employee Engagement

Whilst the Board has taken a crucial step in setting a strategy for the delivery of Value for Money, it is just as important that this ethos is embedded into our working culture and that Housing and Care 21 employees are supported in delivering this strategy. The Value for Money message has been cascaded to the majority of employees within the organisation. In the year we have achieved the following:

- A corporate presentation has been delivered via our regional structures and incorporated into our induction programme for new employees
- Received learning and development grant funding of £832k for training front line staff and research to develop our expertise
- Introduced Value for Money into our annual financial planning cycle and procurement targets

In 2014/15 we intend to further embed Value for Money into our working culture. In the first quarter of the new year, all employees were invited to attend and participate in a '3 Steps' road show event led by the Executive and Senior Management Teams. Key themes for this event included operational efficiency and quality customer services; both of which directly impact the Value for Money assessment.

Operating & Financial Review - Value for Money *cont'd*

Operational performance

To ensure we achieve Value for Money from our investments we continue to monitor a number metrics in both our housing and care business streams.

Housing

In 2013/14 we commenced a process of comparing our performance to that of our peers. We selected a sample of 19 other medium/large Housing Associations which are similar in nature and which also have a care and development portfolio. The below table demonstrates our self assessed ranking for a number of performance measures.

We acknowledge that we have been internally focussed in recent years and in 2014/15 we will increase our benchmarking analysis significantly through different initiatives including, for example, linking in to a working group with other Housing Associations in order to share knowledge and best practice with regards to Value for Money in our sector.

	Group					
Social Housing Letting activities only	2012	2013	**2014**	**Benchmark Range**	**RANK 2014 (out of 20*)**	Target 2015
	£	£	**£**	**£**		£
Repair cost per unit	637	618	686	650-2,330	2	660
Net rent per unit	3,320	3,643	3,897	2,730-5,900	11	4,010
Bad debt cost per unit	18	6	37	7-70	12	10
Debt per unit	23,803	22,347	21,667	1,120-63,950	13	23,850
Operating cost per unit	3,987	4,252	4,763	1,900-6,530	18	4,260
Board & ET remuneration per unit	59	54	68	10-80	19	40
Service cost per unit	1,670	1,753	1,855	180-3,820	19	1,920
Void loss per unit	286	312	216	30-220	20	270

* The Ranking is based on comparing the 2014 results for Housing & Care 21 against the results of other housing associations in 2013 (being the latest publically available information).

Repair costs per unit for 2013/14 were £686 compared to £618 in the prior year. We rank 2nd in this category because the majority of other associations are providing general needs housing whilst our focus is on a provision for older people; properties for older people tend to require lower repair spend. Our expenditure is slightly lower than our closest comparable peers' but this will also be influenced by the age and location of properties. Despite some of the adverse weather conditions in 2013/14 our properties, in the main, have not been affected. Our target for 2014/15 is £660 per unit.

The increase in **net rent per unit** in 2013/14 reflects a significant volume of new development coming on stream towards the end of 2012/13, lower voids and the RPI plus 0.5% rise that occurred in April 2013. Our targeted net rent per unit for 2014/15 is £4,010 reflecting both the annual rent rise and better void management.

The increase in **bad debt cost per unit** to £37 reflects additional provisioning for some old debts rather than an increase in bad debts being written off. In fact, during 2013/14 significant improvements have been made in our arrears position which saw a reduction in our housing debts from £4.0m at March 2013 to £2.9m at March 2014. Our target for March 2015 is to achieve a further reduction to £2.4m.

Operating & Financial Review - Value for Money *cont'd*

Attley Court, Wellingborough

Debt per unit averages tends to rise with larger development programmes. Due to some of the delays in our development programme we have managed to finance more of our development in 2013/14 from operating surpluses rather than additional borrowing. However, we anticipate that, with over 1,432 units currently in development for completion over the next 12 months, our debt per unit will increase. We do not currently have a predetermined debt per unit target but we have recently commenced a Board discussion on our future development levels to ensure that we optimise the use of our balance sheet value and our earning capacities to continue to meet one of our key objectives; the provision of housing to older people.

Operating cost per unit has increased to £4,763 partly due to one-off overhead costs around our office relocation as well as other reorganisation costs. A key focus is to reduce this and our target for 2014/15 is £4,260.

Board and ET remuneration of £68 per unit increased significantly in 2013/14 due to the departure of the previous CEO and other Executive team changes. Our target is to reduce this cost to below £40 per unit in 2014/15.

Service Cost per unit has again risen for 2014 and reflects increasing utility costs and other cost pressures. Our higher service cost than other Associations reflects the nature of our client base.

We believe that by working more closely with our customers that there is an opportunity to reduce these costs. Involving our customers more in determining the services and frequency of service that individual courts want will improve Value for Money for our clients. In addition, further work is intended around both our local and national procurement which should enable us to achieve higher quality, improved cost effectiveness and improved customer satisfaction levels.

Our targets for 14/15 are:

- Service charge cost of £1,920 per unit
- Review of our Court Manager service to ensure it is aligned to our customers' requirements
- Reviewing, restabilising and procuring a new repair and maintenance process which meets our clients' expectations and delivers a more cost efficient service (the impact should be seen in the 2015/16 service charge)

Void cost per unit at £216 outperformed our budgeted target for 2013/14 of £223. Whist we continue to have a focus on void management, we have set a target of £270 for 2014/15. This increased cost includes the 'new units voids' we are expecting to have as a result of our development programme. Excluding these new units, our performance is expected to be an improvement from £194 per unit in 2013/14 to £186 in 2014/15, despite the fact that we have increased rents by an average of 3%.

Our processes in this area are currently spread over several locations, centralising our office location in 2014/15 should give us the opportunity to streamline and therefore reduce void periods.

Operating & Financial Review - Value for Money *cont'd*

Care

In 2009 Housing & Care 21 significantly enhanced its presence in the care market by acquiring a homecare business; Claimar Care. Since the acquisition, Housing & Care 21 has been trying to grow its market and has therefore focused on turnover. In the last year, Housing & Care 21 has reviewed what value the care business is delivering to its social objectives and has decided that the focus should no longer be on growth but instead on profitability and quality.

Profitability and Business Growth

The table below shows the performance, as reported in our internal management accounts and prior to allocation of central overheads, of our Care operation for the last two years, along with a comparison to budget and our target for the year ahead.

	Association			
£'000	2012/13	**2013/14**		2014/15
	Actual	**Actual**	**Budget**	Target
Turnover	62,862	59,356	63,198	55,719
Cost of sales	(50,425)	(45,280)	(48,983)	(41,907)
Admin support	(11,221)	(8,848)	(9,256)	(7,972)
Contribution to central overheads	1,216	5,228	4,959	5,841
	1.9%	8.8%	7.8%	10.5%

The profitability of our Care services has improved year on year. Our focus in 2013/14 was the improvement of loss making contracts and the retention of existing profitable services which resulted in our Care services revenues declining whilst profitability improved. A key target in 2014/15 is to grow our care revenue by identifying strategic opportunities where we can provide profitable and high quality services.

Our budgeted financial performance for 2014/15 reflects a £3.6m reduction in turnover due to the full year impact of the removal of a number of loss making contracts. However, profit will increase by £613k to £5.8m in 2014/15 as a result of this and other efficiencies coming to fruition. Our care margins are expected to be 10.5% in 2014/15.

Included within our budget for 2014/15 is the addition of new Extra Care services at the majority of the new schemes that are currently under construction. These will incur initial mobilisation costs but all of these opportunities have been considered and approved by our Investment Committee and will be profitable once fully commissioned. The full extent of this business growth will be reflected in the budget for 2015/16.

Loss-making care contracts

An agreed Housing & Care 21 objective is to eliminate all loss making Care contracts and our performance to date is:

	Association			
Operating Profit/(Loss) £'000	No of Branches	Actual 2012/13	**Actual 2013/14**	**Budget 2013/14**
New Loss Makers in 2013-14	7	99	(19)	263
Loss Makers in 2012-13	49	(3,530)	(73)	(24)

For the 2012/13 financial year 49 of our branches reported full year losses, totalling £3.5m. During 2013/14, 20 of these branches became profitable; an improvement of £2.4m. Whilst the remaining 29 branches remained loss making, the extent of the losses was reduced to £917k; a further £1m improvement.

During 2013/14, the financial performance of 7 of our branches declined and reported total losses of £19k compared to profits of £99k in the previous year.

Looking ahead, we believe that the termination and renegotiation of some loss making contracts and continuation of improvements in others should contribute to our target of no loss making contracts in 2014/15.

Operating & Financial Review - Value for Money *cont'd*

Competitor benchmarking

Our gross margin in 2012/13 was 19.8%. In 2013/14 this increased to 23.7%; compared to a budget of 22.4%.

Over the last few years a number of the publicly quoted care companies like Allied Healthcare, Nestor Healthcare and Care UK all became private companies, making it more difficult to benchmark our care performance.

We do monitor Laing and Buisson data and have acknowledged that these companies make gross margins of 28%-30%. We took this, as well as our social values of providing quality services at a fair pay rate, into consideration when setting our gross margin targets for 2014/15 at 24.8%.

We have aims to further improve the performance of the Care business so that this income stream helps support the social objectives of the organisation going forward.

Quality

Whilst we will focus on improved care profitability in future, quality will not be compromised to achieve this aim. Housing & Care 21 will strive to provide high quality services that meet customers' needs whilst providing Value for Money.

At the end of 2013/14 our Regulator, the Care Quality Commission (CQC), had assessed that 20 of our 97 (therefore 21%) registered Care services were non-compliant. Whilst this demonstrates an improvement compared to our 30% non compliance in the previous year, we are not satisfied with this performance. Our target for 2014/15 is to achieve and maintain CQC compliance for 100% of our Care services. We will also monitor our quality through internal auditing and risk assessment.

Operating & Financial Review - Value for Money *cont'd*

Return on Assets

Asset Management

Over recent months, our Asset Management team have formed a five year stock investment programme. In deciding where to invest, we have considered local knowledge, the physical condition of each Court and four key performance indicators (which could potentially signal higher investment requirements): empty properties (void) performance; responsive repairs spend; profitability; and the number of bedsits (studio flats).

We have categorised our portfolio into three segments and we have identified 26% of our Courts have no significant concerns, 59% have some concerns but potential for improvement and 15% raise significant concerns and further, more detailed, analysis is deemed necessary.

For those Courts identified as a concern we will carry out a full Court assessment and consultation with tenants and then draw up an options appraisal and Court business plan. In order to achieve optimum return on these assets we may need to consider significant remodelling, redevelopment or decommissioning.

Development

Our Investment Committee reviews all potential development schemes against an internal rate of return of 8% to deliver a return on investment which is acceptable to the Board.

In 2013/14, 16 development schemes were approved by the Investment Committee of which 8 schemes exceeded the 8% target. Of the other 8 schemes, the lowest return was 7.1% and the Investment Committee reviewed a number of qualitative factors – including our overall commitment to the Affordable Homes Programme - and was satisfied that these 8 schemes represented appropriate investments.

In 2014/15 we will deliver 1,432 new homes with capital investment in excess of £100m. We will formalise our approach to post-investment analysis to monitor whether the expected quantitative and qualitative outcomes are being achieved. Learning from this process will inform future investment decisions.

We will also retender our framework of construction contractors to ensure we continue to receive Value for Money in this significant procurement area.

We have recently submitted a bid for further Affordable Homes Programme (2015-2018) grant funding from the HCA which, if successful, will support us in continuing to build financially viable homes which are affordable for our customers.

Subsidiaries

Following a review of our non-property assets, the Board made the decision at the end of 2013 that our organisational objectives would be better achieved if we concentrated on our core activities of older people housing and care. In 2013/14 we achieved the disposal of our Complete Care business which specialises in high dependency homecare services. We achieved sales and gift aid proceeds for the Association of over £10.5m, representing a multiple of over 10 times on EBITDA.

We are in the process of disposing of 3 other small subsidiaries and intend to complete this in 2014/15. Each disposal opportunity will be considered and approved by the Investment Committee to ensure we realise a suitable return on these assets.

Family Housing

The Board made the decision in 2012/2013 that the best strategy for delivering value for our core purpose was to dispose of our family housing stock. In 2013/14, 190 units were sold, realising proceeds of £20.4m. A profit of £5.5m was raised from these sales based on a valuation basis, which is equivalent to a profit of £14.5m on a historic cost basis.

Housing & Care 21 has now substantially disposed of its family housing stock, with a further 35 units to be sold in the new year. We hope to achieve a good and timely realisation from this disposal, subject to the HCA approving our preferred bidder.

Office Rationalisation

In May 2014 we relocated from our existing office in Birmingham as a key step in our strategy to replace our support services into one national corporate head office. Our Huntingdon office was closed in November 2012 and our offices in Beaconsfield and Cirencester will close later in 2014. Our Bradford office will close in 2015.

This rationalisation project will cost the organisation approximately £3m but we believe this investment provides the basis to reduce overall support costs. Once this project is complete, we expect to have realised disposal proceeds of approximately £3.6m on the Beaconsfield and Huntingdon offices. We will also have saved £0.5m in annual office running costs for our central services.

As well as these financial savings, we also hope that a single national corporate head office will allow us to realise a number of intangible Value for Money benefits in 2014/15 and beyond; for example: a more fit-for-purpose working environment; improved communication; more efficient transactional processes between functions; a more joined-up approach to customer service delivery and improved staff engagement.

Operating & Financial Review - Value for Money *cont'd*

Cost Improvement

We believe that our operating cost base is too high and our business plan has a target of reducing administration costs in total from a budgeted 23% of revenues for 2014/15 to 18.5% in 2020.

Central Costs

In 2013/14 our central costs increased to 14.0% of revenues. We incurred a number of one off restructuring costs as discussed in our Operating and Financial Review and we acknowledge that this cost base would not provide long term Value for Money.

The budget for 2014/15 includes a £3.3m (11%) reduction in central support costs to reflect the efficiencies and cost savings gained as a result of the office move, senior management team restructure and the wholesale changes that have been made to the Procurement team. We anticipate realising the full benefit of these changes in 2015/16.

Procurement

In 2013/14 we put a new procurement team in place and they have been working on a newly constructed comprehensive sourcing programme. This includes over 40 cost efficiency and savings projects ranging from maintenance and repair activities to corporate services and IT. Some benefits achieved in 2013/14 include; a one-off VAT recovery of £1,078k, annual savings of £160k on stationery costs and the negotiation of £100k of savings on the supply and installation of warden call/ door entry systems.

In 2014/15 we will be looking to secure 5% savings on a number of our contracts and cost streams, which currently total £28m. This programme will be reviewed at each quarter to track delivery and to ensure that Value for Money principles are integrated into the project processes and that the best tenders on quality and price are awarded by Housing & Care 21.

Looking ahead

In 2014/15 we will continue to build on what we have achieved to date and ensure that Value for Money continues to be at the heart of everything we do. This is fundamental to ensuring that Housing & Care 21 delivers its objectives in the most efficient and effective way and that we continue to deliver high quality services to our customers.

Our four key themes for the year ahead are;

- achieving our cost reduction programme including realising efficiencies in the senior management team and office consolidation as well as a range of other procurement initiatives
- finalising our asset management strategy, formalising individual Court Business Plans and facilitating more local decision making, particularly around repairs and maintenance
- challenging ourselves further through more sophisticated benchmarking both inside and outside of our sector
- a focus on quality and increased satisfaction levels for our tenants, leaseholders and care customers. This will include an improvement in the CQC compliance of our care branches and a review of the quality and design of the homes we plan to build.

financial statements

Independent Auditor's Report to the Members of Housing & Care 21

We have audited the financial statements of Housing & Care 21 for the year ended 31 March 2014 which comprise the consolidated and Association income and expenditure accounts, the consolidated and Association balance sheets, the consolidated statement of total recognised surpluses and deficits, the consolidated note of historical cost surpluses and deficits, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with the Housing and Regeneration Act 2008 and section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditors

As explained more fully in the statement of Board member responsibilities, the Board members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at **www.frc.org.uk/auditscopeukprivate**.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and parent Association's affairs as at 31 March 2014 and of the Group's surplus and parent Association's deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, the Industrial and Provident Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012.

Matters on which we are required to report by exception

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

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

BDO LLP, statutory auditor
Gatwick, West Sussex
United Kingdom

28 July 2014

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

Income & expenditure account

Consolidated Income and Expenditure account for the year ended 31 March 2014

	Notes	2014 Continuing operations £'000	Exceptional items £'000	Sub-total £'000	Discontinued operations £'000	Total £'000
Turnover	**2**	**203,692**	**-**	**203,692**	**15,046**	**218,738**
Operating costs	2	(180,883)	(5,574)	(186,457)	(14,106)	(200,563)
Operating surplus	**2**	**22,809**	**(5,574)**	**17,235**	**940**	**18,175**
Surplus / (deficit) on disposal of housing properties and other assets	4	5,937	-	5,937	-	5,937
(Deficit) on sale of subsidiary	5	-	-	-	(2,790)	(2,790)
Interest receivable and similar income	8	6,906	-	6,906	-	6,906
Interest payable and similar charges	9	(20,020)	-	(20,020)	-	(20,020)
Surplus / (deficit) on ordinary activities before taxation	**10**	**15,632**	**(5,574)**	**10,058**	**(1,850)**	**8,208**
Tax on surplus / (deficit) on ordinary activities	11	(42)	-	(42)	-	(42)
Surplus / (deficits) for the financial year	**20**	**15,590**	**(5,574)**	**10,016**	**(1,850)**	**8,166**

	Notes	2013 Continuing operations £'000	Exceptional items £'000	Sub-total £'000	Discontinued operations £'000	Total £'000
Turnover	2	204,144	-	204,144	17,905	222,049
Operating costs	2	(181,776)	(12,325)	(194,101)	(17,129)	(211,230)
Operating surplus	2	22,368	(12,325)	10,043	776	10,819
Surplus / (deficit) on disposal of housing properties and other assets	4	(466)	-	(466)	-	(466)
(Deficit) on sale of subsidiary	5	-	-	-	-	-
Interest receivable and similar income	8	6,764	-	6,764	-	6,764
Interest payable and similar charges	9	(21,282)	-	(21,282)	-	(21,282)
Surplus / (deficit) on ordinary activities before taxation	10	7,384	(12,325)	(4,941)	776	(4,165)
Tax on surplus / (deficit) on ordinary activities	11	(19)	-	(19)	-	(19)
Surplus / (deficits) for the financial year	20	7,365	(12,325)	(4,960)	776	(4,184)

The notes on pages 39 to 83 form part of the financial statements.

Income & expenditure account *cont'd*

Association Income and Expenditure account for the year ended 31 March 2014

	Notes	2014 Pre-exceptional £'000	Exceptional items £'000	Total £'000
Turnover	**2**	**192,469**	**-**	**192,469**
Operating costs	2	(172,655)	(21,922)	(194,577)
Operating (deficit) / surplus	**2**	**19,814**	**(21,922)**	**(2,108)**
Surplus / (deficit) on disposal of housing properties and other assets	4	5,937	-	5,937
Interest receivable and similar income	8	3,433	-	3,433
Interest payable and similar charges	9	(11,621)	-	(11,621)
Surplus / (deficit) on ordinary activities before taxation	**10**	**17,563**	**(21,922)**	**(4,359)**
Tax on surplus / (deficit) on ordinary activities	11	-	-	-
Surplus / (deficits) for the year	**20**	**17,563**	**(21,922)**	**(4,359)**

	Notes	2013 Pre-exceptional £'000	Exceptional items £'000	Total £'000
Turnover	2	190,775	-	190,775
Operating costs	2	(171,865)	(11,863)	(183,728)
Operating (deficit) / surplus	2	18,910	(11,863)	7,047
Surplus / (deficit) on disposal of housing properties and other assets	4	(466)	-	(466)
Interest receivable and similar income	8	4,481	-	4,481
Interest payable and similar charges	9	(12,958)	-	(12,958)
Surplus / (deficit) on ordinary activities before taxation	10	9,967	(11,863)	(1,896)
Tax on surplus / (deficit) on ordinary activities	11	-	-	-
Surplus / (deficits) for the year	20	9,967	(11,863)	(1,896)

The notes on pages 39 to 83 form part of the financial statements.

All amounts relate to continuing activities

Income & expenditure account *cont'd*

Statement of total recognised surpluses and deficits for the year ended 31 March 2014

	Notes	Group		Association	
		2014	2013	**2014**	2013
		£'000	£'000	**£'000**	£'000
Surplus / (deficit) for the financial year		8,166	(4,184)	(4,359)	(1,896)
Actuarial loss on pension schemes	28	(30)	(4)	(30)	(4)
Unrealised surplus / (deficit) on revaluation of housing properties	20	19,959	1,138	16,849	(683)
Total recognised gains and (deficits) for the financial year		28,095	(3,050)	12,460	(2,583)

Note of historical cost surpluses and deficits for the year ended 31 March 2014

	Notes	Group		Association	
		2014	2013	**2014**	2013
		£'000	£'000	**£'000**	£'000
Reported surplus / (deficit) on ordinary activities before taxation		8,166	(4,165)	(4,359)	(1,896)
Realisation of property revaluation surpluses of previous years	20	9,896	8,621	9,094	8,621
Historical cost surplus for the year on ordinary activities before taxation		18,062	4,456	4,735	6,725
Taxation	11	(42)	(19)	-	-
Historical cost surplus for the year on ordinary activities after taxation		18,020	4,437	4,735	6,725

Reconciliation of movement in capital and reserves

	Group		Association	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Reported surplus / (deficit) for the financial year	8,166	(4,184)	(4,359)	(1,896)
Actuarial loss recognised in statement of realised surpluses and deficits	(30)	(4)	(30)	(4)
Other recognised surpluses / (deficits) relating to the financial year (net)	19,959	1,138	16,849	(683)
Net increase / (decrease) to reserves	28,095	(3,050)	12,460	(2,583)
Opening capital and reserves	652,898	655,948	642,432	645,015
Closing capital and reserves	680,993	652,898	654,892	642,432

The notes on pages 39 to 83 form part of the financial statements.

Balance sheets

Balance sheets as at 31 March 2014 **Registered number 16791R**

		Group		Association	
		2014	2013	**2014**	2013
	Notes	**£'000**	£'000	**£'000**	£'000
Intangible assets					
Goodwill	30	12,059	25,386	11,728	13,414
Tangible fixed assets					
Housing properties at valuation	12	972,135	924,239	880,863	833,494
Other fixed assets	13	7,267	7,062	7,223	6,922
Investments	29	-	-	7,235	9,851
		991,461	956,687	907,049	863,681
Current assets					
Housing properties and stock for sale	14	9,898	7,997	9,898	7,997
Debtors: amounts falling due after one year	15	114,791	110,342	31,983	25,398
Debtors: amounts falling due within one year	16	30,992	40,826	31,347	59,039
Cash at bank and in hand	22	41,125	39,491	23,265	27,542
		196,806	198,656	96,493	119,976
Creditors: amounts falling due within one year	17	(97,790)	(121,837)	(76,570)	(100,648)
Net current assets		99,016	76,819	19,923	19,328
Total assets less current liabilities		1,090,477	1,033,506	926,972	883,009
Creditors: amounts falling due after more than one year	18	409,283	380,388	271,879	240,357
Pension scheme liability	28	201	220	201	220
Unrestricted Capital and Reserves					
Share capital	19	-	-	-	-
Revaluation reserve	20	573,373	563,310	549,703	541,948
Revenue reserve	20	107,620	89,588	105,189	100,484
		680,993	652,898	654,892	642,432
		1,090,477	1,033,506	926,972	883,009

The notes on pages 39 to 83 form part of the financial statements.

These financial statements were approved and authorised for issue by the Board on 27 June 2014 and are signed on behalf of the Board by:

Lord Ben Stoneham (Chairman) **Sanaya Robinson** (Director) **Paul Hutton** (Secretary)

Consolidated cash flow statement

Consolidated cash flow statement for the year ended 31 March 2014

		Group			
		2014		2013	
	Notes	£'000	£'000	£'000	£'000
Net cash inflow from operating activities	21		54,864		41,373
Return on investments and servicing of finance					
Interest received		6,906		6,764	
Interest and other fees paid		(21,580)		(19,001)	
Interest element of finance lease payments		(82)		(83)	
Net cash outflow from return on investments and servicing of finance			(14,756)		(12,320)
Taxation			(12)		(29)
Capital expenditure and financial investment					
Expenditure on housing properties		(69,322)		(44,095)	
Social Housing Grants received		12,295		10,868	
Purchase of other fixed assets		(2,730)		(3,637)	
Proceeds from the sale of housing properties		26,561		32,372	
Proceeds from the sale of other fixed assets		420		99	
Net cash outflow from capital expenditure			(32,776)		(4,393)
Disposals					
Sale of subsidiary undertakings		9,000		-	
Disposal expenses		(446)		-	
Cash at bank and in hand disposed with subsidiary		(626)		-	
			7,928		-
Cash inflow before use of liquid resources and financing			15,248		24,631
Financing					
Loans repaid		(13,141)		(8,923)	
Loan issue costs		(425)		-	
Capital element of finance lease repaid		(48)		(43)	
Net cash (outflow) / inflow from financing			(13,614)		(8,966)
Increase in cash	22		1,634		15,665

The notes on pages 39 to 83 form part of the financial statements.

Notes to the financial statements

Notes to the financial statements

1. Principal accounting policies

The financial statements of the Group and Association have been prepared on a going concern basis and in accordance with Generally Accepted Accounting Practice applicable in the United Kingdom and comply with the Statement of Recommended Practice: Accounting for Registered Social Providers (Update 2010), the Industrial and Provident Societies Acts 1965 to 2002, the Industrial and Provident Societies (Group Accounts) Regulations 1969, The Housing and Regeneration Act 2008 and with the Accounting Direction for Social Housing in England 2012.

The principal accounting policies applied in preparing these financial statements are set out below and have been consistently applied throughout the year.

Basis of accounting

The financial statements are prepared on a going concern basis, under the historical cost basis, as modified by the revaluation of housing properties to Existing Use Value for Social Housing (EUV-SH).

Going concern

After making enquiries, the directors of Housing & Care 21 have a reasonable expectation, after due consideration of all material matters, that adequate resources exist to continue in operational existence for the foreseeable future. For this reason the going concern basis has been adopted in these financial statements.

Consolidation

In accordance with Financial Reporting Standard 2 "Accounting for subsidiary undertakings", the financial statements for the Group are the consolidated position for the year ended 31 March 2014 of Housing & Care 21 Association and its subsidiaries, from the date of their acquisition and up to the date of their disposal (if applicable), as described in Note 29. Intra-Group transactions are eliminated on consolidation.

Turnover

Turnover represents rental and service charge income, net of void losses, Supporting People contract income, management fees, income from provision of care and health services, revenue based grants received from local authorities and from the Homes and Communities Agency (HCA), income from first tranche sales of shared ownership and outright sales property and other income.

Charges for services provided and Supporting People income are recognised as income when the Group has provided the service concerned. Grants made as contributions to revenue expenditure are credited to income in the period in which the related expenditure is incurred. Income from the sale of leasehold properties is recognised as turnover at the completion date of the sale of the property.

In respect of the Group's Private Finance Initiative (PFI) and Public Private Partnerships (PPP), turnover is recognised with reference to the stage of completion of the project. The stage of completion for the project has been determined by reference to the proportion of the total projected costs, including finance costs, incurred to date.

Value Added Tax

The majority of services supplied by the Group are exempt from VAT. However, management contracts and unitary charge income is chargeable to VAT which enables some recovery of input VAT under a basis of calculation agreed with HMRC.

Expenditure is shown inclusive of VAT and input tax recovered is recorded within non-social housing activities, other, as part of turnover.

Goodwill

Goodwill arises on the acquisition of subsidiaries and other business combinations and is calculated as the difference between the fair value of consideration paid and the fair value of net assets acquired.

Positive goodwill is amortised on a straight-line basis over a period in which it is expected to derive economic benefit to the Group. The period is not expected to be more than 20 years, negative goodwill is recognised immediately in reserves.

Impairment reviews are carried out in the first year after acquisition or where there are changes in circumstances which indicate that the carrying value of goodwill is not recoverable.

Housing properties

The Group adopts a policy of revaluing its housing properties. Housing properties are stated on an EUV-SH basis. At the point of revaluation, the aggregate surplus or deficit arising, calculated as the difference between the cost of properties less Social Housing Grant (SHG) and the revalued amount, is allocated to the land associated with the housing properties and transferred to a revaluation reserve.

Housing properties in the course of construction are stated at cost and are transferred to completed housing properties, if they are rental units, or stock for sale if they are outright sale units. Expenditure incurred on housing properties after practicable completion is only capitalised to the extent that the expenditure enhances rental capacity, extends the useful economic life or reduces future repair and maintenance costs. Any remaining carrying value of the replaced component is charged to the income and expenditure account.

Capitalisation of interest

Interest on borrowings is capitalised as part of the cost of Housing Properties in the course of construction based on the Group's average cost of borrowings applied to the net cost over the period of construction.

Notes to the financial statements *cont'd*

1. Principal accounting policies *cont'd*

Capitalisation of development department costs

Development department costs are capitalised where they are directly attributable to bringing the properties into working condition for their intended use. Directly attributable costs are the labour costs of the Group's employees arising directly from 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.

Depreciation – housing properties

Land is considered to have an indefinite life and is not depreciated. Depreciation on other assets is charged on a straight-line basis over the expected useful economic lives of each component as follows:

	Years
Structure	100
Roof	50
Window and Doors	30
Kitchen and Bathrooms	25
Mechanical Services	20
Heating and Plumbing	25
Fit out Costs	25

The land value element (to separate land from buildings) of each property valuation is determined using guidance issued by the National Housing Federation.

On the disposal of a property, a transfer is made from the Revaluation Reserve to the General Reserve of an amount equal to the difference between the profit or loss on a historical cost basis and the actual surplus, which is calculated using the revalued amounts.

Depreciation – other tangible fixed assets

Depreciation is charged on a straight line basis once the asset is brought into service and over the expected useful economic lives at the following rates:

	Years
Leasehold office improvements	Over the remaining period of the lease
Land	Is not depreciated
Freehold office buildings	50
Office furniture and equipment	10
Motor vehicles	4
Computer software	5
Computer hardware	3

Landbank

Where land has been acquired and is intended for development, it is held within fixed assets. Where it is unlikely that any scheme will proceed on acquired land, it is held within current assets and carried at the lower of cost and net realisable value. Any write downs to net realisable value are included in cost of sales.

Impairment

Annual impairment reviews are carried out in accordance with Financial Reporting Standard 11 where remaining useful economic life is greater than 50 years. Where there is evidence of impairment, assets are written down to their recoverable amount through a charge to the Income and Expenditure account. Other assets are reviewed for impairment if there is an indication that impairment may have occurred.

Low Cost Home Ownership and Staircasing

Under Low Cost Home Ownership (LCHO) arrangements, the Group disposes of a long lease on LCHO units to persons who occupy them at a share equal to between 25% and 75% of value, (the "first tranche"). The occupier has the right to purchase further proportions at the then current valuation up to 75% ("staircasing").

A shared ownership property comprises two assets: that to be disposed of in the first tranche sale (50%), which is recorded as a current asset; and that retained by the Group (50%), which is recorded as a fixed asset. When a first tranche sale occurs, the cost is adjusted to reflect the percentage of the property sold.

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

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

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

The fixed asset element of LCHO properties is included in housing properties at EUV-SH. These properties are not depreciated on the basis that the expected realisable value at the end of the expected useful life to the Group is at least equal to the carrying value.

Notes to the financial statements *cont'd*

1. Principal accounting policies *cont'd*

Properties developed for sale

Completed properties and properties under construction for sale, either as first tranche LCHO sales or outright sale, 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 prices after allowing for all further costs of completion and disposal.

Until sold these properties are held as current assets.

Social housing grant (SHG) and other grants

Where housing developments have been financed wholly or partly by grants, the amount of grant received is offset against the cost of the development.

SHG due from the HCA or received in advance is included as a current asset or liability.

Where grant is received on items treated as revenue expenditure, it is treated as a revenue grant and credited to the income and expenditure account.

Where, following the sale of the property, SHG becomes repayable, to the extent that it is not subject to abatement, it is reclassified in the Recycled Capital Grant Fund (RCFG) and included as a liability until it is repaid or utilised for future developments.

Sinking funds

Sinking funds are maintained for each scheme with leasehold properties to cover future major repairs. These funds are managed through service charges to leaseholders.

Donated land

The valuation of land donated by local authorities is accounted for as a cost of development and also treated as a capital grant. It is included within the other grants receivable amounts.

Works to existing properties

Expenditure on day to day and cyclical repairs and maintenance, together with health and safety work and service contract maintenance expenditure, is charged as incurred to the income and expenditure account. Also charged are the apportioned administration costs associated with this work.

Renewals of communal equipment, furniture and furnishings, and the replacement of refrigerators and cookers provided for tenants, are borne by Housing & Care 21 and recovered through service charges.

Work in progress and Finance Debtor

Where the risks of the Group's PFI or PPP contracts lies outside of the Group, costs incurred in the construction and refurbishment of the sheltered housing properties are accounted for under Financial Reporting Standard (FRS) 5, "Reporting the Substance of Transactions" and are carried in the balance sheet as recoverable work in progress in debtors. Work in progress comprises direct payments to the contractor, attributable initial project costs and interest costs incurred over the construction period on borrowings to fund construction.

When a property has been completed or refurbished, the work in progress balance is converted to a finance debtor representing an appropriate proportion of costs incurred in accordance with FRS5 'Reporting the Substance of Transactions'. The debt is recovered via the unitary charge contract income over the remaining life of the contract. Until the debtor is fully recovered, interest income is released to the income and expenditure account which is based upon the value of the financial debt outstanding. This interest is included within interest receivable.

Housing loans and other financial instruments

Loans and other financial instruments are stated in the balance sheet at the amount of the net proceeds.

Finance costs, including incremental issue costs, are deducted from the loan and amortised over the life of the loan.

Where loans and other financial instruments are redeemed, any redemption penalty is recognised in the income and expenditure account in the year in which redemption takes place.

Leased assets

Rentals paid under operating leases are charged to the income and expenditure account on the accruals basis.

The cost of assets held under finance leases is included under tangible assets and depreciation, provided in accordance with the policy for the class of asset concerned. The corresponding obligations under these leases are shown as creditors. The finance charge element of rentals is charged to the income and expenditure account to produce, or approximate to, a constant periodic charge on the remaining balance of the outstanding obligations.

Onerous leases

Where the unavoidable costs of a lease exceed the economic benefit expected to be received from it, a provision is made for the present value of obligations under the lease.

Provisions

Provisions have been included in the financial statements only to the extent that there is a present legal or constructive obligation to transfer economic benefits.

Notes to the financial statements *cont'd*

1. Principal accounting policies *cont'd*

Management services to leaseholders and other bodies

In addition to managing housing for rent, the Group also provides management services to leaseholders and other bodies. The Group provides management services to leaseholders on a cost basis.

Charges which are made to leaseholders for decorations and major works within their schemes are held in sinking funds. These sinking funds are recorded within other creditors and shown in note 17 amounts falling due within one year of these Financial Statements.

The Group also provides property management services to other bodies for which a management fee is charged. Such services are provided primarily on an agency basis. All transactions relating to owned leasehold properties have been brought into the accounts.

Pensions

The Group's and Association's pension arrangements comprise of defined contribution and defined benefits schemes. The annual costs of defined contribution, stakeholder and savings plan pension schemes are charged to the income and expenditure account on an accruals basis.

Where the Group participates in a defined benefits scheme, the accounting treatment is dependent on whether the assets and liabilities of those schemes can be separately identified. Where assets and liabilities can be separately identified the Group recognises in full the schemes' surpluses or deficits on the Balance Sheet. Actuarial gains and losses for these schemes are included in the Statement of Total Recognised Surpluses and Deficits. Current and past service costs, curtailments and settlements are recognised within operating surplus. Expected returns on scheme assets and interest on obligations are recognised as other finance income or expenses.

Where assets and liabilities of a defined benefits scheme cannot be separately identified the Group charges contributions to the income and expenditure account on an accruals basis.

Taxation

The Group is exempt from corporation tax on income and gains to the extent that these are applied to the Group's charitable objectives. The tax charge in the year relates to Group companies that are subject to UK taxation in addition to the non-exempt tax for Housing & Care 21 Association.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the Group has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the Group anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences

Deferred tax balances are not discounted.

Significant estimation techniques

In the preparation of the financial statements, the Group makes estimates based on available information, expert advice and past experience. The financial statements contain the following significant estimates:

- Carrying value of LCHO sales or outright sales based on previous/intended sales values
- Carrying value on housing properties, based on the independent valuations prepared on the basis of EUV-SH using a discounted cash flow making allowances for outgoings against income receivable
- Carrying value of goodwill, based on forecast cash flows and a discount rate that reflects an appropriate risk premium on its weighted average interest rate. Growth rates are based on the specific market opportunity, the strength of the customer offer and investment in the business
- Bad debt provisions based on previous experience, cash collected subsequent to the year end and financial viability of the customer

Notes to the financial statements *cont'd*

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

	Group							
	2014				2013			
	Turnover	**Operating costs & cost of sales**	**Exceptional costs**	**Operating surplus**	Turnover	Operating costs & cost of sales	Exceptional costs	Operating surplus
	£'000	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000
Social housing lettings (Note 3)	**107,813**	**(86,751)**	**-**	**21,062**	102,485	(78,359)	-	24,126
Other social housing activities								
Supporting people	2,979	(1,700)	-	1,279	3,014	(1,209)	-	1,805
Shared ownership first tranche and outright sales	6,019	(4,124)	-	1,895	8,579	(7,113)	-	1,466
Other	3,930	-	-	3,930	1,263	-	-	1,263
Social Housing activities	**120,741**	**(92,575)**	**-**	**28,166**	115,341	(86,681)	-	28,660
Non-social housing activities								
Management services	17,800	(13,653)	(2,805)	1,342	18,904	(13,711)	(12,325)	(7,132)
Care and Health services							-	
- continuing operations	65,151	(74,655)	-	(9,504)	69,655	(81,384)	-	(11,729)
- discontinued operations	15,046	(14,106)	-	940	17,905	(17,129)	-	776
	80,197	(88,761)	-	(8,564)	87,560	(98,513)	-	(10,953)
Other	-	-	(2,769)	(2,769)	244	-	-	244
Total	**218,738**	**(194,989)**	**(5,574)**	**18,175**	222,049	(198,905)	(12,325)	10,819

Exceptional costs, totalling £5,574k, include: (a) £2,805k (2013: £12,325k) in regard to one-off costs incurred of £4,055k on a PFI contract prior to the signing of a Deed of Variation, offset by a contribution from a contractor of £1,250k; and (b) £2,769k (2013: nil) one-off, non-cash impairment charges on the goodwill and net assets of certain Group subsidiaries that are no longer deemed to be in line with the core strategic objectives of the Group.

The cost of shared ownership first tranche and outright property sales (£4,124k) excluding selling fees is £3,927k (2013: £6,869k).

Total development administration costs capitalised were £1,112k (2013: £976k).

Notes to the financial statements *cont'd*

2. Turnover, cost of sales, operating costs and operating surplus *cont'd*

	Association							
	2014				2013			
	Turnover	Operating costs & cost of sales	Exceptional costs	Operating surplus	Turnover	Operating costs & cost of sales	Exceptional costs	Operating surplus
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Social housing lettings (Note 3)	**106,843**	**(86,191)**	**-**	**20,652**	101,419	(77,735)	-	23,684
Other social housing activities								
Supporting people	2,979	(1,697)	-	1,282	2,976	(1,201)	-	1,775
Shared ownership first tranche and outright sales	6,019	(4,124)	-	1,895	8,579	(7,113)	-	1,466
Other	3,930	-	-	3,930	1,263	-	-	1,263
Social Housing activities	**119,771**	**(92,012)**	**-**	**27,759**	114,237	(86,049)	-	28,188
Non-social housing activities								
Management services	12,332	(12,664)	(2,805)	(3,137)	12,310	(11,313)	(11,863)	(10,866)
Care and Health services	59,356	(67,979)	-	(8,623)	63,984	(74,503)	-	(10,519)
Other	-	-	(19,117)	(19,117)	244	-	-	244
Gift aid	1,010	-	-	1,010	-	-	-	-
Total	**192,469**	**(172,655)**	**(21,922)**	**(2,108)**	190,775	(171,865)	(11,863)	7,047

Exceptional costs, totalling £21,922k, include: (a) £2,805k (2013: £11,863k) in regard to one-off costs incurred of £4,055k on a PFI contract prior to the signing of a Deed of Variation, offset by a contribution from a contractor £1,250k; and (b) £19,117k (2013: nil) of one-off, non-cash impairment write-down of investments that were acquired in previous years.

The cost of shared ownership first tranche and outright property sales (£4,124k) excluding selling fees is £3,927k (2013: £6,869k).

Total development administration costs capitalised were £1,112k (2013: £976k).

Notes to the financial statements *cont'd*

3. Turnover, operating costs and operating surplus from social housing lettings

	Group			
	Older people & specialist housing	**General needs**	**Total 2014**	Total 2013
	£'000	**£'000**	**£'000**	£'000
Rent receivable net of identifiable service charges	69,630	1,347	70,977	67,138
Service charges receivable	36,683	153	36,836	35,347
Net rental income and turnover from social housing lettings	**106,313**	**1,500**	**107,813**	**102,485**
Services	33,646	143	33,789	32,302
Management	21,508	307	21,815	17,676
Routine maintenance	7,560	264	7,824	7,595
Major repairs expenditure	1,725	1	1,726	1,182
Planned maintenance	2,329	30	2,359	2,024
Leasehold and other costs	2,537	5	2,542	2,187
Bad debts	636	12	648	105
Depreciation on housing properties	15,847	201	16,048	15,288
Operating costs on social housing lettings	**85,788**	**963**	**86,751**	**78,359**
Operating surplus on social housing lettings	**20,525**	**537**	**21,062**	**24,126**
Rent losses from voids	(3,658)	(94)	(3,752)	(5,455)

	Association			
	Older people & specialist housing	**General needs**	**Total 2014**	Total 2013
	£'000	**£'000**	**£'000**	£'000
Rent receivable net of identifiable service charges	69,108	1,327	70,435	66,419
Service charges receivable	36,255	153	36,408	35,000
Net rental income and turnover from social housing lettings	**105,363**	**1,480**	**106,843**	**101,419**
Services	33,298	141	33,439	31,950
Management	23,448	302	23,750	19,514
Routine maintenance	7,068	258	7,326	7,064
Major repairs expenditure	1,382	1	1,383	872
Planned maintenance	2,318	28	2,346	2,007
Leasehold and other costs	2,381	4	2,385	2,095
Bad debts	642	11	653	118
Depreciation on housing properties	14,708	201	14,909	14,115
Operating costs on social housing lettings	**85,245**	**946**	**86,191**	**77,735**
Operating surplus on social housing lettings	**20,118**	**534**	**20,652**	**23,684**
Rent losses from voids	(3,656)	(93)	(3,749)	(5,435)

Included within rent losses from voids are new unit voids of £291k (2013: £1,393k), for both Group and Association.

Notes to the financial statements *cont'd*

4. Surplus / (deficit) on disposal of housing properties and other assets

	Group & Association				
	2014				2013
	Shared ownership staircasings	Other housing properties	Other assets	Total	Total
	£'000	£'000	£'000	£'000	£'000
Proceeds of sale	801	20,369	420	21,590	17,771
Costs of sale at carrying value	(479)	(14,830)	(344)	(15,653)	(18,237)
Surplus / (deficit) on disposal	322	5,539	76	5,937	(466)

The disposals of the above housing properties and other assets on a historical cost basis would have resulted in a gain of £15,031k (2013: £8,155k).

5. Deficit on sale of subsidiaries

	Group			
	2014			2013
	CCH	WMVD	Total	Total
	£'000	£'000	£'000	£'000
Proceeds	9,000	-	9,000	-
Net assets disposed of and selling fees	(2,003)	(1,930)	(3,933)	-
Goodwill	(7,857)	-	(7,857)	-
Loss on disposal	(860)	(1,930)	(2,790)	-

On 6 May 2013, WMVD divested from the Group for £nil consideration. On 14 January 2014, CCH was disposed for £9,000k in cash. The value of cash at bank and in hand disposed with the subsidiaries was £464k (WMVD) and £162k (CCH).

As a result of the material nature of the Group's operations that the disposal of CCH represented, it has been treated as a discontinued operation in the Income and Expenditure Account.

Notes to the financial statements *cont'd*

6. Directors' emoluments

The directors of Housing & Care 21 are defined as members of the Board and the Executive. Following changes to the Board during the year, the Board now consists of 11 non-executive members (2013: 9). The number of Executive posts has been reduced to 3 (2013: 6). The non-executive Board members received the following emoluments during the year.

		2014	2013
		£'000	£'000
B Stoneham (Chair)		18	18
S Fanshawe OBE		10	10
M Harker		10	10
R Humphries		10	10
K Jeffries		10	10
J Owen CBE		10	10
S Robinson		10	10
K Boyle	From 31/01/2014	2	-
S Hughes	From 31/01/2014	2	-
M Knott	From 31/01/2014	2	-
L Potter	From 31/01/2014	2	-
H Herklots	To 31/07/2013	-	-
MJ Stansfield	To 27/09/2013	5	10
Total		91	88

One of the directors, Kenneth Jeffries, is a resident of the Association during the year. His tenancy is on the same terms and conditions as other residents. He is unable to use his position as Board member to any advantage in his relationship with the Association as a resident.

One of the directors, Heléna Herklots, had her payments paid directly to a charity for which she is the Chief Executive. These payments were £3,340 in the year (2013: £10,000).

Executive directors received the following emoluments during the financial year (including the former and current Chief Executives):

	2014	2013
	£'000	£'000
Emoluments	695	735
Benefits in kind	2	5
Loss of office	390	64
Pension contributions	68	68
Total	1,155	872

Notes to the financial statements *cont'd*

6. Directors' emoluments *cont'd*

The highest paid director in the year was the former Chief Executive, who was also a Board member.
Her emoluments were as follows:

	2014					2013
	Salary	Benefits in Kind	Contractual loss of office payment	Pension	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000
P Raguvaran To 29/08/2013	127	1	174	12	314	205

The current Chief Executive is an ordinary member of the SHPS (Defined Contribution) pension scheme as set out in Note 28.

7. Employee information

The average number of people employed (full time equivalents) was:

	Group		Association	
	2014	2013	2014	2013
Management, court managers and administration	1,195	1,198	1,078	1,100
Care and ancillary	5,209	5,468	4,330	4,627
	6,404	6,666	5,408	5,727

Full time equivalents are calculated based on a standard working week of 35 hours.

Staff costs (for the above persons):

	Group		Association	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Wages and salaries	96,818	96,927	77,099	79,030
Redundancy and other costs	1,980	-	1,980	-
Social security costs	5,452	6,903	5,171	5,369
Pension costs	1,790	1,618	1,675	1,590
	106,040	105,448	85,925	85,989

Notes to the financial statements *cont'd*

7. Employee information *cont'd*

Detailed below is full time equivalent number of staff whose remuneration payable in relation to the period was in excess of £60,000:

	Group		Association	
	2014	2013	**2014**	2013
£300,000 – £309,999	1	-	1	-
£180,000 – £189,999	-	1	-	1
£160,000 – £169,999	1	-	1	-
£140,000 – £149,999	1	-	1	-
£130,000 – £139,999	1	-	1	-
£120,000 – £129,999	1	1	1	1
£110,000 – £119,999	1	-	1	-
£100,000 – £109,999	2	3	2	3
£90,000 – £99,999	2	1	2	-
£80,000 – £89,999	7	9	6	9
£70,000 – £79,999	7	5	7	5
£60,000 – £69,999	11	15	11	12

8. Interest receivable and similar income

	Group		Association	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Interest received on cash deposits	172	79	163	59
Finance asset interest	6,734	6,685	398	351
Interest receivable on intercompany loans	-	-	2,872	4,071
	6,906	6,764	3,433	4,481

Notes to the financial statements *cont'd*

9. Interest payable and similar charges

	Group		Association	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
On loans from local authorities:				
Repayable wholly or partly in more than 5 years	28	26	28	26
On loans from other lenders:				
Interest payable on loans	19,904	20,557	11,619	12,324
Less: capitalised interest	(972)	(292)	(972)	(266)
Interest payable on finance leases	82	83	82	83
Other financing fees and charges	972	900	858	783
Other finance costs:				
Other finance costs	6	8	6	8
	20,020	21,282	11,621	12,958

10. Surplus on ordinary activities before tax

	Group		Association	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Surplus on ordinary activities before tax is after charging:				
Depreciation - owned properties	15,986	15,226	14,847	14,053
Depreciation - leased properties	62	62	62	62
Depreciation on other fixed assets	2,119	1,606	2,078	1,552
Impairment of goodwill	2,092	-	-	-
Exceptional costs (see note 2)	5,574	12,325	21,922	11,863
Amortisation of goodwill	3,378	3,704	1,686	1,686
Interest element of finance lease payments	82	83	82	83
Payments under operating leases	1,750	1,799	1,638	1,631
Auditors' remuneration (including VAT and expenses):				
- In their capacity as auditors	120	120	68	65
- In respect of other services	18	51	18	51

Notes to the financial statements *cont'd*

11. Taxation

The Association, Kent Community Partnership Limited, Oldham Retirement Housing Partnership Limited and Gharana Housing Association Limited have charitable status, and therefore are exempt from Corporation Tax on their income and gains to the extent that these are applied to their charitable objectives.

Housing 21 Guernsey Limited by Guarantee - the Administrator of Income Tax in Guernsey has agreed that the company's profits will not be subject to tax. The Administrator has decided to treat the company as exempt from Guernsey tax due to its charitable activities. The company will be managed in such a way that it will be treated as having UK tax residency and therefore it will be subject to UK tax.

The following companies are subject to UK Corporation tax at the prevailing rate:

- Claimar Care Group Limited
- Surecare Community Services Limited
- First Call Community Services Limited
- Complete Care Holdings Limited
- Paediatric Nursing Link Limited

The UK taxation charge for the year is analysed as follows:

	Group		Association	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Current Taxation				
UK Corporation Tax	42	39	-	-
Deferred Tax	-	-	-	-
Adjustments in respect of prior years	-	(20)	-	-
	42	19	-	-

Current tax reconciliation

The tax charge differs from the standard rate of corporation tax in the UK. A reconciliation is shown below:

	Group		Association	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Surplus / (Deficit) on ordinary activities before taxation	8,208	(4,165)	(4,359)	(1,896)
Tax at the standard rate of tax of 23% (2013: 24%)	1,888	(1,000)	(1,002)	(455)
Effects of:				
Expenses not deductible for tax	1,500	627	-	-
Capital allowances in excess of depreciation	9	-	-	-
Group relief	-	-	(67)	(73)
Exemption for charitable activities	(3,487)	348	1,069	528
Other timing differences	-	(17)	-	-
Dividends from UK Companies	-	-	-	-
Gift aid (deduction in prior year)	-	-	-	-
Adjustments in respect of prior years	-	(20)	-	-
Tax losses not provided	132	81	-	-
Total current tax charge / (credit)	42	19	-	-

Notes to the financial statements *cont'd*

12. Housing properties at valuation – Group

	Group								
	Freehold land & buildings			Leasehold buildings		Finance lease buildings	Housing under construction & landbanks		Total
	Older People & Specialist (valuation)	General needs (valuation)	Shared owner-ship (valuation)	Older People & Specialist (valuation)	Shared owner-ship (valuation)	Older People & Specialist (valuation)	Older People & Specialist (cost)	Shared owner-ship (cost)	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost and revaluation surplus									
1 April 2013	1,152,310	25,536	15,972	326,011	11,155	3,130	15,842	4,999	1,554,955
Additions: works to existing properties	14,641	2	-	990	-	110	-	-	15,743
Additions: construction	-	-	-	-	-	-	40,215	15,659	55,874
Transfers to current assets	(367)	-	214	-	299	-	-	(5,792)	(5,646)
Property disposals	-	(22,196)	(207)	-	(267)	-	-	-	(22,670)
Component disposals	(3,103)	(49)	-	(184)	-	-	-	-	(3,336)
Completed property transfers	12,082	-	1,121	7,856	1,277	-	(19,938)	(2,398)	-
Valuation movement	9,660	2,816	(3,583)	17,012	(5,580)	(366)	-	-	19,959
31 March 2014	**1,185,223**	**6,109**	**13,517**	**351,685**	**6,884**	**2,874**	**36,119**	**12,468**	**1,614,879**
SHG and other grants									
1 April 2013	(340,522)	(2,026)	(12,953)	(93,022)	(9,804)	(97)	(13,079)	(2,272)	(473,775)
Received in the year	-	-	-	-	-	-	(3,695)	(2,011)	(5,706)
Transfers (to) / from housing properties	(4,106)	-	3,918	(5,372)	5,187	-	-	-	(373)
Completed property transfers	(2,264)	-	(508)	(2,254)	(393)	-	4,518	901	-
Property disposals	-	1,961	97	-	113	-	-	-	2,171
31 March 2014	**(346,892)**	**(65)**	**(9,446)**	**(100,648)**	**(4,897)**	**(97)**	**(12,256)**	**(3,382)**	**(477,683)**
Accumulated depreciation									
1 April 2013	(131,870)	(5,016)	-	(19,279)	-	(776)	-	-	(156,941)
Charge in the year	(12,342)	(200)	-	(3,445)	-	(61)	-	-	(16,048)
Disposals	3,103	4,641	-	184	-	-	-	-	7,928
31 March 2014	**(141,109)**	**(575)**	**-**	**(22,540)**	**-**	**(837)**	**-**	**-**	**(165,061)**
Valuation									
31 March 2014	**697,222**	**5,469**	**4,071**	**228,497**	**1,987**	**1,940**	**23,863**	**9,086**	**972,135**
31 March 2013	679,918	18,494	3,019	213,710	1,351	2,257	2,763	2,727	924,239

Depreciation charge in the year of £16,048k includes £1,236k of accelerated depreciation on replaced components (2013: £825k).

Notes to the financial statements *cont'd*

12. Housing properties at valuation – Association

	Association								
	Freehold land & buildings			Leasehold buildings		Finance lease buildings	Housing under construction & landbanks		Total
	Older People & Specialist (valuation) £'000	General needs (valuation) £'000	Shared ownership (valuation) £'000	Older People & Specialist (valuation) £'000	Shared ownership (valuation) £'000	Older People & Specialist (valuation) £'000	Older People & Specialist (cost) £'000	Shared ownership (cost) £'000	£'000
Cost and revaluation surplus									
1 April 2013	1,138,139	23,554	15,972	239,077	11,155	3,130	15,842	4,999	1,451,868
Additions: works to existing properties	14,617	2	-	990	-	110	-	-	15,719
Additions: construction	-	-	-	-	-	-	40,215	15,659	55,874
Transfers to current assets	(367)	-	214	-	299	-	-	(5,792)	(5,646)
Property disposals	-	(20,214)	(207)	-	(267)	-	-	-	(20,688)
Component disposals	(3,103)	(49)	-	(184)	-	-	-	-	(3,336)
Completed property transfers	12,082	-	1,121	7,856	1,277	-	(19,938)	(2,398)	-
Valuation movement	9,412	2,816	(3,583)	14,150	(5,580)	(366)	-	-	16,849
31 March 2014	**1,170,780**	**6,109**	**13,517**	**261,889**	**6,884**	**2,874**	**36,119**	**12,468**	**1,510,640**
SHG and other grants									
1 April 2013	(333,461)	(2,021)	(12,953)	(93,022)	(9,804)	(97)	(13,079)	(2,272)	(466,709)
Received in the year	-	-	-	-	-	-	(3,695)	(2,011)	(5,706)
Transfers (to) / from housing properties	(4,106)	-	3,918	(5,372)	5,187	-	-	-	(373)
Completed property transfers	(2,264)	-	(508)	(2,254)	(393)	-	4,518	901	-
Property disposals	-	1,956	97	-	113	-	-	-	2,166
31 March 2014	**(339,831)**	**(65)**	**(9,446)**	**(100,648)**	**(4,897)**	**(97)**	**(12,256)**	**(3,382)**	**(470,622)**
Accumulated depreciation									
1 April 2013	(131,398)	(4,506)	-	(14,985)	-	(776)	-	-	(151,665)
Charge in the year	(12,264)	(201)	-	(2,383)	-	(61)	-	-	(14,909)
Disposals	3,103	4,132	-	184	-	-	-	-	7,419
31 March 2014	**(140,559)**	**(575)**	**-**	**(17,184)**	**-**	**(837)**	**-**	**-**	**(159,155)**
Valuation									
31 March 2014	**690,390**	**5,469**	**4,071**	**144,057**	**1,987**	**1,940**	**23,863**	**9,086**	**880,863**
31 March 2013	673,280	17,027	3,019	131,070	1,351	2,257	2,763	2,727	833,494

Depreciation charge in the year of £14,909k includes £1,234k of accelerated depreciation on replaced components (2013: £825k).

Notes to the financial statements *cont'd*

12. Housing properties at valuation *cont'd*

Residential properties were valued by Deloitte Real Estate, Chartered Surveyors, on the basis of Existing Use Value for Social Housing (EUV-SH), as at 31 March 2014. The basis of valuation assumes that the properties will continue to be owned by a Registered Provider of Social Housing, for letting at social rents, and will be managed in accordance with the Performance Standards published by the Homes and Communities Agency.

The valuation was undertaken in accordance with the RICS Valuation – Professional Standards 2012. In determining the valuation, the valuer made use of the discounted cash flow methodology. Assumptions were made concerning the key factors of: the level of future rents, tenant turnover rates, management and maintenance costs, bad debt and void levels, and future discount rates. The spread of discount rates used was from 5.75% to 7% depending on the scheme's location.

The assumption applied in respect of rent increases is RPI + 0.5%.

The valuation provided by Deloitte Real Estate for the Group totalled £937,642k for completed properties (2013: £916,669k).

The values of completed developments moved into housing stock from housing under construction during the year included capitalised interest (rates applied during year: 4.30%) of £972k (2013: £292k).

Works to existing properties

Expenditure on existing properties, other than on routine and planned maintenance, was as follows:

	Group		Association	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
New components capitalised	8,345	5,363	8,345	5,363
Capitalised enhancements	7,387	10,865	7,346	10,849
Major works charged to income and expenditure account (Note 3)	1,726	1,182	1,383	872

Notes to the financial statements *cont'd*

12. Housing properties at valuation *cont'd*

Capital grants	Group		
	Completed properties	Properties under construction	Total
	£'000	£'000	£'000
Social Housing Grant			
1 April 2013	366,197	14,025	380,222
Receivable in year	-	2,589	2,589
Transfers to housing properties	373	-	373
Disposals	(2,171)	-	(2,171)
Completed schemes	4,321	(4,321)	-
At 31 March 2014	**368,720**	**12,293**	**381,013**
Other Grants			
1 April 2013	92,227	1,326	93,553
Receivable in year	-	3,117	3,117
Completed schemes	1,098	(1,098)	-
At 31 March 2014	**93,325**	**3,345**	**96,670**
Total			
1 April 2013	458,424	15,351	473,775
Receivable in year	-	5,706	5,706
Transfer to housing properties	373	-	373
Disposals	(2,171)	-	(2,171)
Completed schemes	5,419	(5,419)	-
At 31 March 2014	**462,045**	**15,638**	**477,683**

Notes to the financial statements *cont'd*

12. Housing properties at valuation *cont'd*

Capital grants	Association		
	Completed properties	Properties under construction	Total
	£'000	£'000	£'000
Social Housing Grant			
1 April 2013	364,793	14,025	378,818
Receivable in year	-	2,589	2,589
Transfers to housing properties	373	-	373
Disposals	(2,166)	-	(2,166)
Completed schemes	4,321	(4,321)	-
At 31 March 2014	**367,321**	**12,293**	**379,614**
Other Grants			
1 April 2013	86,565	1,326	87,891
Receivable in year	-	3,117	3,117
Completed schemes	1,098	(1,098)	-
At 31 March 2014	**87,663**	**3,345**	**91,008**
Total			
1 April 2013	451,358	15,351	466,709
Receivable in year	-	5,706	5,706
Transfer to housing properties	373	-	373
Disposals	(2,166)	-	(2,166)
Completed schemes	5,419	(5,419)	-
At 31 March 2014	**454,984**	**15,638**	**470,622**

The cumulative amount of Social Housing Grant credited to the income and expenditure account is £72k (2013: £72k), for both Group and Association.

Notes to the financial statements *cont'd*

13. Other fixed assets

	Group			
	Freehold offices	Leasehold offices & improvements	IT & other equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2013	3,365	436	17,467	21,268
Additions	-	173	2,557	2,730
Disposals	(645)	-	(361)	(1,006)
At 31 March 2014	**2,720**	**609**	**19,663**	**22,992**
Depreciation				
At 1 April 2013	(690)	(277)	(13,239)	(14,206)
Charge for the year	(59)	(161)	(1,899)	(2,119)
Disposals	314	-	286	600
At 31 March 2014	**(435)**	**(438)**	**(14,852)**	**(15,725)**
Net book value at 31 March 2014	**2,285**	**171**	**4,811**	**7,267**
Net book value at 31 March 2013	2,675	159	4,228	7,062

	Association			
	Freehold offices	Leasehold offices & improvements	IT & other equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2013	3,365	436	16,563	20,364
Additions	-	173	2,537	2,710
Disposals	(645)	-	-	(645)
At 31 March 2014	**2,720**	**609**	**19,100**	**22,429**
Depreciation				
At 1 April 2013	(690)	(277)	(12,475)	(13,442)
Charge for the year	(59)	(161)	(1,858)	(2,078)
Disposals	314	-	-	314
At 31 March 2014	**(435)**	**(438)**	**(14,333)**	**(15,206)**
Net book value at 31 March 2014	**2,285**	**171**	**4,767**	**7,223**
Net book value at 31 March 2013	2,675	159	4,088	6,922

Notes to the financial statements *cont'd*

14. Housing properties and stock for sale

	Group & Association	
	2014	2013
	£'000	£'000
Low Cost Home Ownership & Outright Sale properties available for sale	2,068	2,997
Low Cost Home Ownership & Outright Sale properties under construction	7,830	5,000
	9,898	7,997

15. Debtors: amounts falling due after one year

	Group		Association	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Finance debtor	114,791	110,342	6,550	6,596
Amount owing from subsidiaries	-	-	25,433	18,802
	114,791	110,342	31,983	25,398

16. Debtors: amounts falling due within one year

	Group		Association	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Rental debtors	2,941	3,995	2,917	3,974
Less provision for bad debts	(1,314)	(1,021)	(1,307)	(1,005)
	1,627	2,974	1,610	2,969
Trade debtors	5,461	11,819	5,517	8,251
Other debtors	22,858	18,398	17,179	12,050
SHG and other capital debtors	1,046	7,635	1,046	7,635
Amount owing from subsidiaries	-	-	5,995	28,134
	30,992	40,826	31,347	59,039

Notes to the financial statements *cont'd*

17. Creditors: amounts falling due within one year

	Group		Association	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Housing loans	8,757	51,129	4,654	45,271
Obligations under finance leases	55	48	55	48
Trade creditors	680	1,855	632	1,760
SHG and other capital receipts in advance	1,328	1,328	1,328	1,328
Other creditors	8,298	9,089	7,462	7,430
Accruals and deferred income	78,672	58,388	55,906	35,853
Amount owing to subsidiaries	-	-	6,533	8,958
	97,790	121,837	76,570	100,648

18. Creditors: amounts falling due after more than one year

	Group		Association	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Loans				
Local Authority residual loans	170	171	170	171
Government loans	11,002	11,088	10,822	10,892
Debenture stock	14,000	14,000	14,000	14,000
Bank loans	391,663	404,742	248,700	257,338
Sub total	416,835	430,001	273,692	282,401
Debenture stock – premium on issue	144	257	144	257
Less: funding costs to be amortised	(2,265)	(2,286)	(629)	(575)
Less: amounts falling due within one year (Note 17)	(8,757)	(51,129)	(4,654)	(45,271)
Total loans due after one year	405,957	376,843	268,553	236,812
Finance leases				
Finance leases	2,370	2,418	2,370	2,418
Less: amounts falling due within one year (Note 17)	(55)	(48)	(55)	(48)
Total finance leases due after one year	2,315	2,370	2,315	2,370
Recycled Capital Grant Fund	1,011	1,175	1,011	1,175
	409,283	380,388	271,879	240,357

Details of obligations under finance leases can be found in Note 26.

Notes to the financial statements *cont'd*

18. Creditors: amounts falling due after more than one year *cont'd*

Loans are secured by charges on the assets of the Association including specific charges on certain housing properties, totalling £375,384k (2013: £382,192k). Repayment of loans within the PFI special purpose vehicles are secured through charges on the income of the underlying PFI contracts over their lifetime.

The weighted average interest rate is 4.30% (2013: 4.29%).

The loans are due as follows:

	Group		Association	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Loan stocks and bank loans				
Repayable as follows:				
In one year or less	8,757	51,129	4,654	45,271
In more than one year and less than two years	7,809	8,057	3,961	3,954
In more than two years and less than five years	39,815	38,331	27,350	25,905
In five years or more	360,454	332,484	237,727	207,271
	416,835	430,001	273,692	282,401

The Recycled Capital Grant Fund balance is made up as follows:

	Group & Association	
	2014	2013
	£'000	£'000
At 1 April	1,175	-
Transferred from creditors	-	172
Grants recycled	209	1,003
Transferred to fixed assets	(373)	
Interest accrued	-	-
New build	-	-
At 31 March	1,011	1,175
Amount due for repayment to the HCA / GLA	-	-

Notes to the financial statements *cont'd*

19. Share capital

	2014 £	2013 £
Allotted, issued and fully paid	**31**	31

Each member of the Association holds a non equity share of £1 in the Association.

The shares carry no right to dividends. The shares are cancelled on the resignation of members from the Association. The shares carry the right to vote at meetings of the Association on the basis of one share one vote. No rights to participate in the net assets of the Association in the event of a winding up are conferred by the shares.

20. Reserves

	Group		Association	
	General Reserve £'000	Revaluation Reserve £'000	General Reserve £'000	Revaluation Reserve £'000
At 1 April 2013	89,588	563,310	100,484	541,948
Surplus / (Deficit) for the financial year	8,166	-	(4,359)	-
Revaluation of properties	-	19,959	-	16,849
Actuarial loss on pension scheme liabilities	(30)	-	(30)	-
Realisation of property revaluation surpluses of previous years	9,896	(9,896)	9,094	(9,094)
At 31 March 2014	**107,620**	**573,373**	**105,189**	**549,703**

Notes to the financial statements *cont'd*

21. Reconciliation of operating surplus to net cash inflow from operating activities

	2014	2013
	£'000	£'000
Operating surplus	18,175	10,819
Depreciation	18,168	16,894
Profit on property sales included in Operating Surplus	(1,895)	(1,466)
Amortisation & impairment of goodwill	5,470	3,704
Pension schemes subject to FRS 17	3	(29)
Decrease in trading debtors	425	1,556
Increase / (decrease) in trading creditors	14,518	9,895
Net cash inflow from operating activities	54,864	41,373

22. Analysis of the changes in net debt

	At 1 April 2013	**Cash Flows**	**Non-Cash Items**	**At 31 March 2014**
	£'000	**£'000**	**£'000**	**£'000**
Cash	39,491	1,634	-	41,125
Bank loans	(427,972)	13,566	(308)	(414,714)
Finance leases	(2,418)	48	-	(2,370)
Net debt	(390,899)	15,248	(308)	(375,959)

23. Analysis of the changes in net debt

	2014	2013
	£'000	£'000
Increase in cash & deposits in the period	1,634	15,665
Net decrease / (increase) in loans in the period	13,566	8,923
Decrease in finance lease liabilities in the period	48	43
Changes in net debt resulting from cash flows	15,248	24,631
Non-cash items affecting net debt	(308)	(462)
Movement in net debt in the year	14,940	24,169
Net debt at 1 April	(390,899)	(415,068)
Net debt at 31 March	(375,959)	(390,899)

Notes to the financial statements *cont'd*

24. Housing Accommodation

The number of units of accommodation at 31 March 2014 was:

	Group		Association	
	2014	2013	**2014**	2013
Owned and managed				
Housing for older and specialist needs	14,699	14,555	14,254	14,101
General needs – Social Rent	105	325	104	283
Shared ownership	578	548	578	548
Staff accommodation	273	286	273	286
Owned but managed by others				
Housing for older and specialist needs	249	249	249	249
General needs	-	81	-	81
Managed for Others				
Housing for older and specialist needs	1,447	1,447	1,892	1,901
General needs	-	-	1	42
Staff accommodation	1	1	1	1
Leasehold				
Owned by tenants on Association land	863	935	828	900
Total	18,215	18,427	18,180	18,392
Units in development				
For rent	1,174	822	1,174	822
For shared ownership	511	292	511	292
For outright sale	25	138	25	138
Total	1,710	1,252	1,710	1,252

Notes to the financial statements *cont'd*

25. Capital commitments

	Group & Association	
	2014	2013
	£'000	£'000
Capital expenditure contracted but not provided for	89,201	52,741
Capital expenditure approved but not contracted for	102,716	116,161

Capital expenditure contracted but not provided for represents the amount committed to development sites for which the Group has a contractual obligation. Capital expenditure approved but not contracted represents potential commitments to development schemes for which funding has been allocated and form part of the corporate plan approved by the board. A formal investment appraisal is conducted on each development scheme before the Group enters a contractual obligation.

The Group has participated in the capital bid round with the Homes & Communities Agency for Social Housing Grants for the 2011-15 year period. The Group has also submitted a proposal for the 2015-18 capital bid round which is included in the non-contractual capital commitments. In addition to this funding, the necessary borrowing facilities are in place to deliver the anticipated programme. The Business Plan also demonstrates the Group's ability to service its debts and repay long term loans as they fall due, which includes anticipated proceeds from LCHO and Outright property sales.

26. Financial commitments

Finance leases:

The Association entered into two finance lease agreements, commencing January 1997, for groups of properties located in Bexhill and Felixstowe. These agreements are 35 years in duration and are full repairing and insuring leases, with an option for reversion during the 35th year.

Under the terms of the lease contract, the Association has an obligation to make rental payments increasing at a compound rate of 3.5% per annum over the 35 year lease duration.

Obligations due under the leases are payable as follows (excluding interest):

	Group & Association	
	2014	2013
	£'000	£'000
In one year or less	55	48
Between one and two years	61	55
Between two and five years	226	205
In five years or more	2,027	2,110
	2,369	2,418

Notes to the financial statements *cont'd*

27. Commitments under operating leases

The Group and Association had annual commitments under operating leases as set out below:

	Group		Association	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
On land and buildings:				
In one year or less	206	209	196	209
In two – five years	503	490	422	411
In five or more years	291	279	291	201
	1,000	978	909	821
On other assets:				
In one year or less	38	36	38	36
In two – five years	10	41	10	30
	48	77	48	66

Notes to the financial statements *cont'd*

28. Pensions

Housing & Care 21 participates in a number of defined benefit and defined contribution schemes. At the balance sheet date, 3,103 (2013: 397) employees contributed to a defined contribution scheme with the majority of employees a member of the National Employment Savings Trust. This was opened during the year to meet the legal requirements of auto enrolment.

At the balance sheet date 251 (2013: 392) employees were members of a defined benefit scheme. All schemes' assets are held in separate funds administered by the Trustees of each scheme. The Association withdrew from the London Borough of Redbridge Pension Scheme on 24 March 2014. The results have been disclosed to the date of withdrawal. All defined benefit schemes are closed to new entrants.

Further details of each scheme are provided below.

Group Stakeholder Plan with Axa Sun Life

Following the closure of the SHPS defined benefit scheme to new members, employees have been offered the opportunity to join the Group Stakeholder Plan. The pension cost of this scheme for the Association was £391k (2013: £485k) with 192 employee members at the year end (2013: 239). This includes £43k (2013: £56k) outstanding contributions at the Balance Sheet date.

Group Stakeholder Plan with Scottish Equitable

This is a defined contribution scheme. The pension cost of this scheme for the Association was £7k (2013: £2k) with 0 employee members at the year end (2013: 1). This includes £0k (2013: £12k) outstanding contributions at the Balance Sheet date.

Prudential Group Savings Plan

This scheme has been closed to new members since 1997. The Prudential Group Savings Plan is a defined contribution scheme. The pension cost of this scheme for the Association was £27k (2013: £31k) with 9 employee members at the year end (2013: 13). This includes £1k (2013: £3k) outstanding contributions at the Balance Sheet date.

National Employment Savings Trust

To meet the new requirements of auto enrolment in October 2013 all employees not part of our existing schemes were enrolled into the National Employment Savings Trust ('NEST'). This is a defined contribution scheme. The pension cost of this scheme for the Association was £116k (2013: £nil) with 2,663 employee members at the year end (2013: nil). This includes £41k (2013: £nil) outstanding contributions at the Balance Sheet date.

Social Housing Pension Scheme – Defined Contribution (administered by The Pensions Trust)

Following the closure of the SHPS Defined Benefit structure to new members, employees have been offered the opportunity to join the SHPS Defined Contribution structure. The pension cost of this scheme for the Association in the year was £419k (2013: £248k) with 239 employee members at the year end (2013: 144).

Social Housing Pension Scheme – Defined Benefit (administered by The Pensions Trust)

The Board decided to close the scheme to new employees at 30 June 2002 and to existing employees at 31 December 2002. From those dates employees have been offered the opportunity to join the group stakeholder pension plan or the SHPS Defined Contribution plan.

Housing & Care 21 accounts for less than 1% of the SHPS total membership.

Notes to the financial statements *cont'd*

28. Pensions *cont'd*

The following disclosure has been provided by the administrators:

Housing & Care 21 participates in the Social Housing Pension Scheme (the Scheme). The Scheme is funded and is contracted-out of the State Pension scheme.

SHPS is a multi-employer defined benefit scheme. Employer participation in the Scheme is subject to adherence with the employer responsibilities and obligations as set out in the "SHPS House Policies and Rules Employer Guide".

The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate until 31 March 2007. From April 2007 three defined benefit structures have been available, namely:

- Final salary with a 1/60th accrual rate
- Final salary with a 1/70th accrual rate
- Career average revalued earnings (CARE) with a 1/60th accrual rate

From April 2010 there are a further two benefit structures available, namely

- Final salary with a 1/80th accrual rate
- Career average revalued earnings (CARE) with a 1/80th accrual rate

A defined contribution benefit structure was made available from 1 October 2010.

An employer can elect to operate different benefit structures for their active members and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

Housing & Care 21 has elected to operate the final salary with a 1/60th accrual rate, benefit structure for active members. This does not reflect any benefit structure changes made from April 2010.

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, in respect of each benefit structure, so that the Scheme can meet its pension obligations as they fall due. From April 2007 the split of the total contribution rate between member and employer is set at individual employer level, subject to the employer paying no less than 50% of the total contribution rate. From 1 April 2010 the requirement to pay at least 50% of the total contribution no longer applies.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period Housing & Care 21 paid contributions at the rate of 17.1%. Members' contributions varied between 6.4% and 8.4% depending on their age. The pension cost of this scheme for the Association in the year was £191k (2013: £184k) with 66 employee members at the year end (2013: 79) active members of the Scheme employed by Housing & Care 21. Housing & Care 21 has closed the Scheme to new entrants.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the scheme is a multi employer scheme where the scheme assets are co–mingled for investment purposes, and benefits are paid from the total scheme assets. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30 September 2011 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £2,062 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035 million, equivalent to a past service funding level of 67%.

Notes to the financial statements *cont'd*

28. Pensions *cont'd*

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2013. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The market value of the Scheme's assets at the date of the Actuarial Report was £2,718 million. The Actuarial Report revealed a shortfall of assets compared with the value of liabilities of £1,151 million, equivalent to a past service funding level of 70%.

The financial assumptions underlying the valuation as at 30 September 2011 were as follows:

	% pa
• Valuation discount rates:	
Pre retirement	7.0
Non pensioner post retirement	4.2
Pensioner post retirement	4.2
• Pensionable earnings growth	2.5 per annum for 3 years, then 4.4
• Price inflation	2.9
• Rate of pension increases	
Pre 88 GMP	0.0
Post 88 GMP	2.0
Excess over GMP	2.4

Expenses for death in service insurance, administration and PPF levy are included in the contribution rate.

The valuation was carried out using the following demographic assumptions:

- Mortality pre retirement – 41% SAPS S1 Male / Female All Pensioners (amounts), Year of Birth, CMI_2009 projections with long term improvement rates of 1.5% p.a. for Males and 1.25% p.a. for Females
- Mortality post retirement – 97% SAPS S1 Male / Female All Pensioners (amounts), Year of Birth, CMI_2009 projections with long term improvement rates of 1.5% p.a. for Males and 1.25% p.a. for Females

The long-term joint contribution rates that will apply from April 2010 required from the employers and members to meet the cost of future benefit accruals were assessed at:

Benefit structure	**Long-term joint contribution rate (% of pensionable salaries)**
Final salary with a 1/60th accrual rate	19.4
Final salary with a 1/70th accrual rate	16.9
Career average revalued earnings (CARE) with a 1/60th accrual rate	18.1
Final salary with a 1/80th accrual rate	14.8
Career average revalued earnings (CARE) with a 1/80th accrual rate	14.0
Career average revalued earnings (CARE) with a 1/120th accrual rate	9.7

Notes to the financial statements *cont'd*

28. Pensions *cont'd*

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall. Following consideration of the results of the actuarial valuation it was agreed that the shortfall of £1,035 million would be dealt with by the payment of deficit contributions as shown in the table below:

From 1 April 2013 to 30 September 2020	A cash amount(*) equivalent to 7.5% of Members' Earnings per annum (payable monthly and increasing by 4.7% per annum each 1 April)
From 1 October 2020 to 30 September 2023	A cash amount(*) equivalent to 3.1% of Members' Earnings per annum (payable monthly and increasing by 4.7% per annum each 1 April)
From 1 April 2013 to 30 September 2026	£30,640,000 per annum (payable monthly and increasing by 3% per annum each 1 April; first increase on 1 April 2014)

(*) The contributions of 7.5% will be expressed in nominal pound terms (for each Employer), increasing each year in line with the Earnings growth assumption used in the 30 September 2008 valuation (i.e. 4.7% per annum). The contributions of 3.1% will be calculated by proportioning the nominal pound payment at the time of the change. Earnings at 30 September 2008 (for each Employer) will be used as the reference point for calculating these contributions.

Housing & Care 21's deficit contributions toward the shortfall have been set at £670k per year from 1 April 2014. These deficit contributions are in addition to the long-term joint contribution rates as set out above.

The next formal valuation of the Scheme will begin later this year and will give an update on the financial position as at 30 September 2014. The results of this valuation will be available in Spring 2016.

Employers that participate in the Scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate).

Employers that have closed the Scheme to new entrants, including Housing & Care 21, are required to pay an additional employer contribution loading of 2.5% to reflect the higher costs of a closed arrangement.

A small number of employers are required to contribute at a different rate to reflect the amortisation of a surplus or deficit on the transfer of assets and past service liabilities from another pension scheme into the SHPS Scheme.

New employers that do not transfer any past service liabilities to the Scheme pay contributions at the ongoing future service contribution rate. This rate is reviewed at each valuation and new employers joining the Scheme between valuations up until 1 April 2010 do not contribute towards the deficit until two valuations have been completed after their date of joining. New employers joining the Scheme after 1 April 2010 will be liable for past service deficit contributions from the valuation following joining. Contribution rates are changed on the 1 April that falls 18 months after the valuation date.

A copy of the Recovery Plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to The Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or Recovery Plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the Scheme liabilities and hence impact on the Recovery Plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the Recovery Plan).

As a result of pension scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

Notes to the financial statements *cont'd*

28. Pensions *cont'd*

Housing & Care 21 has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme based on the financial position of the Scheme as at 30 September 2013. As of the date the estimated employer debt for Housing & Care 21 was £41,210k (2013: £41,841k).

The contributions outstanding at the balance sheet date for both the SHPS Defined Contribution and SHPS Defined Benefit schemes is £153k (2013: £416k).

Local Authority Pension Schemes

Due to the TUPE transfer of staff, the Association participates in the following multi-employer defined benefit pension schemes:

City of Westminster Pension Fund

The City of Westminster scheme is a defined benefit scheme. However Housing & Care 21's liability in relation to its employees is capped at 12% and 17%. The scheme is therefore accounted for as a defined contribution scheme in accordance with FRS 17 as the charge in the income and expenditure account represents the employer contribution payable.

During the accounting period Housing & Care 21 paid contributions at 17% (2013: 12% - 17%) totalling £5k (2013: £16k). This includes £nil (2013: £nil) outstanding contributions at the Balance Sheet date.

There was 1 employee member at the year end (2013: 13). Employee contributions were between 6.5% (2013: 5.8% - 6.5%).

Oldham Metropolitan Borough Council Pension Fund

Oldham Metropolitan Borough Council scheme is a defined benefit scheme. However Housing & Care 21's liability in relation to its employees is capped at 20%. The scheme is therefore accounted for as a defined contribution scheme in accordance with FRS 17 as the charge in the income and expenditure account represents the employer contribution payable.

During the financial year Housing & Care 21 paid contributions at 17% (2013: 16.6%) totalling £36k (2013: £40k). This includes £4k (2013: £4k) outstanding contributions at the Balance Sheet date.

There were 11 employee members at the year end (2013: 13). Employee contributions were between 5.9% and 6.5% (2013: 5.9% - 6.5%).

Walsall Metropolitan Borough Council Pension Fund

Walsall Metropolitan Borough Council scheme is a defined benefit scheme. However Housing & Care 21's liability in relation to its employees is capped at 14.7%. The scheme is therefore accounted for as a defined contribution scheme in accordance with FRS 17 as the charge in the income and expenditure account represents the employer contribution payable.

During the financial year Housing & Care 21 paid contributions at 15.3% (2013: 15.3%) totalling £327k (2013: £401k). There were 129 employee members at the year end (2013: 188). This includes £26k (2013: £32k) outstanding contributions at the Balance Sheet date.

The 0.6% difference between Housing & Care 21's capped employer contributions (14.7%) and actual employer contributions (15.3%) is reclaimed from Walsall Metropolitan Borough Council.

Employee contributions were between 5.5% and 6.8% (2013: 5.5% - 6.8%).

London Borough of Sutton Pension Scheme

London Borough of Sutton scheme is a defined benefit scheme. However Housing & Care 21's liability in relation to its employees is capped at 20%. The scheme is therefore accounted for as a defined contribution scheme in accordance with FRS 17 as the charge in the income and expenditure account represents the employer contribution payable.

During the financial year Housing & Care 21 paid £nil contributions (2013: £4k). There were 0 employee members at the year end (2013: 1).

London Borough of Camden Pension Scheme

London Borough of Camden scheme is a defined benefit scheme. However Housing & Care 21's liability in relation to its employees is capped at 22%. The scheme is therefore accounted for as a defined contribution scheme in accordance with FRS 17 as the charge in the income and expenditure account represents the employer contribution payable.

During the financial year Housing & Care 21 paid £nil contributions (2013: £4k). There were 0 employee members at the year end (2013: 25).

Suffolk County Council Pension Scheme

The Association is an admitted body to the Suffolk County Council Pension Scheme (the fund) which is administered by Suffolk County Council. Suffolk County Council Scheme is a defined benefit scheme. However Housing & Care 21's liability in relation to its employees is capped at 20.8%. The scheme is therefore accounted for as a defined contribution scheme in accordance with FRS 17 as the charge in the income and expenditure account represents the employer contribution payable.

During the financial year Housing & Care 21 paid contributions at 19.5% (2013: 19.5%) totalling £18k (2013: £24k). This includes £1k (2013: £nil) outstanding contributions at the Balance Sheet date.

There were 6 (2013: 13) employee members at the year end. Employee contributions were between 5.5% and 5.9% (2013: 5.5% - 5.9%).

Notes to the financial statements *cont'd*

28. Pensions *cont'd*

London Borough of Barnet Pension Scheme

The Association is an admitted body to the London Borough of Barnet Pension Scheme (the fund) which is administered by the London Borough of Barnet. The London Borough of Barnet pension scheme is a defined benefit scheme. However Housing & Care 21's liability in relation to its employees is capped at 9%. The scheme is therefore accounted for as a defined contribution scheme in accordance with FRS 17 as the charge in the income and expenditure account represents the employer contribution payable.

During the accounting period Housing & Care 21 paid contributions at 19.8% (2013: 19.8%) totalling £120k (2013: £126k). This includes £8k (2013: £10k) outstanding contributions at the Balance Sheet date.

The 10.8% difference between Housing & Care 21's capped employer contributions (9%) and actual employer contributions (19.8%) is reclaimed from London Borough of Barnet.

There were 36 (2013: 56) employee members at the year end. Employee contributions were between 5.5% and 6.5% (2013: 5.5% - 6.5%).

London Borough of Redbridge and Lewisham Pension Schemes

The Association is an admitted body to Lewisham Pension Schemes (the Fund) which is administered by the London Borough of Lewisham under the regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme.

During the financial year, Housing & Care 21 paid £115k to exit the London Borough of Redbridge Pension Scheme.

By exiting the scheme, Housing & Care 21 are not liable to any future costs associated with this Pension Fund.

The last formal valuation of the Funds was at 31 March 2013. Actuarial valuations have been prepared as at 31 March 2014 on behalf of Housing & Care 21 (the Employer). For this purpose the value of the Funds as at 31 March 2014 have been estimated based upon the latest split of investments by category which was at 31 December 2013. The value of the Funds' liabilities as at 31 March 2014 were assessed by rolling forward the value of the Employer's liabilities reported as at the latest valuation.

The main financial assumptions underlying the Redbridge and Lewisham valuations at 31 March are as follows (an average is disclosed across both Funds):

	%pa	%pa	%pa	%pa	%pa	%pa
	2014	2013	2012	2011	2010	2009
Inflation rate	5.8	5.0	2.5	3.3	3.8	3.1
Discount rate	4.1	4.5	4.8	5.5	5.5	6.9
Expected rate of salary increases	4.4	4.8	4.6	4.9	5.3	4.6
Rate of pension increases	2.6	2.8	2.5	3.3	3.8	3.4

Mortality

The life expectancy is based on the SAPS year of birth tables, with improvements from 2007 in line with the medium cohort and a 1% p.a. underpin. Based on these assumptions, the average future life expectancies age 65 are summarised below:

	Males	**Females**
Current pensioners	21.7 years	24.0 years
Future pensioners	24.4 years	26.7 years

Notes to the financial statements *cont'd*

28. Pensions *cont'd*

Investment Returns

The average return on the Funds in market value terms for the year to 31 March 2013 are estimated based on actual Fund returns as provided by the Administering Authorities and index returns where necessary. Details are given below:

Average actual return for period from 1 April 2013 to 31 December 2013 3.7%

Average estimated return for period from 1 April 2013 to 31 March 2014 4.8%

The average expected rates of return of each category of assets held by the Funds for the ensuing year as at 31 March were as follows:

	%pa	%pa	%pa	%pa	%pa	%pa
	2014	2013	2012	2011	2010	2009
Equities	6.6	5.7	6.2	7.5	7.8	7.0
Bonds	3.5	3.3	3.9	4.9	5.0	5.5
Property	4.8	3.9	4.4	5.5	5.8	4.9
Cash	3.7	3.0	3.5	4.6	4.8	4.0

The combined values for each main category of assets held on behalf of Housing & Care 21 within the Funds as at 31 March were as follows (NB The 2008 to 2011 disclosures include the London Borough of Barnet Pension Scheme. This ceased in being treated as a defined benefit scheme in 2012 when a liability cap was put in place. It is now treated as a defined contribution scheme):

	2014	2013	2012	2011	2010	2009
	£'000	£'000	£'000	£'000	£'000	£'000
Equities	185	443	381	4,564	4,648	3,171
Bonds	49	178	175	2,775	1,664	1,375
Property	21	56	45	334	304	283
Cash	3	26	21	390	834	745
	258	703	622	8,063	7,450	5,574

Estimated employer assets	258	703	622	8,063	7,450	5,574
The present value of scheme liabilities	(459)	(923)	(859)	(8,963)	(10,596)	(6,292)
Deficit related to Housing & Care 21	(201)	(220)	(237)	(900)	(3,146)	(718)

Notes to the financial statements *cont'd*

28. Pensions *cont'd*

Reconciliation of defined benefit contributions

	31 March 2014 £'000	31 March 2013 £'000
Opening defined benefit obligation	923	859
Current service costs	10	12
Interest cost	40	41
Contributions by members	2	3
Actuarial losses / (gains)	48	54
Losses on curtailments / (settlement)	(529)	-
Estimated benefits paid	(35)	(46)
Closing defined benefit obligation	459	923

Reconciliation of fair value of assets employed

	31 March 2014 £'000	31 March 2013 £'000
Opening fair value of assets employed	703	622
Expected return on assets	34	33
Contributions by members	2	3
Contributions by employers	7	41
Actuarial gains / (losses)	18	50
Assets distributed on settlements	(471)	
Benefits paid	(35)	(46)
Closing fair value of assets employed	(258)	703

Combined amounts for current and previous accounting periods

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Fair value of assets employed	258	703	622	8,063	7,450
Present value of defined benefit obligations	(459)	(923)	(859)	(8,963)	(10,596)
Deficit	(201)	(220)	(237)	(900)	(3,146)
Experience gains/(losses) on assets	(140)	50	(12)	(6)	1,326
Experience gains/(losses) on liabilities	18	1	(14)	1,145	0
Cumulative actuarial gains/(losses)	(17)	(61)	(57)	(586)	(2,192)

Notes to the financial statements *cont'd*

28. Pensions *cont'd*

The pension costs of these two schemes to the Association for the year was £1k (2013: £9k). This includes £nil (2013: £nil) outstanding contributions at the Balance Sheet date.

There were 2 employee members at the end of the year (2013: 4). The average contribution rate of the Association for the year ended 31 March 2013 was 21.5% (2013: 18.5%) and for employees 5.9% (2013: 5.8% to 6.5%).

The actuarial gains and losses charged to the statement of total recognised surpluses and deficits are analysed as follows:

	Total 2014 £'000	**Redbridge 2014 £'000**	**Lewisham 2014 £'000**	Total 2013 £'000
Actuarial loss	30	-	30	4
Charged to the statement of recognised surpluses and deficits	30	-	30	4

Analysis of projected pension expense for the year to 31 March 2015

	Total 2014 £'000	**Redbridge 2014 £'000**	**Lewisham 2014 £'000**	Total 2013 £'000
Projected current service cost	10	-	10	13
Interest obligation	19	-	19	41
Expected return on plan assets	(15)	-	(15)	(35)
Total	14	-	14	19

The estimated employer's contributions for the year to 31 March 2015 are £6,000.

Notes to the financial statements *cont'd*

29. Investments and subsidiary undertakings

	Group	Association
	£'000	£'000
Cost		
At 1 April 2013	-	9,851
Additions	-	16,501
At 31 March 2014	-	26,352
Accumulated impairments		
At 1 April 2013	-	-
Charge in the year	-	(19,117)
At 31 March 2014	-	(19,117)
Net book value at 31 March 2014	**-**	**7,235**
Net book value at 31 March 2013	-	9,851

Notes to the financial statements *cont'd*

29. Investments and subsidiary undertakings *cont'd*

The following comprise the subsidiary undertakings for incorporation into the consolidated accounts for the Group in accordance with the Industrial and Provident Societies Acts and Financial Reporting Standards.

Name and principal activity	Country of registration	Status	Basis of control
The following Companies traded during the financial year and were wholly owned subsidiaries of Housing & Care 21 as at 31 March 2014			
First Call Community Systems Limited (Provision of domiciliary care)	England and Wales	Private limited company	Housing & Care 21 is a member and controls the composition of the Board
Gharana Housing Association Limited (Provision of sheltered accommodation for the elderly)	England and Wales	Industrial and Provident Society	Housing & Care 21 is a member and controls the composition of the Board
Housing 21 Guernsey LBG (Development and management of housing properties and the provision of care services)	Guernsey	Private company limited by guarantee	Housing & Care 21 Guernsey LBG is wholly under the control of Housing & Care 21
Kent Community Partnership Limited (Building and managing stock in Kent)	England and Wales	Industrial and provident society	Housing & Care 21 is a member and controls the composition of the Board
Oldham Retirement Housing Partnership Limited (Management of sheltered housing stock in Oldham)	England and Wales	Industrial and provident society	Housing & Care 21 is a member and controls the composition of the Board
Paediatric Nursing Limited (Supply of agency nursing staff to the NHS)	England and Wales	Private limited company	Housing & Care 21 is a member and controls the composition of the Board
Surecare Community Services Limited (Supply and sale of franchises within the domiciliary care sector)	England and Wales	Private limited company	Housing & Care 21 is a member and controls the composition of the Board

Holding Company

Claimar Care Group Limited (Holding company providing Management Services to its Subsidiary undertakings)	England and Wales	Private limited company	Housing & Care 21 is a member and controls the composition of the Board

Notes to the financial statements *cont'd*

29. Investments and subsidiary undertakings *cont'd*

The following Companies were disposed/divested of during the financial year

Complete Care Holdings Limited (provision of health care packages to severely disabled individuals)	England and Wales	Private limited company	Housing & Care 21 was a member and controlled the composition of the Board until its disposal on 14 January 2014
War Memorial Village Derby (Management of social housing)	England and Wales	Private company limited by guarantee	Housing & Care 21 was a member and controlled the composition of the Board until Housing & Care 21 divested on 6 May 2013

The following Companies are dormant

Claimar Care Limited	England and Wales	Private limited company	Housing & Care 21 is a member and controls the composition of the Board
Dementia Voice	England and Wales	Private company limited by guarantee	Dementia Voice is wholly under the control of Housing & Care 21
Easley Health Limited	England and Wales	Private limited company	Housing & Care 21 is a member and controls the composition of the Board
Housing 21 Care Options Limited	England and Wales	Private limited company	Ownership of 1,000 £1 shares being 100% of the issued share capital
Housing 21 Development Services Limited	England and Wales	Private limited company	Housing & Care 21 is a member and controls the composition of the Board
Housing 21 Property Services Limited (Building stock in Walsall)	England and Wales	Private limited company	Ownership of two £1 shares being 100% of the issued share capital
Primary Care Services Limited	England and Wales	Private limited company	Housing & Care 21 is a member and controls the composition of the Board
Practicare Limited	England and Wales	Private limited company	Ownership of 100 £1 shares being 100% of the issued share capital
Ravenscroft Homelink Limited	England and Wales	Private limited company	Ownership of 100 £1 shares being 100% of the issued share capital
Ravenscroft One Limited	England and Wales	Private limited company	Ownership of 100 £1 shares being 100% of the issued share capital

Notes to the financial statements *cont'd*

29. Investments and subsidiary undertakings *cont'd*

Housing & Care 21 Group consists of Housing & Care 21, a registered provider of social housing, and the subsidiary companies listed on page 79 and 80.

Housing & Care 21 provides a number of services to its subsidiaries. The services are recharged based on the actual or estimated use of Housing & Care 21's resources.

These services are apportioned as follows:

	2014				2013
	Turnover	Operating costs	Interest payable	Total	Total
	£'000	£'000	£'000	£'000	£'000
War Memorial Village Derby	-	(4)	-	(4)	(39)
Kent Community Partnership	1,962	(433)	(773)	756	648
Housing & Care 21 Guernsey LBG	-	(226)	-	(226)	(220)
Oldham Retirement Housing Partnership	-	(2,973)	(466)	(3,439)	3,371
Claimar Care Group	-	-	(1,618)	(1,618)	(2,035)
Gharana Housing Association	-	(49)	(15)	(64)	(66)
Total	1,962	(3,685)	(2,872)	(4,595)	1,659

Notes to the financial statements *cont'd*

30. Goodwill

On 28 February 2007 the Association acquired the leasehold management business of 17 housing schemes from James Butcher Housing Association for £3m. An intangible asset, goodwill, has arisen on the difference between the price paid for the business and the fair value of the net assets and is being amortised over 20 years in accordance with FRS 10. The goodwill amortised in the year was £153k (2013: £153k).

On 18 July 2007 the Association acquired JBK Social Care Limited, a specialist care company based in Westminster for £400k. An intangible asset, goodwill, has arisen on the difference between the price paid for the business and the fair value of the net assets and is being amortised over 5 years. The goodwill was fully amortised in 2012/13.

On 28 September 2009 the Association acquired Claimar Care Group PLC for £20,624k. An intangible asset, goodwill, has arisen on the difference between the price paid for the business and the fair value of the net assets and is being amortised over 10 years. The goodwill amortised in the year for the Group was £3,205k (2013: £3,531k), and for the Association £1,534k (2013: £1,533k). The amortisation charge within the Association has arisen following the hive-up of Claimar Care Limited on 31 March 2011.

On 30 September 2010 Surecare Community Services Limited acquired Easley Health Limited for £758k. An intangible asset, goodwill, has arisen on the difference between the price paid for the business and the fair value of the net assets and is being amortised over 20 years. The goodwill amortised in the year was £20k (2013: £20k).

On 31 March 2011 the Group acquired Gharana Housing Association Limited for nil consideration. The £1.1m negative goodwill that arose was taken to the General Reserve.

The disposal of Complete Care Holdings Limited (see note 5) resulted in a goodwill write off £7,857k (2013: nil).

An impairment assessment has been carried on the Group's goodwill balance. This resulted in an additional charge of £2,092k (2013: nil) relating to the impairment of goodwill for Surecare, First Call and PNL.

At the balance sheet date the residual Group goodwill balance is £12,059k and relates to the care business within the Group (£10,222k) and JBK Social Care Limited (£1,837k).

At the balance sheet date the residual Association goodwill balance is £11,728k and relates to the care business within the Association (£9,891k) and JBK Social Care Limited (£1,837k).

	Group		Association	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Cost				
At 1 April	39,169	39,169	17,967	17,967
Purchased in the year	-	-	-	-
Disposed	(13,663)	-	-	-
At 31 March	25,506	39,169	17,967	17,967
Accumulated amortisation and impairments				
At 1 April	(13,783)	(10,079)	(4,553)	(2,867)
Amortised during the year	(3,378)	(3,704)	(1,686)	(1,686)
Impairments	(2,092)	-	-	-
Disposed	5,806	-	-	-
At 31 March	(13,447)	(13,783)	(6,239)	(4,553)
Total 31 March	12,059	25,386	11,728	13,414

Notes to the financial statements *cont'd*

31. Legislative Provisions

The Association is incorporated under the Industrial and Provident Societies Act 1965 (Registered number 16791R) and is registered under the Housing and Regeneration Act 2008 (Number L0055).

32. Related Party Transactions

No related party transactions have been entered into during the year, other than those disclosed in the Financial Statements, which might reasonably affect any decision made by the users of these Consolidated Financial Statements.

33. Post-balance sheet events

There are no post-balance sheet events.

Industrial & Provident Society Number: 16791R
(Housing & Care 21 became a Community Benefit Society on 1 August 2014)

Homes & Communities Agency registered number L0055

housing&care21

Housing & Care 21

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