Social hearted, commercially minded

Financial Statements 2013/14

Genesis

Contents

The board, group executive team, committees and professional advisers

The Board	
Charles Gurassa	Independent Member
Neil Hadden	Chief Executive
Robert Kerse	Executive Member – resigned 21 June 2013
Rolande Anderson	Independent Member
David Turner	Independent Member
Genie Turton	Independent Member
Brian Ansell	Resident Board member
Imani Douglas-Walker	Resident Board member
Colette O'Shea	Independent Member
Stephen East	Independent Member
Elizabeth Froude	Executive Director of Resources – appointed 21 June 2013
Bruce Mew	Independent Member – appointed 20 May 2014
Group Executive Team	
Neil Hadden	Chief Executive
John Carleton	Executive Director of Markets and Portfolio
Robert Kerse	Executive Director of Resources – resigned 21 June 2013
Jackie Bligh	Director of Governance and Compliance
Laurice Ponting	Director of Communities
Alastair Clegg	Executive Director of Organisational Effectiveness – resigned 20 October 2013
Elizabeth Froude	Executive Director of Resources – appointed 21 June 2013
Group Committees	
Audit and Risk Committee	Chair – Stephen East
Remuneration Committee	Chair – Rolande Anderson
Genesis Homes	Chair – David Turner
Diversity Committee	Chair – Rolande Anderson
Nominations Committee	Chair - Charles Gurassa
Secretary	
Jackie Bligh	Company Secretary

Registered Office
Genesis Housing
Association Limited
Atelier House
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NW1 0DL

Bankers
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Principal Solicitors
Winckworth Sherwood
Minerva House
5 Montague Close
London
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Auditor
KPMG LLP
Chartered Accountants
and Registered Auditor
Arlington Business Park
Theale
Reading
RG7 4SD

Operating and financial review

The Board presents its report and audited financial statements for Genesis Housing Association Limited (Genesis) and its subsidiaries for the year ended 31 March 2014.

Business objectives

Genesis is a registered provider of social housing and is one of the country's leading social investment businesses with approximately 33,000 (2013: 33,000) homes under management in London and the East of England.

The core of GHA's property holdings is a very high value portfolio in Central and North London, which has increased in value substantially over time to provide a significant equity base for GHA. At 31 March 2014, Genesis' owned housing stock had a desktop valuation at £6.2billion (2013: £5.5 billion) on a vacant possession basis.

GHA aims to maximise the social value derived from its portfolio of social housing. GHA is open to the acquisition and disposal of assets, particularly those which it would be uneconomic to retain and maintain to the Decent Homes Standard. However, it plans to always acquire and develop significantly more new affordable housing units each year than are sold. 314 affordable housing units were sold during the year (2013: 114 units) and 371 new affordable units were brought into management from both the development programme and acquisitions (2013: 550 units).

Over the last five years GHA has sought to utilise this equity to maximise the supply of new affordable housing in the high demand areas of London and the East of England. It received substantial public support via the Homes and Communities Agency for this work.

GHA aims to make a small net operating surplus after interest charges from its social housing portfolio and deliver a top quartile quality of service to its customers at an optimal cost. In view of the current economic climate and the coalition Government's expressed aim to reduce the UK budget deficit; improving operating efficiency is one of GHA's key objectives.

GHA combines a commercial approach to the business of providing housing with a social ethos. It offers a diverse range of housing options to its customers including:

- The provision of approximately 31,000 affordable homes for people unable to afford to rent or buy in the open market
- Support for vulnerable people through supported housing
- A range of housing products for the intermediate market, including shared ownership and intermediate market rent
- We are regularly developing a number of Market Rent properties as an integral part of all new development schemes. This allows us to offer our residents another access route to housing
- Development of new properties for affordable rent, shared ownership and also outright sale
- Temporary accommodation with more than 3,400 homes under contract to 14 local authorities
- Housing management contracts for local authorities, other housing associations, primary care and NHS trusts, developers and private investors with 2,000 homes under management
- Community development and regeneration for existing properties to improve the quality of life in local neighbourhoods. We do not just build new homes, we work with communities to address issues of health; education; opportunities for young people; employment; and safety

Delivering around 2,500 new homes over the next three years, GHA is an investment partner under the Homes and Communities Agency's and the Greater London Authority's National Affordable Housing Programme ("NAHP"). It has also been appointed as the Registered Provider for the Woodberry Down regeneration scheme in Hackney and is committed to the Grahame Park regeneration scheme in Barnet. Grahame Park is the largest Registered Provider led regeneration scheme in the UK. We are also members of the Homes and Communities Delivery Partner Panel (DPP) for London and the South East.

Operating and financial review

Vision, mission and values

Vision: GHA aims to be a leading property based service provider.

We have developed a narrative to describe in more detail what this means. It is set out in the following paragraphs.

GHA combines its social purpose – helping our customers build better futures – with a commercial approach geared to filling gaps in dysfunctional housing markets and creating value in the properties we own and the places in which we operate. Our innovative approach means that we offer a wide range of tenures, products and services which are aimed at helping our customers meet their housing aspirations as they evolve and their circumstances change over time. We recognise the value and importance of strategic alliances, working closely with local authorities and other partners in our key areas of operation – London, Hertfordshire and East Anglia.

Our range of customers and their expectations will become more diverse over time. We aim to be an agile organisation using our customer knowledge to align our products and services and the standards to which we deliver them, so that our customers trust us, want to stay with us and recommend us to others. Providing more opportunities for customers to self-serve on transactional services will help deliver expectations of 'instant' service delivery.

Our customer base includes many households facing severe challenges, some financial, others because of illness or disability. We will continue to provide a range of support to our most vulnerable customers to enable them to sustain their homes. For other customers we intend to adopt a new approach aimed at helping to shift behaviours and expectations from dependency to independence.

With our charitable foundation Genesis Community we support and indeed act as a social enterprise working with community groups to shape the places in which we have homes – either through development and the management of existing properties or through our regeneration activities and to enhance the sustainability of those communities.

Given the current and likely enduring shortage of public funding for new housing we consider that an increased focus on providing intermediate and market based products, such as shared ownership, shared equity, intermediate rent, market rent and outright sales, is important in meeting today's housing problems as well as potentially providing resources for the development of our more traditional social housing. We recognise that as an independent modern organisation we should be less reliant on increasingly scarce government funding and more self-sufficient looking to see how we can use the value within our existing portfolio to meet our objectives. In this way Genesis aims to be a leading property-based service provider within the areas in which we operate.

Mission

Our Mission Statement reflects the vision above and the role we want to play:

To provide quality homes and services to enable our customers to build better futures.

Values

Our values and behaviours describe the way we work and the "contract" between us, our customers, stakeholders and partners. They are:

Customer focus

Putting the customer (internal and external) first – treating our customers with consistency and sensitivity.

- I take personal responsibility and ownership to make things happen
- I am able to adapt to changing circumstances and come up with creative solutions
- I treat customers as individuals who have choices

Respect

Treating people fairly; recognising, understanding and celebrating difference.

- I treat others professionally
- I act ethically and with integrity
- I am open minded and non-judgemental

Efficiency

Using our resources (people, money, time) wisely, and challenging waste and duplication, to achieve the best results

- I use time effectively and plan
- I am personally accountable for how I use resources.
- I manage and evaluate my performance, focussing on continuous improvement

Good employer

Everyone working together to make Genesis a great place to work

- I value my colleagues.
- I communicate openly, finding out how teams work to achieve, and celebrate shared goals.
- I proactively get involved to make a positive impact and promote the Genesis brand

Partnership working

Working together to achieve shared goals for our customers, our people and our organisation

- I am open to challenge and prepared to challenge others
- I understand our business and work with others to deliver results
- I focus on solutions and resolving issues, not blaming others

Operating environment

The environment in which GHA operates continues to be characterised by ongoing turbulence in the housing and financial markets, poor and uncertain performance of the wider UK economy and significant shifts in the public policy that governs its operations. GHA has focussed over the year on understanding the potential impact of the Government's Welfare Benefit Reforms and developing strategies to minimise the impact on its customers' ability to pay their rents and service charges.

More broadly, GHA's policies, strategies and governance arrangements have continued to evolve during the year to ensure that key risks are identified and effectively managed and that the business has adequate financial headroom and operational capacity to absorb the impact of those risks.

Review of the year ended 31 March 2014

Financial performance

	2014	2013	2012	2011
Operating margin (%)	**24.46**	**20.45**	**20.52**	**19.79**
EBITDA MRI (%)	**94.7**	**91.1**	**68.2**	**105.8**
Interest cover (%)	**145.8**	**154.8**	**132.8**	**135.4**
Debt per unit (£)	**47,999**	**47,723**	**49,404**	**47,014**
Gearing*	**46.1**	**46.2**	**50.1**	**49.3**

**net debt as a percentage of housing property*

Operating and financial review

GHA's 2012-15 Finance Strategy targets both a growth in margins and a reduction in gearing in order to strengthen GHA's financial profile to absorb risk in the current challenging operating environment and to deliver increased capacity to invest in new homes and services in the future during a time of constrained public spending. Service transformation and more effective budgetary control have assisted us in delivering a further improvement in key operating and debt service margins.

Surpluses on disposal of property have remained strong, totalling £30.3m for the year (2013: £37.6m). This was principally due to sales of previously rented properties generating a profit of £23.7m.

	2014 No of units	2014 Sales value £m	2014 Cost of sales £m	2014 Surplus/ (deficit) £m	2013 No of units	2013 Surplus/ (deficit) £m
First tranche shared ownership sales	**136**	**12.6**	**(11.7)**	**0.9**	350	2.9
Sales of previously rented properties	**104**	**30.9**	**(7.2)**	**23.7**	114	25.1
Sales to other RPs	**142**	**11.9**	**(9.8)**	**2.1**	40	(1.0)
Staircasing of shared ownership	**179**	**21.4**	**(17.7)**	**3.7**	94	1.9
Right to buy and right to acquire	**9**	**1.7**	**(1.7)**	**-**	1	-
Newly developed private homes*	**29**	**9.2**	**(8.9)**	**0.3**	451	9.1
Sale of commercial units	**5**	**0.9**	**(1.3)**	**(0.4)**	3	(0.4)
		88.6	**(58.3)**	**30.3**		37.6

*Prior year sales of newly developed private homes includes the sale of 401 units in the Stratford sale and operating lease transaction
Property disposals are done under a general consent given by our regulator.

Operational performance

The closing of the financial year 2014 sees another solid year of financial performance with a surplus of £40.5m (pre-tax). It also marks the conclusion of many projects within the Genesis Way transformation programme. This programme has redesigned many of our processes, systems and staffing structures to deliver both a better and more efficient service in conjunction with target financial savings of £9m per annum. There are still projects in two key areas which do not conclude until the middle of the following financial year, being repairs and service charges.

The transformation programme has created a momentum for change and improvement in the business and is now expected to generate financial saving of £20m per annum once all areas are fully mobilised. Approximately half of this saving has already been delivered, whilst the evidence of qualitative improvement will not be seen until this time next year. How we utilise these savings going forward will be controlled and embedded in our corporate strategy to ensure good value for money and alignment with our key corporate strategic priorities.

Key operational ratios

Indicator	Target 2013/14	2014	2013	2012
Resident overall satisfaction with Genesis %	**72**	**69.2**	**70.5**	**70.7**
Resident satisfaction with Repairs Service %	**82**	**76.8**	**75.9**	**72.5**
Cash collection %	**100.5**	**100.3**	**99.9**	**100.1**
Current tenant arrears (gross of Housing Benefit) %	**6.4**	**6.3***	**5.7**	**6.5**
Void loss %	**2.1**	**2.1**	**1.7**	**2.2**
Void loss (£m)	**4.4**	**4.4**	**3.3**	**4.1**
Re-let performance times (days)	**24.9**	**23.6**	**25**	**29**

*Please note - the methodology was changed for Current Tenant Arrears (Gross of Housing Benefit) to reflect Housemark in 2014. The current arrears total for 2013 recalculated would be 6.7% showing an improvement in 2014.

Operating and financial review

Our core activities, within owned stock, show operating profit of £62m, up on last year by £8m. This is an increase in operating margin from 32.3% last year to 33.7% this year. The balance of our income is from our services as a managing agent for other landlords, one which shows us retaining a lower margin due to the absence of our liability to maintain these properties. This result is even better in the context of having absorbed staffing costs relating to agency, redundancy and recruitment costs as a result of the finalisation of our restructuring. What this does mean however is that almost all restructuring has been finalised by 31 March and has established a structure which will allow us to realise an annualised saving, in the coming year, of £4.6m from our pre transformation structure.

We continue to maintain a focus on improving both the quality and value of the services we deliver and the need to maintain our stronger financial position. Indicators of improving service are:

- Customer satisfaction with repairs has improved to 82% from 76.8% in 2013
- Collection rates have been slightly increased to 100.5% (2013: 100.3%). This is however a credible position in an increasingly tough economic environment
- Operating Margin % improved to 24.46% from 20.45% in 2013
- Gearing at 46.1% an improvement of 4% in two years

	Peer Association median* 2011	2012	2013	Genesis Actual 2014	Genesis Projection 2015
Operating surplus from social housing lettings (£)	n/a	n/a	n/a	58.1	41.2
Operating surplus from social housing lettings (% turnover)	20.6	22.8	25.5	24.1	19.7
Effective interest rate (%)	5.1	5.3	5.3	4.5	4.8

** Peer Association figures have been sourced from the Tenant Service Authority's Annual Global Accounts*

Operating costs for general needs units

	Actual 2013	Actual 2014	Projection 2015
Operating cost per social housing unit	3,741	4,185	3,966
Maintenance cost per unit	1,719	1,020	1,146
Management cost per unit	1,601	1,376	1,321
Bad debts per unit	65	66	78
Service cost per unit	628	725	746
Overhead as % of income	7.7	7.9	8.9

Completed housing properties

An external desktop stock valuation was performed at the year end. The value of GHA's properties at 31 March 2014 under a variety of bases significantly exceeds the net book values included in the financial statements.

	Analysis of values at 31 March 2014 by property type		
	EUV-SH	MV-T	VP
By property type	**£bn**	**£bn**	**£bn**
General needs housing	1.05	2.84	4.62
Supported housing	0.16	0.24	0.43
Shared ownership housing (LCHO)	0.23	0.24	0.78
Intermediate rent	0.06	0.08	0.13
Keyworker accommodation	0.10	0.10	0.19
Total	**1.60**	**3.50**	**6.15**

EUV-SH Existing use value social housing
MV-T Market value subject to tenancy
VP Vacation possession

By location	Analysis of values at 31 March 2014 by location		
Inner London	0.96	2.37	4.32
Outer London	0.28	0.56	0.94
Outside London	0.36	0.57	0.89
Total	**1.60**	**3.50**	**6.15**

Completed housing properties include 211 new homes that were completed during the year for rent (2013: 479) and 129 new homes for Low Cost Home Ownership (2013: 71). Development during the year also included the completion of 406 homes for outright sale (including shared equity) (2013: 145) and 5 commercial units (2013: 3). The cost of new homes completed was £197.1m (2013: £157.5m). GHA completed in total 751 (2013:698) new homes and commercial units during the year. Funding received from the HCA was £8.9m (2013: £10.0m).

The £208.0m (2013: £234.9m) of development work in progress as at 31 March 2014 is slightly below the previous year following a number of completions during the year, along with the sale of 401 market units at the Stratford Halo. Development activity has focussed on developing out sites previously acquired. The number of homes under development at 31 March 2014 has decreased to 1,967 (2013: 1,983) and the value of the land bank not in the course of development has reduced to £23.4m (2013: £29.5m). Additional development commitments over the next three years are limited to delivering GHA's contract for 678 new affordable homes under the GLA's 2015-18 National Affordable Housing Programme, its on-going commitment to the regeneration of Grahame Park and Woodberry Down and the development of the remaining land bank sites.

The expenditure per existing social housing unit on new supply was £8,241. The capital commitments to new schemes as a proportion of fixed assets was 18%.

Forecast unit completions by tenure 2015-17

	2014	2015	2016
Private sale/market rent	399	115	368
Shared ownership	357	62	247
Commerical sale/rent	17	-	-
Rented (social and affordable)	579	107	542
Total	**1352**	**284**	**1157**

Operating and financial review

Development cashflow projections 2015-17

	2015 £000s	2016 £000s	2017 £000s
Investment in new homes	(152,218)	(277,518)	(369,269)
Grant	9,457	3,805	30,397
Proceeds from outright/ first tranche sales	58,953	33,129	19,915
Existing house proceeds	55,423	48,127	49,090
Net investment in new homes	**(28,385)**	**(192,457)**	**(269,867)**

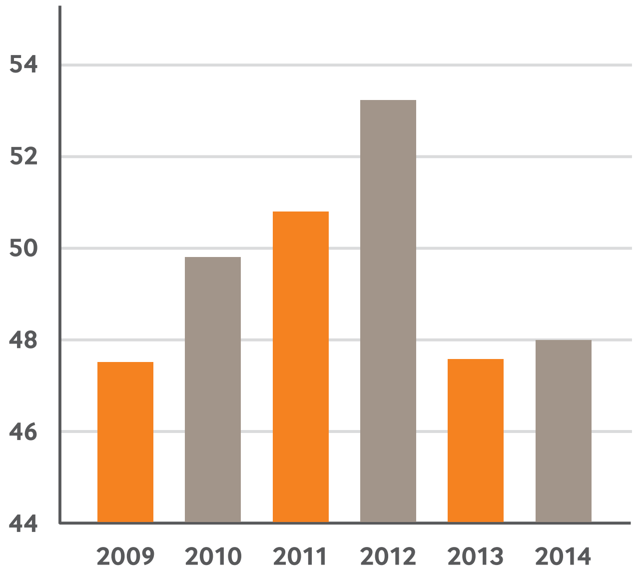
In addition to the development of new homes, GHA continued to invest in its existing properties through its major repair programme. Total spend on major repairs in the year was £10.9m (2013: £15.8m) responsive repairs was £16.1m (2013 £17.9m) and cyclical works was £6.1m (2013 £5.0m). As at 31st March 92% of properties met the Government's Decent Homes Standard and there is a rolling programme to ensure that all properties meet that standard.

Financing

At 31 March 2014, GHA's total borrowings were £1,408m from available facilities of £1,533m (2013: total borrowings were £1,419m from available facilities of £1,558m). Borrowings include a £250m bond issued by the group in the capital markets in 2009 and 2012 and a loan of £8.9m from the Homes & Communities Agency under the Build to Rent fund (where a further £37m is available subject to meeting certain conditions). At the same date, GHA had cash balances available of £75m (2013 £130m) in addition to the £130m (2013 £145m) of secured loan facilities available to draw down.

GHA (and the group bond issue) is rated A2 by Moody's and AA- by Fitch. During the year, the Moody's credit rating was lowered from A1 to A2 (along with other Registered Providers ("RP") in May 2013) following their review of the extraordinary support provided by the UK Government to the RP sector, which downgraded its view of the strength of Government support from 'high' to 'strong'. Similarly, Fitch Ratings placed the AA- rating on negative outlook (in May 2013) as it conducts a review of the RP sector considering the strength of regulation, the impact of welfare reforms and the reduced capital subsidy for building new homes.

Debt per unit (£000s)

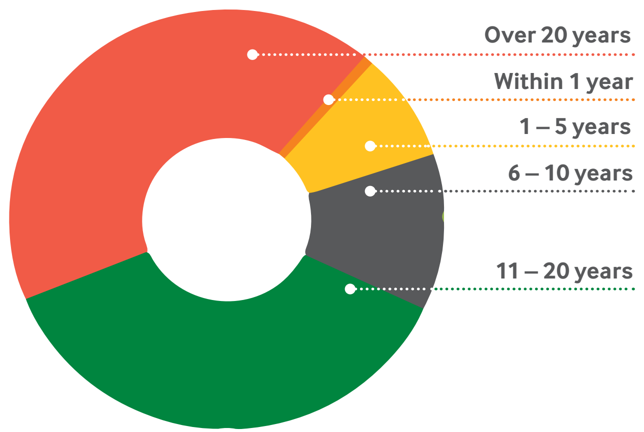


Debt per unit has reduced on previous years as a consequence of our gearing reduction strategy within the 2012-15 Finance Strategy. The sale of 401 market units at Stratford to M&G for £125m has assisted the achievement of this objective. Debt per unit is projected to remain at current levels until development of the legacy land bank sites is completed in 2015.

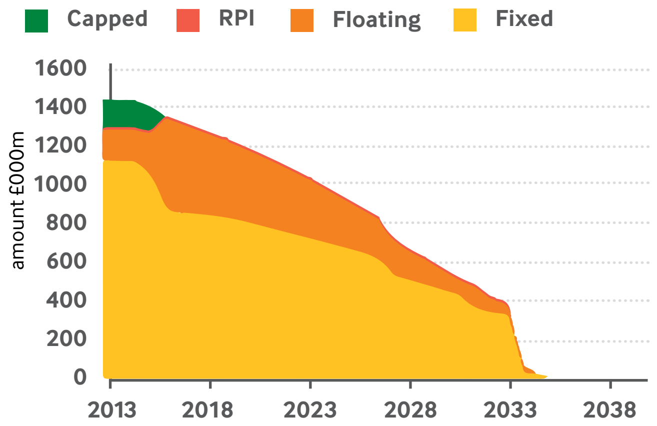
GHA's re-financing risk is considered to be low with 91% (£1,279m) (2013: 93%; £1,321m) of debt due for repayment after 5 years.

Exposure to interest rates is managed through the use of standalone and embedded hedges. At 31 March 2014, £350m (2013 £350m) of standalone interest rate swaps were outstanding with an average maturity of 9 years. GHA's total hedged position at 31 March 2014, (consisting of fixed, capped and RPI linked interest rates) was £1,254m representing 89% of the total borrowings (2013: £1,346m; 95% of total borrowing).

Debt repayment profile



Debt hedging profile



Operating and financial review

Cash flows

GHA carries out a regular review of cash flow risk as part of its risk management procedures. The key elements of cash flow risk are fluctuations in interest rates, the availability of loan finance and property sales receipts. The Board is confident that, following the further strengthening of controls during the year, the risks are appropriately monitored and controlled.

The cash flow statement shows that during the year GHA generated net cash outflow of £54.2m (2013: £72.9m) and made net interest payments of £65.1m (2013: £52.9m). GHA reduced its debt by £10.8m (2013: £23.0m) in the year. Key drivers for these cash flows and associated reductions in net debt included the receipt of £34.8m (2013: £34.3m) and £66.5m (2013: £146.2m) in capital grants and property sales respectively.

In the current uncertain economic climate, GHA's policy relating to liquidity is to hold sufficient cash to meet six months' cash requirements and have sufficient cash and committed loan facilities to cover the sum of (i) the next twelve months' cash requirement, (ii) half of the next twelve months' property sales and (iii) the potential cash requirement associated with an adverse swing in interest rates of 50 basis points. Short-term balances are primarily placed in money market funds and short-term bank deposits, with residual amounts placed with GHA's clearing bank from which GHA has also borrowed. GHA operates strict investment guidelines in respect to surplus cash with the emphasis on the preservation of capital.

Summarised cash flow

	2014 £m	2013 £m
Net cash flow from operations	66.7	93.0
Interest	(65.1)	(52.9)
Expenditure on improvements to existing properties	(10.9)	(15.8)
Development of new properties	(135.4)	(108.9)
Cash received from property sales	66.5	146.2
Grants received	34.8	34.3
New loans repaid	(10.8)	23.0
(Decrease)/Increase in cash in the year	**(54.2)**	**72.9**

Value for money

Our approach to value for money has four key elements:

1. Benchmarking – Using the Housemark analysis and comparisons with peer associations in G15.
2. Self-assessment by service managers linking the cost of service provision with meeting Corporate Objectives.
3. Undertaking an organisation wide transformation programme (The Genesis Way Programme) aimed at improving our effectiveness and efficiency.
4. Understanding the economic performance of our property assets through participation in the development of IPD's UK Social Housing Index.

Adjacent we report on the activities undertaken and achievements realised under each of the four elements.

Benchmarking Results

The benchmarking at this time is based on the Housemark and IPD index data for FY March 2013 as 2014 results were not available in a timeline to support publishing this report.

A more detailed VFM report will be published in the transparency area of our website over the coming months. The area will also give updates on future benchmarking evidence as it is published.

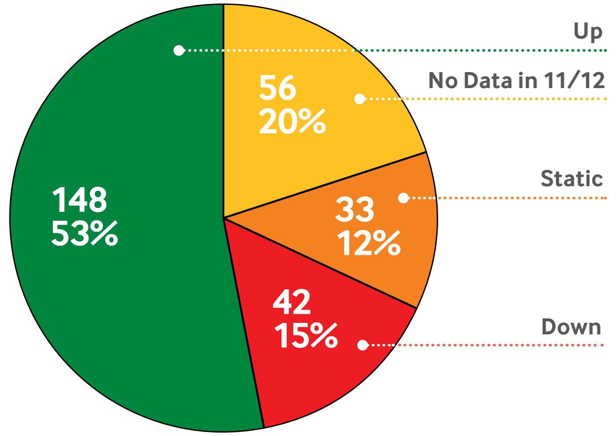
The Housemark report showed a significant improvement, with 53% of measures improving and 10 measures now showing GHA to be in first position across the G15.

Ranked No.1 amongst G15:

Rent collected from former tenants
Resident involvement Direct Cost per property - non pay
ASB resolution rate
ASB direct cost per property - non pay
Average SAP rating
Major Works overhead cost per property
Responsive repairs and void works % urgent
Responsive repairs and void works % routine
Responsive repairs and void works % urgent and emergency
Number of urgent repairs per property

Operating and financial review

Direction of Travel - Core Benchmarking overall



Self-Assessment

VFM assessments' have been based on Service Managers views and judgments and in most cases has been compared to available benchmarking and cost/budget information. Many corporate services engage in more detailed benchmarking work specific to their particular areas of activity.

Current position 2013/14

Cost	Service quality		
	Basic	**Medium**	**High**
High	• HR • Service Charges		• Development
Medium	• Information Technology • Leasehold Services • Property Services	• Estate Services • Tenancy Management • ASB • Finance • Contact Centre	• Governance & Compliance • Key Places • Temp Housing
Low	• Complaints • Portfolio Management • Customer Involvement	• Care & Support • Commercial Team • Lettings Service • Social Economic Regeneration • Procurement	

The current position based on the 22 services shown, 77% (17) of Genesis services are within the green areas of the VFM grid shown. This is 2 more services than in 2012/13.

The service areas still showing as red or amber are those which will be improved by the finalisation of the transformations we aim to deliver in 2014/15

Genesis Way Programme (GWP)

In the past year we have seen the close out of the Genesis Way Programme in line with original time expectations in all areas except two, repairs and customer relationship management (CRM). Both of the outstanding areas are ongoing and repairs will see the gradual mobilisation of a new contractor between July and October 2014, with the potential to deliver £10m per annum of savings. The CRM project is hard wired into our Service plan for the coming year and enhancements will be delivered throughout 2014/15 to enhance customer service and give greater visibility to service levels being provided across the business.

The overall cashable savings generated by the GWP will be in the region of £20m per annum, against original expectations of £9m, although a proportion of the savings on delivering repairs and maintenance is anticipated to be recycled in to accelerating the major works programme.

One of the most transformational outputs of the programme is the conclusion of the majority of our staff restructuring which has ensured that our workforce structure and budgets for the coming year are in line with original promises and will deliver an annual saving of £4.6m. This is included in the figures above.

Understanding The Economic Performance of our Property Assets

We have been founding members in a group supported by the property index organisation IPD, the purpose of which was to enable social housing landlords the ability to use commercial skillsets and methodology to appraise the value and growth of the property assets. This work has allowed us to quantify both the capital growth and revenue return of all owned assets.

The tables below show the areas of growth and how we are comparing to the other members of the group, national housing indices and commercial sectors.

By doing this work it also allows us to quantify the social dividend generated from our homes being at reduced rental tenures.

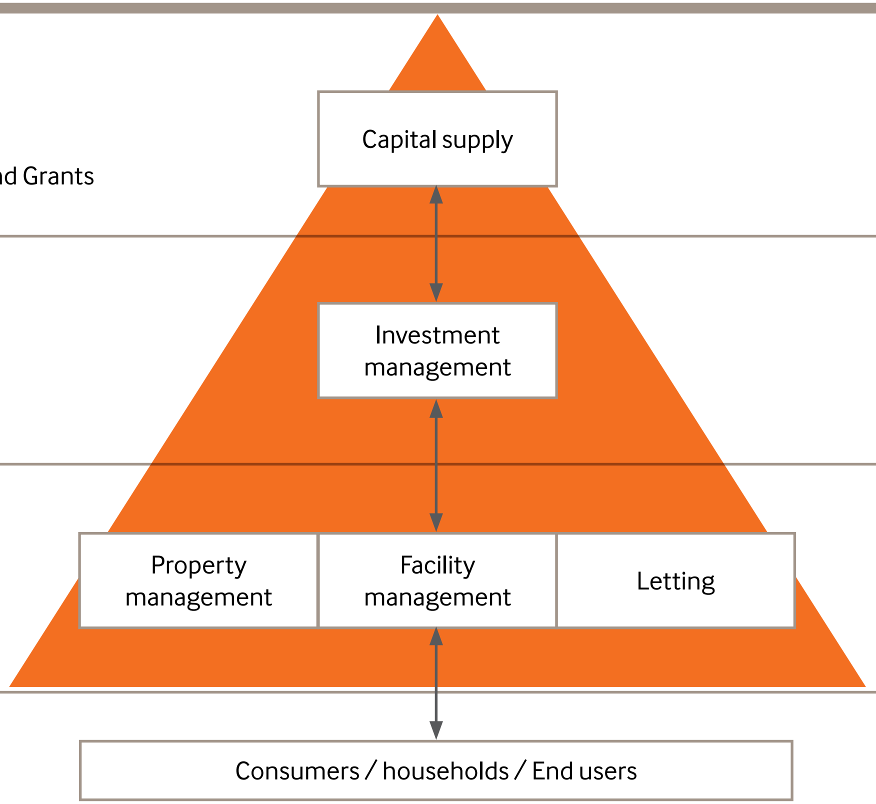
The annual growth in 2012/13 was 14.4% (12.2% capital, 2.0% revenue) which is higher than the benchmark group. The percentage of rent spent on operating costs is also lower than the benchmark group (68.6% v 70.8%).

The second table shows the social dividend created by our investment in social housing rather than market properties. The growth, had our money been invested in the same areas in market rent tenures, would have generated an 8.0% growth therefore the social support generated from our stock equates to 6.0%.

Operating and financial review

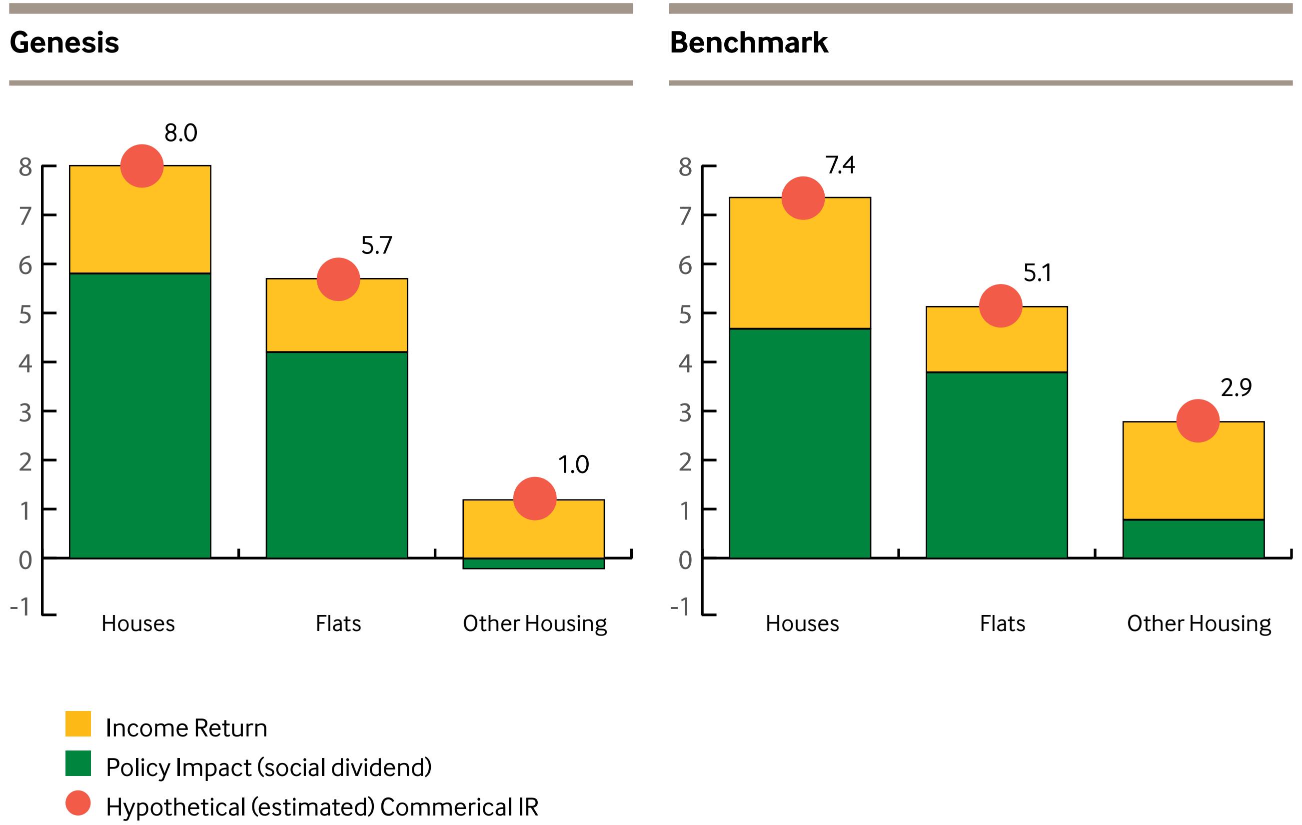
Return and operating cost comparators

	Genesis	Benchmark
STRATEGIC:		
Return on Equity (all assets and liabilities)		
Return on Direct Property and Grants		
TACTICAL:		
Total Return	14.4%	12.7%
Capital Growth	12.2%	10.3%
Income Return	2.0%	2.2%
Turnover	7.0%	5.3%
OPERATIONAL:		
Operating cost as % of g.i.**	68.6%	70.8%
Operating costs per prop.**	£3,710	£3,271
Voids as % of MR*	3.3%	3.1%
Rent Passing Growth %	6.5%	6.2%



* Standing investments
** Held properties

Income Growth and Social Divident



We have also been working on identifying the value derived from the different geographical areas we work in and have built a model which allows us to build a LIFE (leader, influencer, follower, exit) profile of where we are most effectively invested currently. The combination of both of these pieces of work will allow us to build a strategic plan to support our development and growth as we move in to our next corporate strategy period

Operating and financial review

Added Social Value activities

Through Genesis Community, our charitable foundation, we have a number of ongoing programmes to deliver socio-economic improvement in people's lives in accordance with The Public Services (Social Value) Act 2012. These activities allow people to be less dependent on the welfare system and give them both the skills and support network to move in to employment. The following are some areas we have worked on in the last year and some of their outputs, many of which save the welfare state considerable amounts of money.

Volunteering Programme:
- 56 volunteers have gained employment
- 9 jobs have been secured within Genesis Departments (Finance, Customer Relations, Housing, Facilities Management)
- 6 volunteers trained and received accreditation in mediation and money mentoring
- Total value of volunteer hours £51,975 (Based on average hourly Genesis salary costs)

Employment & Training:
Over the past 12 months the team has successfully supported 84 residents into work in the following sectors: retail, catering, banking, care and support and administration which equates to a saving of £991,200 to the public purse.

The programme has also continued to work in partnership with internal and external organisations to develop and provide an array of accredited and non-accredited training and access to external resources such as job brokerage and venue hire. Our residents have benefitted from externally funded training provision with a total value of £735,987.90. The programme continues to vet and source external free provision to achieve the desired outcomes for our residents and continues to build up the portfolio of partnerships.

Financial Inclusion:
We have started work on a Rent Direct Pilot which will involve a small number of new residents receiving all their housing benefit payments paid directly to them from the start of their tenancy. This will enable Genesis to have some early learning about the potential impact of the introduction of Universal Credit and the level of support that residents will need to enable them to manage their rent payments when housing costs are paid within Universal Credit. Residents taking part in the pilot will initially be offered a high level of support to increase their financial capability, with a named officer allocated to them for regular support as well as support to increase their chances of gaining employment.

The Financial Inclusion Team have also supported 1,100 residents in appeals and backdated claims, which has totalled £300,000 this year. We are continuing to develop and deliver a programme of ongoing training for staff working with residents affected by the Welfare Reform.

Enterprise:
To date 46 residents have been referred to the 1-2-1 service and 31 business start-ups established. The service is promoted through the main localised employability programme and their 'Look before you Leap' workshops are delivered to residents at Grahame Park, Stratford Halo and at our main offices at Claughton Road, Willesdon and Olympic Office Centre.

The business start-up training sessions are run over a 10 week period and provide residents with support and guidance in all aspects of enterprise. One of the key outcomes is that they are supported to produce a business plan which forms part of the valuable learning outcomes of the training. The end of training programme culminates with a 'Dragons Den' style event where participants present their business ideas and the panel will decide which of them are viable and are ready to go to market. This year 31 new businesses have launched of which all were awarded start-up funding.

Working in partnership with Enterprise Cube we have been able to secure a short term rent-free lease at a central London location near St Pauls, Creed Court for 12 months, which has been extended for an additional 12 months. This offers Genesis the potential to create a premier Pop-Up Business Academy, incorporating a valuable retail outlet. The premises will offer affordable office space, meeting and training rooms, retail space and potential café/restaurant space with communal kitchen.

We have a number of other socio economic programmes from youth programmes to digital inclusion for older residents. Full details of our activities will be published alongside the VFM update for ease of finding.

Group structure during 2013-2014

GHA and its subsidiaries consisted of two Registered Providers, a number of subsidiaries and joint ventures for developing and managing housing as well as seven almshouses for which GHA is the corporate trustee.

Main GHA Companies	Constitution and Activity
Genesis Association Limited ("GHA")	A charitable Industrial & Provident Society that provides general needs, intermediate rent, supported and shared ownership housing in London and the East of England. It also delivers property management services to local authorities, other housing associations, primary care and NHS trusts, developers and private investors. GHA is the largest single provider in the country of temporary housing to the homeless.
Springboard Two Housing Association	An Industrial & Provident Society that owns the freeholds of 16 properties in Bishop Stortford, Hertfordshire.
GenFinance Limited	Special purpose non-charitable Industrial & Provident Society used as GHA's borrowing vehicle.
GenFinance II PLC	A PLC with the sole purpose of issuing the public bond in December 2009.
GenInvest Limited	Responsible for investing in and monitoring GHA's non-regulated activities. The only remaining joint venture investment is £1.62m in Quintessential Homes LLP which holds 28 units for market rent. GenInvest also holds the shares for two principal development companies; Stoke Quay New Homes Limited and Central Chelmsford Development Agency.
Genesis Community Foundation	A charitable company limited by guarantee which aims to promote and develop socio-economic programmes for the benefit of the communities in areas where GHA operates.
Genesis Purchasing Limited	Provision of procurement services to aid the development and construction projects in GHA.
Pathmeads Property Services Limited (trading as Shenstone Services)	A limited company whose purpose is to provide maintenance services internally to GHA companies and externally through maintenance contracts.

Operating and financial review

Remuneration

The remuneration of the Board members serving during the year was as follows:

Board member	Salary £	Ers pension £	Other benefits £	Total £
Non-Executive				
Charles Gurassa – Chairman	20,000			**20,000**
Rolande Anderson	10,000			**10,000**
David Turner	10,000			**10,000**
Genie Turton	6,500			**6,500**
Brian Ansell	6,500			**6,500**
Imani Douglas-Walker	6,500			**6,500**
Colette O'Shea	6,500			**6,500**
Stephen East	10,000			**10,000**
Executive Directors				
Neil Hadden – Chief Executive	205,500	13,181	8,757	**227,438**
Elizabeth Froude – Executive Director of Resource (from 21/6/13)	103,846	7,788		**111,634**
Robert Kerse– Executive Director of Resource (to 21/6/13)	37,692	1,178		**38,870**

The salary and fees of the Chief Executive and Chairman on a £ per unit basis were £6.80 and £0.59 respectively.

The remuneration of the other Executive Directors who held office during the year and are not Board members was as follows:

Executive Directors	Salary £	Ers pension £	Other benefits £	Total £
Feargal Ward (to 31/10/13)	62,058	9,188		**71,246**
John Carleton	143,850	1,925	1,590	**147,365**
Jackie Bligh	92,477	5,086		**97,563**
Laurice Ponting	138,375	10,378		**148,753**
Alastair Clegg (to 20/10/13)	70,040	1,650		**71,690**

During the year, 2 termination payments were made totalling £183,750. Analysis of these payments is not disclosed due to confidentiality agreements with the recipients.

The future outlook

Although we have concluded our transformation programme we are still acutely aware of the need to continue to drive further improvements. Our key focuses over the coming year will be:

- To embed improvements and savings derived from GWP
- To deliver the targets of our current Corporate Strategy period which concludes in March 2015, and the remaining deliverables are:
  - to improve customer satisfaction and deliver more reliable services to all customers
  - to maintain our improved financial position
  - to optimise the value of our property portfolio

The remaining GWP projects in relation to repairs, CRM and service charges will be key to enabling us to deliver better customer service.

Our repairs business will be transformed during the coming year in to a two supplier service. During the past year we have undertaken an extensive procurement process to find a quality repairs partner who understood our objectives and the culture we wanted to embrace around customer service. Following this process we have signed a 10 year contract with Kier Group to deliver all planned and cyclical maintenance and the responsive repairs service to two geographical areas. All remaining responsive repairs will continue to be delivered by our in-house maintenance service.

Secondly a great deal of work has been undertaken to clarify the differing services and associated costs delivered to residents as chargeable services. As part of this process a new IT solution and staffing structure has been implemented to allow service charge reporting in a near real time environment. The system, which is now in an early pilot stage, also gives us the flexibility to rebase services charges as tenancies and tenures change.

We have been developing a new CRM system to become the heart of all customer based communications and information. The system has now picked up the new complaints process and the upcoming updates will integrate repairs request and tracking. Eventually this system will evolve to track all customer enquiries through the business and enable us to identify our performance in dealing with customer interactions and allow us to improve our service levels.

Our historic inability to give quality responses to service charge issues quickly enough has been a contributing factor to low customer satisfaction and the new system allow quicker identification of variation and to enable more proactive discussion with residents.

Our other key area of focus over the coming year is to continue to look for good development opportunities, which will enable us to deliver more homes of varying tenures in an environment of growing demand. A key supporting factor in delivering this is the work we have been doing on evaluating the value within our existing portfolio. This has given us a better understanding of where we may have opportunities within our existing footprint and to help us to develop a strategic approach going forward.

To provide the business with greater awareness of its performance we will continue to develop the performance reporting systems developed as part of the transformation programme. At the heart of this is a dynamic version of our scorecard metric, many areas of which have near live information feed. The data can be drilled to the lowest management level to make this a quality useable management tool.

Future Financial Performance

The 2012-15 Finance Strategy contains an objective to bring GHA's financial performance in line with the average G15 London Association by 2015.

The Board is focussing on the EBITDA MRI (Earnings before Interest, Tax, Depreciation and Amortisation after adding back capitalised Major Repairs and Interest) interest cover ratio, as this measures the ability of the business to generate enough cash from its core rent, care and support activities excluding sales of existing assets to fund its cash funding costs. GHA is planning to generate at least 100% cash cover for its funding costs by 2014/15. This position could be achieved sooner; however, investment in The Genesis Way transformation project, which commenced in 2012/13, places a burden on cash operating surpluses in the short term. This investment is needed to deliver planned efficiency savings in the medium term to bring GHA's cash operating performance in line with G15 Associations by 2015.

Operating and financial review

	2014-15 budget year	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Surplus (£m's)	41.3	37.9	39.5	53.7	53.8	47.7	48.4	50.3	52.3	52.8
EBITDA MRI	102%	110%	104%	102%	105%	107%	107%	108%	110%	110%
2012-15 Financial framework*	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
2012-15 Financial Strategy target	120%	120%	120%	120%	120%	120%	120%	120%	120%	120%
EBITDA MRI sales	148%	139%	126%	135%	132%	125%	124%	124%	125%	124%
2012-15 Financial framework										
2012-15 Financial Strategy target	110%	110%	110%	110%	110%	110%	110%	110%	110%	110%
Gearing	46%	49%	52%	51%	51%	52%	52%	53%	53%	53%
2012-15 Financial framework	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%
2012-15 Financial Strategy target	60%	45%	45%	45%	45%	45%	45%	45%	45%	45%
Interest cover	149%	135%	125%	131%	131%	123%	123%	123%	124%	123%
Internal GHA target	125%	125%	125%	125%	125%	125%	125%	125%	125%	125%
Funders covenant	105%	105%	105%	105%	105%	105%	105%	105%	105%	105%

*The Financial Framework is a framework of internal minimum and maximum control levels.

Key risk	Mitigating actions being taken
Adverse changes in Government policy such as welfare reform and the funding of new affordable homes	• Carry out financial modelling of potential impacts • In relation to Welfare Reform: identify residents at risk; create strategies for dealing with impacts on residents; train staff; and engage with residents and Regional Committees. • Engage in consultation with other Housing Associations, Local Authorities, Charities, Government bodies.
Major supplier/ contractor failure in the current economic environment	• Due diligence carried out on suppliers and contractors including regular viability checks on suppliers • Procurement department oversees all suppliers and contractors and maintains a live risk register • Effective use of market intelligence • Procurement procedures reviewed in the last year • Appropriate use of performance bonds and retentions
Failure to deliver new homes development programme	• Financial modelling taking place at project level • Enhanced risk management taking place • Long term financial plans and corporate finance strategy in place • Targeted demand and marketing strategy and early consultation • In-house project management skills to deliver development schemes • Procurement rules adhered to • Adequate controls and governance e.g. Genesis Homes Board • Risk register and exit strategy for every project

Key risk	Mitigating actions being taken
Failure to deliver first tranche shared ownership sales and open market sales	• Development of new enabling products to improve access to home ownership • Targeted marketing strategies • Exploring investment partners and tenure changes • Delivering good quality homes for sale in well sought after locations • Continually improving the customer experience
Failure to deliver The Genesis Way corporate transformation programme	• Programme underway that is overseen by a programme board • Skills gaps identified and plans to close them in place • Staff recognition and reward projects being implemented • New frameworks being implemented to underpin the programme • Culture change projects underway • Skills and knowledge of staff being enhanced • Increased project and risk management taking place

These risks are managed through quarterly risk clinics and half yearly updates to risk maps to ensure that they do not impact materially on the business.

Neil Hadden
Chief Executive

Report of the Board

Statement of the Board's responsibilities in respect of the Report of the Board and the financial statements

The Board are responsible for preparing the Board's Report and the financial statements in accordance with applicable laws and regulations.

Industrial and Provident Society law requires the Board to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and of the profit or loss of the group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards 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 are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that its financial statements comply with the Industrial and Provident Societies Acts 1965 to 2003, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

The Board are responsible for the maintenance and integrity of the corporate and financial information included on the Association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Corporate governance

The Board comprises eight non-executive members and two co-opted Executive members. The Board confirm that Genesis Housing Association Limited ('Genesis') has adopted the National Housing Federation's Code of Excellence.

The Board are responsible for the effective governance of the group whilst the day to day management is delegated to the Chief Executive and the Executive Team. The Board has agreed a scheme of delegation to four sub-committees: the Audit and Risk Committee; the Nominations Committee; the Diversity Committee and; the Remuneration Committee. In addition, it has also agreed a scheme of delegation to the subsidiary boards of GenInvest Limited (trading as 'Genesis Homes'), Genesis Community Foundation and GenFinance Limited. There is a scheme of delegation in place from the Chief Executive to the rest of the organisation.

The core responsibility of the Audit and Risk Committee is to provide assurance to the Board that the group has in place and operates an appropriate control framework to safeguard its assets and manage risk. This includes risk management and the appointment and management of internal and external auditors. The Nominations Committee reviews and plans the membership of the Board to meet the leadership needs of the group. The Diversity Committee exists to promote diversity and inclusion throughout GHA and ensures the group has in place and operates diversity and inclusion policies in line with best practice.

The Remuneration Committee ensures that there are effective and fair recognition and reward strategies in place to ensure that the organisation is able to retain and attract Executive Team members and makes recommendations to the Board on Board member remuneration.

Genesis Homes (trading name for GenInvest Limited) is the body within Genesis' structure that is responsible for Genesis' capital programmes across the Association relating to land, residential and commercial buildings and the asset management and sales programmes. It manages these programmes within overall financial limits set by the GHA Board and ensures the development programme is carried out in accordance with the group's design and construction standards.

GenFinance Limited acts as the treasury and loans sub-committee and has responsibility for executing, reviewing and monitoring the implementation of the treasury operations on behalf of GHA and subsidiary boards in accordance with the treasury policy, Annual Treasury Plans, the rules of the Association and its subsidiaries and the Homes and Communities Agency's (HCA) regulatory standards and applicable legislation.

Internal control

The Board have overall responsibility for establishing and monitoring the system of internal control, reviewing its effectiveness and taking necessary action to remedy any significant failings or weaknesses identified in its review.

The Board have reviewed their policies on governance, risk management and internal audit, and the framework to assess the effectiveness of the internal control system. At a high level, the assurance framework brings together information from all significant parts of GHA's business. The framework comprises different sources of assurance, the most significant being the work of the Internal Auditors, the review conducted by the Audit and Risk Committee (the 'ARC'), the external audit function, and the control exercised by the Executive team. A major component of this framework is the risk management process, as set out in the Risk Management Strategy.

The Board have delegated authority for the review of internal controls to the ARC. The Chief Executive's report on internal controls assurance is therefore presented to the ARC for consideration along with the Statement on Internal Control. This is recommended to the group's Boards. The responsibility for the internal control system remains with GHA'sBoard.

The Board review the effectiveness of the system of internal control with specific reference to:

Control environment

The Genesis Way corporate transformation programme is focussing on key systems and processes with a principal aim of enhancing the level of control. Projects undertaken in the year include, Purchase to Pay, Procurement, Finance, Performance Management, Data and IT Systems. Work to ensure continuous improvement in the system of internal control across all of the business, which includes audits of key systems and development of policies and procedures, remains an important focus for Genesis to reduce the risk of fraud and error. An Audit and Risk Clinic made up of the members of the Executive Team meets on a quarterly basis to ensure that audit recommendations are being implemented on an effective and timely basis.

Risk management

GHA encounters risk within all of its business activities and accepts a threshold of low and manageable risk as part of its risk appetite. The risk management strategy, which is applied across the Association, is to avoid very high risks whenever possible and to proactively and robustly manage and mitigate all high and medium risk exposures to acceptable levels. The strategy also promotes the identification of reward and opportunity.

The Board approves GHA's risk management strategy and policy on an annual basis as part of the overall risk framework to meet the HCA's Regulatory Standards and requirements of the adopted National Housing Federation Code of Governance. All Board members and employees at all levels have clearly defined roles and responsibilities for identifying, evaluating, reporting and communicating risk issues throughout the organisation. This is part of a risk escalation process which also initiates the identification of new and emerging risks.

There is a risk register at corporate level which is regularly reviewed and discussed by the ARC and the Executive team.

The Risk Framework requires comprehensive risk registers to be produced for all key business areas and departments. Directors monitor, review and update as appropriate. In addition risk mitigation plans are developed to include the key milestones and actions to be taken to address risk. ARC (on behalf of the Board) scrutinises and monitors the Risk Framework across the group and provides assurance to the Board that risk

Report of the Board

management is being operated effectively. In addition, regular risk clinics take place to hold key managers and Executive Directors, chaired by the Chief Executive, to account for their actions in managing and mitigating risk.

The Quality and Risk Assurance team provides advice, support and guidance to all staff and Board members as necessary. It promotes best practice, raises risk awareness, facilitates and runs workshops and training events, provides staff with appropriate tools and techniques and facilitates or scrutinises various projects to help minimise risks.The team also attends a number of committees and working parties to advise on and support staff in identifying and evaluating risk as well as opportunity.

Monitoring systems

The corporate strategy, business plans, and annual budget are approved by the Board. GHA have a comprehensive system of financial reporting. A monthly reporting package of financial results and key performance indicators ensures any significant adverse variances are examined by management, to enable remedial action to be taken on a timely basis as necessary. The Board monitors financial performance on a quarterly basis via a comprehensive management accounts package which includes income and expenditure accounts, balance sheets, cash flow forecasts, and key performance indicators. Monitoring of management actions on key corporate risks is undertaken by the Executive, as part of the Risk clinic meetings.

Control procedures

Policies and procedures are in place for all material aspects of GHA's business. These include defined authorisation levels for both revenue and capital expenditure, including new projects. Suppliers are paid in line with their payment terms. The Genesis Homes Board, which have specific delegated powers from GHA's Board, examines new projects, recommends major projects for approval by the Board and monitors the progress of projects. Other examples of control procedures are fraud prevention, treasury management, health and safety, recruitment, training, and performance monitoring. GHA complies with the HCA's Regulatory Framework and NHF Code of Governance. The Board undertakes an annual self assessment against these standards. The Executive team also provide quarterly assurance statements to ARC confirming that to their knowledge there have not been any breaches of relevant legislation, fraud or breaches of any code. The Senior Leadership Team takes lead to deliver identified management actions and regularly reviews the delivery of management actions in relation to key corporate risks.

Internal audit

The Internal Auditors assess internal controls, including financial controls and provides independent assurance on areas reviewed. Management are responsible for instituting appropriate action to correct weaknesses identified by the internal and external audit reports and for providing regular updates on the status of the action plans for ARC. BDO LLP have been appointed as Internal Auditors for a three year period commencing April 2013. In developing the Internal Audit Strategy, the internal auditors review the risk assurance map and internal controls to help develop the audit plan. The Senior Leadership Team informs the audit plan and regularly reviews internal audit findings to ensure continuous improvement of services. A tracker of all internal audit recommendations is maintained and report on delivery of management action is considered at every ARC meeting.

Effectiveness of the system of internal control

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

GHA's systems are designed to provide the Board with reasonable assurance that problems are identified on a timely basis and dealt with appropriately, that assets are safeguarded against unauthorised use or disposition, that proper accounting records are maintained, and that the financial information used within the business or for publication is reliable.

The process of identifying, evaluating and managing the significant risks faced by GHA is ongoing. It has been in place for the year under review and up to the date of approval of the annual risk report and is regularly reviewed by the Board.

Every quarter, the Executive provides assurance on internal controls via an Executive assurance statement report to ARC. This provides assurance on the development and maintenance of an effective framework in relation to risk and internal controls, which is a key Executive Director responsibility. Identified issues which may have weakened internal control are reported, with action plan and monitored by the ARC. The issues are linked and included in the appropriate – corporate or operational risk registers so that impact on the business is considered and management action is monitored.

An annual compliance statement is reported to the Board to provide assurance on areas of compliance of key statutory and policy requirements.

As part of its system of internal control, the Board have a clear and well communicated strategy and policy which defines fraud, and covers the prevention and detection of fraud within the Association, outlining how it is reported both internally and externally, together with its expectations on the recovery of assets. A fraud register is reported and formally monitored by ARC. The Executive is kept updated on all investigations which are coordinated by the Fraud Operations Group; a meeting chaired by a Senior Leadership Team representative. A clearly established whistle-blowing policy and procedure is in place should fraud or attempted fraud be reported, discovered or suspected. All staff are made aware of these policies and procedures as part of awareness raising communication strategy.

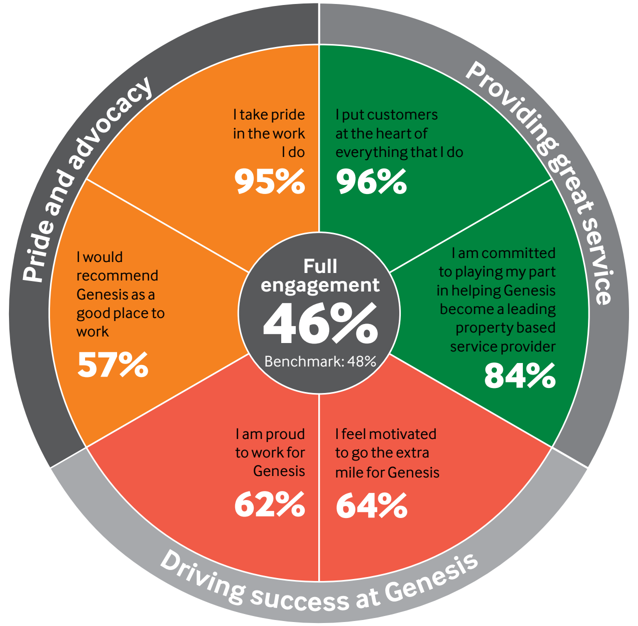
The above procedures and policies are designed to identify, evaluate and manage the significant risks to GHA. The Board have received the Chief Executive's annual report on internal control assurance, reviewed the main policies designed to provide effective internal control, reviewed the fraud register, which indicates whether the Homes and Communities Agency has been notified, and reflected the information contained within it in its review.

The Board confirm that during the year there were no identified weaknesses in internal controls, which resulted in material losses, contingencies or uncertainties that require disclosure in the financial statements or in the report of the auditor.

Employee involvement and engagement

We're committed to being a good employer, it's one of our values. We believe that we'll only achieve this if our employees have a strong voice and are fully committed to helping us achieve our goals. We have a number of initiatives in place to help us achieve this. Some examples include:

- Our Genesis Forum has representatives from across Genesis who meet regularly. The group is sponsored by the HR Director, meaning that the forum have direct contact with the Executive Team.
- We hold quarterly Executive Roadshows where staff can hear updates from around Genesis directly from the Executive team. There's also an opportunity for staff to ask questions.
- We have published our Reward & Recognition Strategy which was designed using input from round 500 staff across the organisation and work is now underway to roll out a range of reward and recognition initiatives, starting with a new Employee Assistance Programme in May this year.
- We make use of a wide variety of communication channels. From more traditional channels such as our Care & Support eBulletin, staff magazine 'G Mag' and our manager cascade 'GenBrief' to more interactive channels like our social network, Yammer, which has been very successful in encouraging collaboration and communication across teams.
- We recently held our annual Staff Conference in



Report of the Board

London. It was a chance for all staff to get together, celebrate our successes and hear about what the year ahead holds for us and the part they are expected to play in delivering our Corporate Strategy.

This year we conducted the second Genesis Staff Survey, which has been designed especially for Genesis to measure what is important to us. Our survey in September told us that 49% of our staff were fully engaged, this is against a benchmark of 48%. This represents a 3% increase on last year's results. Given the context in which the survey was undertaken – that we were in the middle of a major restructuring programme which has led to a great deal of change, this is a very good result and is a testament to how well the communications about the changes have been handled.

In 2014/2015 we will be looking to embed the changes expected of the Genesis Way Programme, and to work towards an even more engaged and committed workforce – one that is focused on improving customer experience and customer satisfaction levels.

Diversity & Inclusion at Genesis

Genesis prides itself on its commitment to diversity and inclusion for customers and staff. At Genesis diversity is about more than compliance with the law and policy implementation. For us it is about the culture and values of the organisation that attract people to the organisation and make them want to stay with us to deliver excellent services to a diverse customer base. We aim to create an environment where everyone can perform at their very best. We will work in partnership with our customers to create and deliver services that meet their needs and offer value for money.

Our Diversity and Inclusion strategy support the implementation of the Corporate Strategy. Our approach to Diversity and Inclusion will help Genesis deliver first class services tailored to customer needs circumstances and being an organisation that people want to work for. It will help us to get our services right first time improving efficiency and supporting our efforts to build, safe, sustainable and inclusive communities through our re-generation work. The Diversity Committee, made up or our Board members, monitors progress of the strategy.

Genesis is leading the Housing Association sector in diversity and inclusion issues. It has successfully been listed four years in a row in Times Top 50 Place for Women to Work, for the last three years in Stonewall's Top 100 Workplace Equality Index and nominated for a National Business Award for its leadership on Diversity for the last two years. We were also delighted to be listed as a Top Ten Public Sector Organisation by Race for Opportunity and Opportunity Now for our work on race and gender.

We are proud of the hard work of our customers, partners and staff that has helped us to achieve external recognition. This has identified Genesis as a leading organisation, which values and respects the diversity of its customers and staff.

Health and Safety

GHA are committed to providing a healthy and safe environment for staff, customers and visitors. A dedicated Health and Safety department is committed to delivering year on year improvements with regard to health and safety standards. In 2013/14 a revised Health & Safety Policy statement was approved and published and included Key Policy Objectives. All of the objectives were achieved, however due to staff absences the full benefit of the objectives could not be realised and further work will take place in future years in these areas. In April 2013 a new Health & Safety and Environment departmental plan was developed to deliver improvements to the Health & Safety Management system, training provision and assurance programme and the commitments for the year were progressed but unfortunately not all were achieved by the year end. During the year additional training courses were offered, a new on line auditing system was introduced and the on line accident reporting system was changed. Work is taking place to ensure that areas of the plan that have not been completed or require further work are addressed during 2014-15.

The GHA Health and Safety system achieved the Gold ROSPA award for the fourth year running.

2013/14 saw a slight increase in RIDDOR accidents, 6 were reported by the end of Q4, compared to 5 the previous year but there were no trends or organisational concerns with these. During 2013/14 there was no formal enforcement activity or prosecutions.

Environment

GHA are committed to providing a service which is compliant with environmental requirements and delivers improvements with regard to the operational impact on the environment on a year on year basis. In April 2013 a revised Environmental Policy Statement was approved and published, including a number of Key Policy Objectives ('KPOs'). These targets will be reviewed during 2014/15 and achieved if still appropriate. The Environmental management system has progressed with further procedures being introduced. Final procedures and documents are being finalised to be introduced to the organisation during 2014/15 to ensure that the organisation has a robust environmental management system in place by the end of 2014/15. There has been no formal action or prosecution by the Environment Agency during 2014/15.

The Board have a reasonable expectation that GHA have adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements

Political and charitable contributions

During the year the group made a donation donation of £1,376,073 (2013: £1,800,979) within the group to Genesis Community Foundation. It made no contributions to political parties or incurred any political expenditure during the year (2013: £nil).

Disclosure of information to auditor

The Board Members who held office at the date of approval of this Report of the Board confirm that, so far as they are each aware, there is no relevant audit information of which GHA's auditor is unaware; and each Board Member has taken all the steps that he/she ought to have taken as a Board Member to make himself/herself aware of any relevant audit information and to establish that GHA's auditor is aware of that information.

Going Concern

The Board have a reasonable expectation that GHA have adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Auditor

A resolution to re-appoint KPMG LLP as external auditor will be proposed at the Annual General Meeting of Genesis Housing Association Limited to be held on 29 July 2014.

By order of the board
Charles Gurassa
Chair

Genesis Housing Association Limited
Atelier House
64 Pratt Street
Camden
London
NW1 ODL

Report of the independent auditors to the members of Genesis Housing Association Limited

We have audited the financial statements of Genesis Housing Association Limited for the year ended 31 March 2014 which comprise the Group and Association Income and Expenditure Account, the Group Statement of Total Recognised Surpluses and Deficits, the Group Note of Historical Cost Surpluses and Deficits, the Group and Association Balance Sheet, the Group Cash flow and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the association's members, as a body, in accordance with section 128 of 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 auditor

As more fully explained in the Statement of Board's Responsibilities set out on pages 23-29, the association's Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's 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/apb/scope/private.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the Group and Association as at 31 March 2014 and of the Group and Association's surplus for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2003 and 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 the Industrial and Provident Societies Acts 1965 to 2003 and the Industrial and Provident Societies (Group Accounts) Regulations 1969 require us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

Chris Wilson
for and on behalf of KPMG LLP
Statutory Auditor

Chartered Accountants
Arlington Business Park
Theale
Reading
RG7 4SD

Group income and expenditure account

Year ended 31 March 2014

	Note	2014 Group excluding joint venture activities	2014 Share of joint venture activities	2014 Group	2013 Group excluding joint venture activities	2013 Share of joint venture activities	2013 Group
		£m	£m	£m	£m	£m	£m
Turnover							
Continuing operations	2,3	**264.9**	-	**264.9**	292.6	0.8	293.4
	2	**264.9**	-	**264.9**	292.6	0.8	293.4
Cost of sales	2	**(19.0)**	-	**(19.0)**	(59.3)	-	(59.3)
Gross surplus		**245.9**	-	**245.9**	233.3	0.8	234.1
Impairment	2	**2.6**	-	**2.6**	2.2	-	2.2
Other operating costs	2,3	**(183.9)**	-	**(183.9)**	(176.3)	-	(176.3)
Total operating costs		**(181.3)**	-	**(181.3)**	(174.1)	-	(174.1)
Operating surplus							
Continuing operations	2	**64.6**	-	**64.6**	59.2	0.8	60.0
Surplus on sale of properties:							
Continuing operations	7	**28.8**	-	**28.8**	33.0	-	33.0
Net interest payable and similar charges	8d	**(53.3)**	-	**(53.3)**	(48.7)	-	(48.7)
Surplus on ordinary activities before taxation	4	**40.1**	-	**40.1**	43.5	0.8	44.3
Tax on surplus on ordinary activities	9	**0.4**	-	**0.4**	(0.9)	-	(0.9)
Surplus for the financial year		**40.5**	-	**40.5**	42.6	0.8	43.4

All amounts relate to continuing activities.
There is no difference between the Group's results as reported and on a historical cost basis. Accordingly no note of historical cost surpluses and deficits has been prepared.
The notes on pages 38 to 80 form part of the financial statements.

Association income and expenditure account

Year ended 31 March 2014

	Note	2013 £m	2012 £m
Turnover	2,3	**261.2**	287.8
Cost of sales	2,3	**(16.5)**	(56.2)
Gross surplus		**244.7**	231.6
Operating costs	2,3	**(182.8)**	(175.0)
Impairment	2	**1.6**	2.2
Operating surplus		**63.5**	58.8
Surplus on sale of properties	7	**28.5**	33.0
Net interest payable and similar charges	8d	**(53.3)**	(48.6)
Surplus on ordinary activities before taxation	4	**38.7**	43.2
Tax on surplus on ordinary activities	9	**0.4**	(0.9)
Gift aid donation received		**0.4**	0.5
Surplus for the financial year		**39.5**	42.8

All amounts relate to continuing activities.

There is no difference between the Association's results as reported and on a historical cost basis. Accordingly no note of historical cost surpluses and deficits has been prepared.

Notes on pages 37 to 86 form part of the financial statements.

Balance sheet

At 31 March 2014

	Note	2014 Group £m	2013 Group £m	2014 Association £m	2013 Association £m
Fixed assets					
Tangible assets:	10				
Housing properties at cost		**2,835.9**	2,674.1	**2,816.5**	2,667.3
Less: Social housing grants and other grants		**(1,216.5)**	(1,181.4)	**(1,216.5)**	(1,181.4)
Less: Depreciation		**(79.3)**	(75.1)	**(72.7)**	(66.5)
		1,540.1	1,417.6	**1,527.3**	1,419.4
Investments:	11				
Investments in subsidiaries		**-**	-	**0.9**	0.9
Investments in joint ventures:					
Share of gross assets		**-**	1.9	**-**	-
Share of gross liabilities		**-**	(0.3)	**-**	-
Property held as investments		**21.4**	36.6	**17.6**	30.3
Listed investments at market value		**2.7**	2.6	**-**	-
Other tangible assets	12	**17.2**	10.1	**17.1**	10.1
		1,581.4	1,468.5	**1,562.9**	1,460.7
Current assets					
Housing properties, stock for sale and work in progress	13	**75.3**	92.5	**65.7**	73.5
Debtors receivable within one year	14	**68.3**	54.3	**71.7**	71.7
Debtors receivable after more than one year	14	**2.6**	2.3	**29.9**	26.2
Investments	15	**26.5**	35.2	**26.5**	35.2
Cash at bank and in hand		**75.4**	129.6	**65.3**	130.8
		248.1	313.9	**259.1**	337.4
Creditors: amounts falling due within one year	16	**(84.5)**	(79.1)	**(78.3)**	(89.1)
Net current assets		**163.6**	234.8	**180.8**	248.3
Total assets less current liabilities		**1,745.0**	1,703.3	**1,743.7**	1,709.0

Balance sheet

At 31 March 2014

	Note	2014 Group £m	2013 Group £m	2014 Association £m	2013 Association £m
Creditors: amounts falling due after more than one year	17	**(1,431.8)**	(1,433.0)	**(1,432.8)**	(1,440.0)
Provision for liabilities	18	**(2.2)**	(2.7)	**(2.2)**	(2.7)
Net assets excluding pension liabilities		**311.0**	267.6	**308.7**	266.3
Pension liabilities	23	**(8.8)**	(8.6)	**(8.8)**	(8.6)
Net assets including pension liabilities		**302.2**	259.0	**299.9**	257.7
Reserves					
Restricted reserves	19	**2.9**	2.9	**0.2**	0.2
Revenue reserve	19	**295.4**	256.1	**295.8**	257.5
Revaluation reserve		**3.9**	-	**3.9**	-
		302.2	259.0	**299.9**	257.7

Notes on pages 37 to 86 form part of the financial statements.

These financial statements were approved by the board of directors on 8 July 2014 and were signed on its behalf on 15 July 2014 by:

Elizabeth Froude
Director

Neil Hadden
Director

Jackie Bligh
Company Secretary

Consolidated cash flow statement

Year ended 31 March 2014

	Note	2014 £m	2013 £m
Reconciliation of operating surplus to net cash flow from operating activities			
Operating surplus	2	**64.6**	60.0
Depreciation charges and impairment		**11.3**	13.1
(Increase)/decrease in stocks		**(7.4)**	21.5
(Increase)/decrease in debtors		**(12.4)**	9.3
Increase/(decrease) in creditors		**14.5**	(10.1)
(Decrease) in provisions		**(0.5)**	(0.8)
Adjustment for non-cash items		**(3.4)**	-
Net cash inflow from operating activities		**66.7**	93.0
Cash flow statement			
Cash flow from operating activities		**66.7**	93.0
Returns on investments and servicing of finance	24	**(65.1)**	(52.9)
Capital expenditure and financial investment (net)	24	**(53.7)**	59.1
Cash inflow/(outflow) before management of liquid resources and financing		**(52.1)**	99.2
Management of liquid resources	24	**8.7**	(3.3)
Financing	24	**(10.8)**	(23.0)
Increase in cash in the period		**(54.2)**	72.9
Reconciliation of net cash flow to movement in net debt			
Increase in cash in the period		**(54.2)**	72.9
Cash used to increase liquid resources		**(8.7)**	3.3
Net change in borrowing		**10.8**	23.0
Movement in net debt in the period		**(52.1)**	99.2
Net debt at the start of the period		**(1,254.1)**	(1,353.3)
Net debt at the end of the period		**(1,306.2)**	(1,254.1)

Statement of total recognised surpluses and deficits

Year ended 31 March 2014

	2013 Group £m	2012 Group £m	2013 Association £m	2012 Association £m
Surplus for the financial year	**40.5**	43.4	**39.5**	42.8
Other adjustments	**-**	(0.5)	**-**	0.2
Actuarial (loss)/gain recognised in pension schemes	**(1.2)**	(0.2)	**(1.2)**	(0.2)
Revaluations in the year	**3.9**	-	**3.9**	-
Total recognised surpluses and deficits relating to the financial year	**43.2**	42.7	**42.2**	42.8

Notes

1. Accounting policies

The following accounting policies will be applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation
The financial statements have been prepared on the going concern basis and in accordance with applicable accounting standards, the Statement of Recommended Practice 'Accounting by Registered Social Landlords' 2010 (SORP 2010), under the historical cost accounting rules with the exception of listed investments which are included at market value and comply with the Accounting Requirements for Registered Social Landlords General Determination 2006.

Basis of consolidation
The consolidated accounts incorporate the financial statements of Genesis Housing Association Limited, its subsidiaries, associates and joint ventures. Further details of the subsidiaries, associates and joint ventures are disclosed in note 11. The results of subsidiaries are included in the consolidated Income and Expenditure Account from the date of incorporation or acquisition. Subsidiaries acquired during the year are consolidated using the acquisition method. Intra-group surpluses or deficits are eliminated on consolidation. For newly acquired legal entities where the difference between the cost of acquisition of its shares and the fair value of the separable net assets acquired gives rise to goodwill, this is capitalised and written off on a straight line basis over its estimated economic life. Provision is made for impairment where appropriate.

All subsidiaries' financial statements are made up to 31 March.

Investments
Investments in subsidiary undertakings and loans to joint ventures are stated at cost less any impairment or write offs.

Joint ventures and associated undertakings are accounted for under the equity accounting method recognising the Group's share of the results and net assets on consolidation.

Listed investments are stated at their market value.

Investment properties are held for long-term investment and are included in the balance sheet at their open market values. The surpluses or deficits on annual revaluation of such properties are transferred to the revaluation reserve. If a deficit exceeds previous surpluses arising on a particular property, the excess is charged to the profit and loss account, unless it is regarded as being temporary in which case it is disclosed in the statement of total recognised gains and losses. In the year of sale, a surplus or deficit is recognised in the year's Income and Expenditure Account based upon the difference between net sale proceeds and the property valuation at the previous year-end. Depreciation is not provided in respect of freehold investment properties.

Fixed assets and depreciation
Housing properties
Housing properties constructed or acquired on the open market are stated at cost less the amount of grants received towards their cost and depreciation. Cost includes the cost of acquiring land and buildings, development costs, interest capitalised during the development period, directly attributable administration costs, and expenditure incurred in improving or reinvesting in existing properties.

Expenditure on major refurbishment to properties is capitalised where the works increase the net rental stream over the life of the property. An increase in the net rental stream may arise through an increase in the net rental income, a reduction in future maintenance costs, or a subsequent extension in the life of the property. All other repair and replacement expenditure is charged to the Income and Expenditure Account.

Mixed developments are held within fixed assets and accounted for at cost less depreciation. Commercial elements of mixed developments are held as investment properties.

Donated land is accounted for as both a cost incurred to acquire land and grant received where the land is donated by a public body. Where the

Notes

1. Accounting policies (continued)

land is donated by a private donor then the excess value is recognised in turnover.

Housing properties in the course of construction, excluding the estimated cost of the element of shared ownership properties expected to be sold in first tranche, are included in fixed assets and held at cost (less any impairment), and are transferred to completed properties when ready for letting.

When housing properties are developed for sale to another social landlord, the cost less any related capital grant is dealt with in current assets under housing properties and stock for sale.

Completed housing properties in subsidiaries acquired are valued at existing use value for social housing at the date of acquisition, plus related social housing grant.

Depreciation and impairment
Freehold land is not subject to depreciation. Depreciation is charged on a straight-line basis over the useful economic lives of fixed assets to write off the cost less any attributable grant to the estimated residual value at the following annual rates:

Housing properties held for letting	
Structure	150 Years
Roof	60 Years
Boiler	15 Years
Windows	30 Years
Kitchen	20 Years
Heating	30 Years
Bathroom	30 Years

Leasehold housing properties owned by the Group are stated at cost and are depreciated on a straight- line basis over the period of the lease except where the expected useful economic life is shorter than the lease in which case they are depreciated separately over their expected useful life.

Impairment reviews are carried out annually. Other assets are reviewed for impairment if there is an indication that impairment may have occurred. Where there is evidence of impairment, fixed assets are written down to higher of value in use and the net recoverable amount. Any impairment charge is recognised in the Income and Expenditure Account.

Low cost home ownership housing properties and staircasing
Under low cost home ownership arrangements, the Group disposes of a long lease on low cost home ownership housing units for a share ranging between 25% and 75% of value. The Buyer has the right to purchase further proportions and up to 100% based on the market valuation of the property at the time each purchase transaction is completed.

Low cost home ownership properties are split proportionately between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover. The remaining element, "staircasing element", is classed as a fixed asset and included in completed housing property at cost less social housing grant ("SHG") and any provision for impairment. Sales of subsequent tranches are treated as a part disposal of a fixed asset. Such staircasing sales may result in capital grant being deferred or abated and any abatement is credited in the sale account in arriving at the surplus or deficit.

The properties are not depreciated on the expectation that the net realisable value at the time of disposal will be in excess of the historical cost.

Social housing grant ("SHG")
SHG received from the Homes and Communities Agency ("HCA") is utilised to reduce the capital cost of housing properties, including the cost portion attributable to land. SHG due from the HCA or received in advance is included as a current asset or liability. SHG received in respect of revenue expenditure is credited to the Income and Expenditure Account in the same period as the expenditure to which it relates. SHG may be repayable in certain circumstances if grant conditions are not met. SHG is subordinated to the repayment of secured loans by agreement with the HCA

Recycled Capital Grant Fund
On the occurrence of certain relevant events, primarily the sale of dwellings, the HCA can direct the Association to recycle capital grants or to make repayments of the

Notes

recoverable amount. The Group adopts a policy of recycling, for which a separate fund is maintained. If unused within a three year period, it will be repayable to the HCA with interest. Any unused recycled capital grant held within the recycled capital grant fund, which it is anticipated will not be used within one year is disclosed in the balance sheet under "creditors due after more than one year". The remainder is disclosed under "creditors due within one year".

Other fixed assets and depreciation

Tangible fixed assets other than housing properties are stated at cost less accumulated depreciation. Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets on a straight line basis over the expected useful life of the asset. The annual depreciation rates are as follows:

Freehold office premises	60 Years
Office improvements	7 Years
Motor vehicles	4 Years
Office furniture and computer equipment	4 Years
Key workers' furniture	4 Years
Tenants' furniture	3 Years

No depreciation is provided on freehold land.

Supported housing schemes
The Group receives Supporting People grants from a number of London Boroughs and County Councils. The grants received in the period as well as costs incurred by the Group in the provision of support services have been included in the Income and Expenditure Account. Any excess of cost over the grant received is borne by the Group where it is not recoverable from tenants.

Service charges
The Group adopts the variable method for calculating and charging service charges to its tenants and leaseholders. Expenditure is recorded when a service is provided and charged to the relevant service charge account or to a sinking fund. Income is recorded based on the estimated amounts chargeable.

Management of units owned by others
Management fees receivable and reimbursed expenses are shown as income and included in management fees receivable. Costs of carrying out the management contracts and rechargeable expenses are included in operating costs.

Schemes managed by agents
Income is shown as rent receivable and management fees payable to agents are included in operating costs.

Leases
Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the Income and Expenditure Account on a straight line basis over the period of the lease.

Post-retirement benefits
The Group participates in four pension schemes.

Defined benefit schemes
The assets are held separately from those of the Group. Pension scheme assets are measured using market values. Pension liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges and finance items which are recognised in the Income and Expenditure Account and, in the statement of total recognised surpluses and deficits, actuarial gains and losses.

The Group participates in SHPS which is a multi-employer pension scheme providing benefits based on final pensionable pay and more recently career averaged revalued earnings. The assets of the scheme are held separately from those of the Group. The Group is unable to identify its share of the underlying assets of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged in the Income and Expenditure Account represents the contributions payable to the scheme in respect of the financial year.

Notes

1. Accounting policies (continued)

Money purchase scheme
The Group also participates in a defined contribution scheme where the amount charged to the Income and Expenditure Account represents the contributions payable to the scheme in respect of the financial year.

Housing properties, stock for sale and work in progress
Housing properties, stock for sale and work in progress are stated at the lower of cost and net realisable value. Cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Long term contracts
The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the Income and Expenditure Account, after deducting foreseeable losses and payments on account not matched with turnover. Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

Provisions
Provisions are made to meet liabilities which are expected to arise in future years but are of uncertain timing or amounts. Arrears provisions are made and systematically reviewed on an ongoing basis taking into consideration current market conditions, historical write offs and other particular known factors which can affect payment of the amounts.

Taxation
The Group is VAT registered. As a large proportion of its income, including rents, is exempt, this gives rise to a partial exemption calculation. Expenditure is therefore shown gross of value added tax, where applicable.

The charge for taxation is based on the surplus for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised on a prudent basis, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19 "Deferred tax".

Cash and liquid resources
Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into sssknown amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year (other than cash), government securities and investments in money market managed funds.

Financial instruments
The impact of financial instruments such as interest rate swaps is recorded in the Income and Expenditure Account only in respect of current passing payments and on an accruals basis. Neither the market values of such instruments nor movements in them during the year are recorded in the Balance Sheet or the Income and Expenditure Account, but they are disclosed by way of a note.

Turnover
Turnover represents rental income, service charge income receivable, management fees (excluding value added tax), revenue grants, first tranche sales of low cost home ownership properties and other income including sales of properties developed for outright sale. All turnover arose in the United Kingdom.

Interest payable
Interest payable is charged to the income and expenditure account as it is incurred; issue costs and premiums are written off over the course of the loans.

Interest on borrowings is capitalised to housing properties under construction up to the date of completion of each scheme. The interest capitalised is either on borrowings specifically financing a scheme or on net borrowings to the extent that they are deemed to be financing a scheme.

Notes

2. Turnover, operating costs and operating surplus

Group					2014					2013
	Turnover	Cost of sales	Impairment	Other operating costs	Operating surplus/ (deficit)	Turnover	Cost of sales	Impairment	Other operating costs	Operating surplus/ (deficit)
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Social housing lettings										
General needs	**105.6**	**-**	**-**	**(63.4)**	**42.2**	111.4	-	-	(64.3)	47.1
Temporary housing	**61.7**	**-**	**-**	**(60.5)**	**1.2**	60.5	-	-	(58.0)	2.5
Supported housing	**40.2**	**-**	**-**	**(38.5)**	**1.7**	36.5	-	-	(36.6)	(0.1)
Low cost home ownership	**24.3**	**-**	**-**	**(14.4)**	**9.9**	10.2	-	-	(7.4)	2.8
Key worker accommodation (NHS)	**9.2**	**-**	**-**	**(6.1)**	**3.1**	8.4	-	-	(8.9)	(0.5)
	241.0	**-**	**-**	**(182.9)**	**58.1**	227.0	-	-	(175.2)	51.8
Other social housing activities										
First tranche sales	**12.6**	**(10.3)**	**-**	**-**	**2.3**	33.4	(30.5)	-	-	2.9
Development administration	**-**	**-**	**-**	**(0.8)**	**(0.8)**	-	-	-	(0.6)	(0.6)
Outright sales	**9.2**	**(8.7)**	**-**	**-**	**0.5**	30.5	(28.8)	-	-	1.7
Other activities	**-**	**-**	**4.6**	**-**	**4.6**	-	-	2.2	-	2.2
	262.8	**(19.0)**	**4.6**	**(183.7)**	**64.7**	290.9	(59.3)	2.2	(175.8)	58.0
Memo only:										
Non-social housing activities	**2.1**	**-**	**(2.0)**	**(0.2)**	**(0.1)**	2.5	-	-	(0.5)	2.0
	264.9	**(19.0)**	**2.6**	**(183.9)**	**64.6**	293.4	(59.3)	2.2	(176.3)	60.0

Notes

2. Turnover, operating costs and operating surplus (continued)

Association	2014 Turnover	2014 Cost of sales	2014 Impairment	2014 Other operating costs	2014 Operating surplus/ (deficit)	2013 Turnover	2013 Cost of sales	2013 Impairment	2013 Other operating costs	2013 Operating surplus/ (deficit)
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Social housing lettings										
General needs	**105.5**	**-**	**-**	**(62.7)**	**42.8**	111.2	-	-	(63.5)	47.7
Temporary housing	**61.7**	**-**	**-**	**(60.2)**	**1.5**	60.5	-	-	(57.8)	2.7
Supported housing	**40.2**	**-**	**-**	**(38.4)**	**1.8**	36.4	-	-	(36.5)	(0.1)
Low cost home ownership	**24.3**	**-**	**-**	**(14.3)**	**10.0**	10.2	-	-	(7.3)	2.9
Key worker accommodation (NHS)	**9.2**	**-**	**-**	**(6.1)**	**3.1**	8.4	-	-	(8.8)	(0.4)
	240.9	**-**	**-**	**(181.7)**	**59.2**	226.7	-	-	(173.9)	52.8
Other social housing activities										
First tranche sales	**12.6**	**(10.3)**	**-**	**-**	**2.3**	33.4	(30.6)	-	-	2.8
Development administration	**-**	**-**	**-**	**(0.8)**	**(0.8)**	-	-	-	(0.6)	(0.6)
Outright sales	**6.6**	**(6.2)**	**-**	**-**	**0.4**	27.4	(25.6)	-	-	1.8
Other activities	**-**	**-**	**3.6**	**-**	**3.6**	-	-	2.2	-	2.2
	260.1	**(16.5)**	**3.6**	**(182.5)**	**64.7**	287.5	(56.2)	2.2	(174.5)	59.0
Memo only:										
Non-social housing activities	**1.1**	**-**	**(2.0)**	**(0.3)**	**(1.2)**	0.3	-	-	(0.5)	(0.2)
	261.2	**(16.5)**	**1.6**	**(182.8)**	**63.5**	287.8	(56.2)	2.2	(175.0)	58.8

Notes

3. Income and expenditure from social housing lettings

Group	General needs	Temporary housing	Supported housing	Low cost home ownership	Key worker accommodation (NHS)	2014 Total	2013 Total
	£m	£m	£m	£m	£m	£m	£m
Turnover from social housing							
Rents receivable net of identifiable service charges	**95.6**	**61.9**	**16.2**	**21.0**	**8.8**	**203.5**	191.6
Service charge income	**7.0**	**-**	**12.8**	**3.6**	**0.1**	**23.5**	23.4
Gross rental income	**102.6**	**61.9**	**29.0**	**24.6**	**8.9**	**227.0**	215.0
Void losses	**(0.8)**	**(1.8)**	**(1.2)**	**(0.3)**	**(0.2)**	**(4.3)**	(3.8)
Net rental income	**101.8**	**60.1**	**27.8**	**24.3**	**8.7**	**222.7**	211.2
Management fee receivable	**1.5**	**1.0**	**0.6**	**-**	**0.4**	**3.5**	3.7
Supporting people grant	**-**	**-**	**10.5**	**-**	**-**	**10.5**	6.6
Grants from local authorities and other activities	**-**	**0.2**	**0.8**	**-**	**-**	**1.0**	0.9
Other income	**2.3**	**0.4**	**0.5**	**-**	**0.1**	**3.3**	4.6
Total turnover	**105.6**	**61.7**	**40.2**	**24.3**	**9.2**	**241.0**	227.0
Operating costs on social housing lettings							
Housing management	**(28.0)**	**(8.0)**	**(8.5)**	**(7.8)**	**(4.1)**	**(56.4)**	(59.7)
Care and support	**-**	**-**	**(10.5)**	**-**	**-**	**(10.5)**	(6.6)
Service charge costs	**(7.0)**	**-**	**(12.8)**	**(3.6)**	**(0.1)**	**(23.5)**	(23.2)
Routine maintenance	**(9.0)**	**(2.7)**	**(2.9)**	**(1.0)**	**(0.5)**	**(16.1)**	(17.9)
Planned maintenance	**(4.6)**	**-**	**(0.9)**	**(0.3)**	**(0.3)**	**(6.1)**	(5.0)
Major repairs expenditure	**-**	**-**	**(0.4)**	**(0.6)**	**-**	**(1.0)**	(0.6)
Rent losses from bad debts	**0.2**	**(0.3)**	**(0.4)**	**(1.0)**	**-**	**(1.5)**	(1.7)
Landlords rents	**(5.1)**	**(49.5)**	**(0.4)**	**(0.1)**	**(0.2)**	**(55.3)**	(48.2)
Property depreciation	**(9.9)**	**-**	**(1.7)**	**-**	**(0.9)**	**(12.5)**	(12.3)
Total operating costs	**(63.4)**	**(60.5)**	**(38.5)**	**(14.4)**	**(6.1)**	**(182.9)**	(175.2)
Operating surplus/(deficit)	**42.2**	**1.2**	**1.7**	**9.9**	**3.1**	**58.1**	51.8

Notes

3. Income and expenditure from social housing lettings (continued)

Association	General needs	Temporary housing	Supported housing	Low cost home ownership	Key worker accommodation (NHS)	2014 Total	2013 Total
	£m	£m	£m	£m	£m	£m	£m
Turnover from social housing							
Rents receivable net of identifiable service charges	**95.6**	**61.9**	**16.2**	**21.0**	**8.8**	**203.5**	191.6
Service charge income	**7.0**	**-**	**12.8**	**3.6**	**0.1**	**23.5**	23.4
Gross rental income	**102.6**	**61.9**	**29.0**	**24.6**	**8.9**	**227.0**	215.0
Void losses	**(0.8)**	**(1.8)**	**(1.2)**	**(0.3)**	**(0.2)**	**(4.3)**	(3.8)
Net rental income	**101.8**	**60.1**	**27.8**	**24.3**	**8.7**	**222.7**	211.2
Management fee receivable	**1.5**	**1.0**	**0.6**	**-**	**0.4**	**3.5**	3.7
Supporting people grant	**-**	**-**	**10.5**	**-**	**-**	**10.5**	6.6
Grants from local authorities and other activities	**-**	**0.2**	**0.8**	**-**	**-**	**1.0**	0.9
Other income	**2.2**	**0.4**	**0.5**	**-**	**0.1**	**3.2**	4.3
Total turnover	**105.5**	**61.7**	**40.2**	**24.3**	**9.2**	**240.9**	226.7
Operating costs on social housing lettings							
Housing management	**(27.9)**	**(8.0)**	**(8.6)**	**(7.7)**	**(4.2)**	**(56.4)**	(58.4)
Care and support	**-**	**-**	**(10.5)**	**-**	**-**	**(10.5)**	(6.6)
Service charge costs	**(7.0)**	**-**	**(12.8)**	**(3.6)**	**(0.1)**	**(23.5)**	(23.2)
Routine maintenance	**(9.1)**	**(2.2)**	**(2.9)**	**(1.2)**	**(0.5)**	**(15.9)**	(17.9)
Planned maintenance	**(3.9)**	**(0.1)**	**(0.8)**	**(0.3)**	**(0.2)**	**(5.3)**	(5.0)
Major repairs expenditure	**-**	**-**	**(0.4)**	**(0.6)**	**-**	**(1.0)**	(0.6)
Rent losses from bad debts	**0.2**	**(0.3)**	**(0.3)**	**(0.8)**	**-**	**(1.2)**	(1.7)
Landlords rents	**(5.1)**	**(49.6)**	**(0.4)**	**(0.1)**	**(0.2)**	**(55.4)**	(48.2)
Property depreciation	**(9.9)**	**-**	**(1.7)**	**-**	**(0.9)**	**(12.5)**	(12.3)
Total operating costs	**(62.7)**	**(60.2)**	**(38.4)**	**(14.3)**	**(6.1)**	**(181.7)**	(173.9)
Operating surplus/(deficit)	**42.8**	**1.5**	**1.8**	**10.0**	**3.1**	**59.2**	52.8

Notes

4. Notes to the Income and Expenditure Account

Surplus/(deficit) on ordinary activities before taxation is stated after charging/(crediting)

	2014 Group £m	2013 Group £m	2014 Association £m	2013 Association £m
Depreciation and other amounts written off tangible fixed assets:				
Owned	**13.9**	15.4	**13.9**	15.3
Net impairment (release)	**(2.6)**	(2.2)	**(1.6)**	(2.2)
Operating leases:				
Land and buildings – temporary housing	**55.5**	48.9	**55.5**	48.9
Land and buildings – offices	**1.3**	1.2	**1.3**	1.2
Hire of other assets	**0.3**	0.3	**-**	-

Auditor's remuneration

	2014 Group £000s	2013 Group £000s	2014 Association £000s	2013 Association £000s
Amounts receivable by the auditor and their associates in respect of:				
Audit of these financial statements, of consolidated financial statements and financial statements of subsidiaries pursuant to legislation	**160**	180	**120**	134
Other services relating to taxation	**4**	25	**4**	25
Services relating to corporate finance advice	**-**	33	**-**	33
Other services	**87**	46	**87**	28

Notes

5. Employee information

Average number of full time equivalent employees

	2014 Group No.	2013 Group No.	2014 Association No.	2013 Association No.
Administration	**260**	186	**238**	163
Development	**44**	83	**37**	76
Housing management	**457**	580	**362**	485
Care and support	**466**	491	**466**	491
Community development and fundraising	**32**	80	**5**	49
	1,259	1,420	**1,108**	1,264

Staff costs for the above persons

	£m	£m	£m	£m
Wages and salaries	**40.3**	40.8	**35.3**	35.3
Social security costs	**4.5**	4.7	**3.9**	4.0
Employee insurance costs	**-**	0.1	**-**	-
	44.8	45.6	**39.2**	39.3

Salary banding and range

Salary banding for all employees earning over £60,000 (including salaries, performance related pay and benefits in kind but excludes pension contributions paid by the employer):

Salary bands £000s	2014 Group No.	2013 Group No.
60 - 70	27	21
70 - 80	15	11
80 - 90	3	3
90 - 100	5	7
100 - 110	2	1
110 - 120	-	-
120 - 130	-	1
130 - 140	2	1
140 - 150	**1**	**-**
150 - 250	1	3
	56	48

Salary range

Lowest paid employee	£11,484
Highest paid employee	£205,500
Average salary per employee	£27,065

The range of salaries does not include night care or relief cover.

Notes

6. Directors' emoluments

Remuneration disclosed includes remuneration of the Board members, the Group Chief Executive and the Executive Officers.

	2014 £000s	2013 £000s
Non executive board members	**76.0**	81.0
Executives' emoluments (including pension contributions)	**912.0**	1,074.4
Compensation for loss of office (including pension contributions)	**184.0**	391.7
	1,172.0	1,547.1

	2014 No.	2013 No.
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**5**	5
Defined benefit schemes	**-**	1

The Chief Executive of the Group was a member of the defined contribution pension scheme with no special benefits.

Tenant Board member hold tenancies on normal commercial terms and cannot use their position to their advantage.

The Chief Executive of the Group was the highest paid director in 2013/14 (excluding termination payments).

Notes

7. Surplus on sale of properties

Group	No. of units	2014 Sales value £m	2014 Cost of sales £m	2014 Surplus/ (deficit) £m	2013 Surplus/ (deficit) £m
Sales of previously rented properties	104	**30.5**	**(7.2)**	**23.3**	25.1
Sales to regeneration agencies/other RPs	142	**11.9**	**(9.8)**	**2.1**	6.4
Staircasing of shared ownership properties	179	**21.5**	**(17.7)**	**3.8**	1.9
Right to buy and right to acquire	9	**1.7**	**(1.7)**	**-**	-
Commercial	5	**0.9**	**(1.3)**	**(0.4)**	(0.4)
Surplus on sale	**439**	**66.5**	**(37.7)**	**28.8**	33.0

Association	No. of units	2014 Sales value £m	2014 Cost of sales £m	2014 Surplus/ (deficit) £m	2013 Surplus/ (deficit) £m
Sales of previously rented properties	104	**30.5**	**(7.2)**	**23.3**	25.1
Sales to other group entities	69	**11.5**	**(9.7)**	**1.8**	6.4
Sales to regeneration agencies/other RPs	179	**21.5**	**(17.7)**	**3.8**	1.9
Staircasing of shared ownership properties	9	**1.7**	**(1.7)**	**-**	-
Right to buy and right to acquire	5	**0.9**	**(1.3)**	**(0.4)**	(0.4)
Commercial	3	**0.5**	**(0.9)**	**(0.4)**	-
Other	-	**-**	**-**	**-**	(0.3)
Surplus on sale	**366**	**66.1**	**(37.6)**	**28.5**	33.0

Notes

8. Net interest payable and similar charges

a) Other interest receivable and similar income	2014 Group £m	2013 Group £m	2014 Association £m	2013 Association £m
Bank interest	**0.7**	0.3	**0.7**	0.3
Receivable from group undertakings	**-**	-	**2.0**	2.6
	0.7	0.3	**2.7**	2.9

b) Other finance costs	2014 Group £m	2013 Group £m	2014 Association £m	2013 Association £m
Expected return on pension scheme assets	**2.7**	2.5	**2.7**	2.5
Interest on pension scheme liabilities	**(2.4)**	(2.4)	**(2.4)**	(2.4)
	0.3	0.1	**0.3**	0.1

Interest has been capitalised into tangible fixed assets at a rate of 5.05% (2013: 5.05%).

Notes

8. Net interest payable and similar charges (continued)

c) Interest payable and similar charges	**2014 Group £m**	2013 Group £m	**2014 Association £m**	2013 Association £m
On bank loans and overdrafts	**(64.8)**	(64.4)	**(36.9)**	(20.4)
Payable to group undertakings	**-**	-	**(28.4)**	(43.9)
Less capitalised interest (see below)	**10.0**	15.2	**8.1**	12.6
Amortisation of loan premium	**1.8**	1.2	**1.6**	1.0
Amortisation of loan arrangement costs	**(1.3)**	(1.1)	**(0.7)**	(0.9)
	(54.3)	(49.1)	**(56.3)**	(51.6)

Interest has been capitalised into tangible fixed assets at a rate of 5.05% (2013: 5.05%).

d) Net interest payable and similar charges	**2014 Group £m**	2013 Group £m	**2014 Association £m**	2013 Association £m
Other interest receivable and similar income	**0.7**	0.3	**2.7**	2.9
Other finance costs	**0.3**	0.1	**0.3**	0.1
Interest payable and similar charges	**(54.3)**	(49.1)	**(56.3)**	(51.6)
Net interest payable and similar charges	**(53.3)**	(48.7)	**(53.3)**	(48.6)

Notes

9. Taxation

Analysis of charge in period

	2014 Group £m	2013 Group £m	**2014 Association £m**	2013 Association £m
UK corporation tax				
Current tax on income for the period	**(0.4)**	0.9	**(0.4)**	0.9
Total current tax	**(0.4)**	0.9	**(0.4)**	0.9
Deferred tax (see note 14)				
Origination of timing differences	**-**	-	**-**	-
Total deferred tax	**-**	-	**-**	-
Tax on surplus on ordinary activities	**(0.4)**	0.9	**(0.4)**	0.9

Factors affecting the tax charge for the current period

	2014 Group £m	2013 Group £m	**2014 Association £m**	2013 Association £m
Current tax reconciliation				
Surplus on ordinary activities before taxation	**40.1**	44.3	**38.7**	43.2
Current tax at 23% (2013: 24%)	**9.2**	10.6	**8.9**	10.4
Expenses not deductible for tax purposes	**(0.1)**	0.1	**-**	-
Surplus recovered by charitable exemption	**(8.9)**	(9.4)	**(8.9)**	(9.3)
Income not subject to corporation tax	**-**	(0.2)	**-**	-
Utilisation of tax losses	**(0.2)**	**-**	**-**	**-**
Unutilised losses carried forward	**-**	**-**	**-**	**-**
Adjustment - pension contributions	**-**	**(0.2)**	**-**	**(0.2)**
Over provided in prior years	**(0.4)**	-	**(0.4)**	-
Other timing differences	**(0.1)**	-	**-**	-
Chargeable gain on disposal of property	**0.1**	-	**-**	-
	(0.4)	0.9	**(0.4)**	0.9

No deferred tax asset has been recognised in relation to taxable losses as the Group is not expected to make sufficient taxable profits in the future to utilise these losses.

Notes

10. Tangible fixed assets

Group	Housing properties held for letting	Housing properties under construction	Low cost home ownership properties	Low cost home ownership properties under contruction	Total
	£m	£m	£m	£m	£m
Cost					
At beginning of year	1,844.1	269.9	527.0	33.1	2,674.1
Additions – work done	10.2	134.8	-	14.2	159.2
Disposals	(13.6)	(0.2)	(20.6)	-	(34.4)
Transfer between asset classes	(15.0)	40.3	2.8	8.9	37.0
Properties completed	183.5	(183.5)	45.3	(45.3)	-
At end of year	2,009.2	261.3	554.5	10.9	2,835.9
Capital grant					
At beginning of year	910.0	119.2	139.3	12.9	1,181.4
Received during year	3.2	38.5	0.2	5.7	47.6
Disposals	(6.7)	-	(5.8)	-	(12.5)
Transfer between asset classes	-	(0.2)	(0.2)	0.4	-
Transfer on completion	77.3	(77.3)	13.4	(13.4)	-
At end of year	983.8	80.2	146.9	5.6	1,216.5
Depreciation and impairment					
At beginning of year	60.9	14.2	-	-	75.1
Depreciation charge	12.5	-	-	-	12.5
Transfer between asset classes	0.8	(1.7)	-	0.4	(0.5)
Net impairment (release)	-	(5.7)	-	(0.1)	(5.8)
On disposals	(2.0)	-	-	-	(2.0)
At end of year	72.2	6.8	-	0.3	79.3
Net book value					
At 31 March 2013	953.2	174.3	407.6	5.0	1,540.1
At 31 March 2012	873.2	136.5	387.7	20.2	1,417.6

Notes

Association	Housing properties held for letting	Housing properties under construction	Low cost home ownership properties	Low cost home ownership properties under contruction	Total
	£m	£m	£m	£m	£m
Cost					
At beginning of year	1,846.0	266.0	522.6	32.7	2,667.3
Additions – work done	10.2	140.9	-	14.6	165.7
Disposals	(13.6)	(0.2)	(20.6)	-	(34.4)
Transfer between asset classes	(10.4)	14.3	7.2	6.8	17.9
Properties completed	183.5	(183.5)	45.3	(45.3)	-
At end of year	2,015.7	237.5	554.5	8.8	2,816.5
Capital grant					
At beginning of year	910.0	119.2	139.3	12.9	1,181.4
Received during year	3.2	38.5	0.2	5.7	47.6
Disposals	(6.7)	-	(5.8)	-	(12.5)
Transfer between asset classes	-	(0.2)	(0.2)	0.4	-
Transfer on completion	77.3	(77.3)	13.4	(13.4)	-
At end of year	983.8	80.2	146.9	5.6	1,216.5
Depreciation and impairment					
At beginning of year	62.0	4.5	-	-	66.5
Depreciation charge	12.5	-	-	-	12.5
Transfer between asset classes	(0.3)	0.4	-	0.4	0.5
Net impairment (release)	-	(4.7)	-	(0.1)	(4.8)
On disposals	(2.0)	-	-	-	(2.0)
At end of year	72.2	0.2	-	0.3	72.7
Net book value					
At 31 March 2013	959.7	157.1	407.6	2.9	1,527.3
At 31 March 2012	874.0	142.3	383.3	19.8	1,419.4

Notes

10. Tangible fixed assets (continued)

The net book value of land and buildings comprises:

	2014 Group £m	2013 Group £m	**2014 Association £m**	2013 Association £m
Freehold	**1,486.1**	1,363.6	**1,473.3**	1,365.4
Leasehold	**54.0**	54.0	**54.0**	54.0
	1,540.1	1,417.6	**1,527.3**	1,419.4

Capitalisation of major repairs
During the year, expenditure on major repairs and improvements were capitalised into fixed assets as follows:

	2014 Group £m	2013 Group £m	**2014 Association £m**	2013 Association £m
Spend on major repairs on existing properties	**10.9**	15.8	**10.9**	15.8
Capitalised*	**(9.9)**	(14.9)	**(9.9)**	(14.9)
	1.0	0.9	**1.0**	0.9

** components £9.8m, improvements £0.1m*

	2014 Group £m	2013 Group £m	**2014 Association £m**	2013 Association £m
Total amount of SHG receivable	**1,216.5**	1,181.4	**1,216.5**	1,181.4

The policy is to recognise units as completed for accounting purposes only when a development is completed and all homes in a phase handed over.

Housing properties have been subject to an impairment review. Value in use is based upon net present values, using a discount rate of 4.5% (2012: 4.5%) and an appraisal period of 60 years plus a terminal value. Properties are written down to the recoverable amount where there is evidence of impairment.

Notes

11. Fixed assets investments

a) Subsidiary undertakings

The undertakings in which the Association's interest at the year end is more than 20% are as follows:

Subsidiary undertakings	Country of incorporation	Principal activity	Class and percentage of shares held
Springboard Two Housing Association Limited	United Kingdom	Registered provider	Nil-managed on a unified basis
Genesis Community Foundation	United Kingdom	Charity-social regeneration	Nil-managed on a unified basis
Genfinance Limited	United Kingdom	Treasury	Ordinary – 100%
Genfinance II plc	United Kingdom	Bond issuance	Ordinary – 100%
Geninvest Limited	United Kingdom	Non-regulated investments	Ordinary – 100%
Genesis Purchasing Limited	United Kingdom	Procurement	Ordinary – 100%
Genesis Homes Limited	United Kingdom	Dormant	Ordinary – 100%
Larden New Homes Limited	United Kingdom	Acquisition and development of site at Larden Road	Ordinary – 100%
European Urban St Pancras 2 Limited	United Kingdom	Property development	Ordinary – 100%
Pathmeads Residential Limited	United Kingdom	Property management	Ordinary – 100%
Central Chelmsford Development Agency Limited*	United Kingdom	Property development and investment	Ordinary – 100%
Stoke Quay New Homes Limited	United Kingdom	Property development and investment	Ordinary – 100%
Choices for Grahame Park Limited*	United Kingdom	Acquisition and development of site at Grahame Park	Ordinary – 100%
Pathmeads Property Services Limited	United Kingdom	Property repairs and maintenance	Ordinary – 100%
Genesis Housing Management Limited	United Kingdom	Dormant	Ordinary – 100%
Eastwards Trust	United Kingdom	Charity	Nil-managed on a unified basis

** held indirectly*

Notes

11. Fixed assets investments (continued)

b) Associated undertakings

Participating interests	Country of incorporation	Principal activity	Class and percentage of shares held
Logic Homes Limited	United Kingdom	Joint venture with house builders and architects	Ordinary – 16.6%
Low C Living Limited*	United Kingdom	Dormant	Ordinary – 33.3%

c) Joint ventures

The Group's share of assets and liabilities of this joint venture is as follows:

	2014 £m	2013 £m
Share of assets		
Share of current assets	-	1.9
Share of liabilities		
Liabilities due within one year or less	-	(0.3)
Share of net assets	-	1.6

A 25% equity investment in the joint venture Quintessential Homes (Wembley) LLP was disposed of during the year.

Notes

Cost and valuation

	2014 Group £m	2014 Association £m
Commercial properties		
At beginning of year	**36.6**	30.3
Additions	**3.3**	2.4
Disposals	**(0.6)**	(0.6)
Transfers between asset classes	**(18.7)**	(15.3)
Net revaluations/impairments	**0.8**	0.8
Cost and valuation	**21.4**	17.6

The properties were valued as at 31 January 2014 on the basis of market value in accordance with RICS guidelines. The valuation was carried out by a qualified Member of the Royal Institute of Chartered Surveyors acting for Metrus Property Advisors

Listed investments at market value

Group	2014 £m
At beginning of year	**2.6**
Investments made in year	**0.1**
At end of year	**2.7**

Notes

12. Other fixed assets

Group	Freehold office premises £m	Office improvements £m	Motor vehicles £m	Furniture and computer equipment £m	Total £m
Cost					
At beginning of year	**8.9**	**4.1**	**0.1**	**9.4**	**22.5**
Additions	**-**	**3.6**	**-**	**3.9**	**7.5**
Disposals	**-**	**(1.1)**	**-**	**-**	**(1.1)**
Reclassification	**1.0**	**-**	**-**	**-**	**1.0**
At end of year	**9.9**	**6.6**	**0.1**	**13.3**	**29.9**
Capital grant					
At beginning and end of year	**1.3**	**-**	**-**	**-**	**1.3**
Depreciation					
At beginning of year	**2.1**	**3.3**	**0.1**	**5.6**	**11.1**
Charge for year	**0.1**	**0.2**	**-**	**1.1**	**1.4**
Disposals	**-**	**(1.1)**	**-**	**-**	**(1.1)**
Reclassification	**-**	**-**	**-**	**-**	**-**
At end of year	**2.2**	**2.4**	**0.1**	**6.7**	**11.4**
Net book value					
At 31 March 2014	**6.4**	**4.2**	**-**	**6.6**	**17.2**
At 31 March 2013	5.5	0.8	0.0	3.8	10.1

Notes

Association	Freehold office premises £m	Office improvements £m	Furniture and computer equipment £m	Total £m
Cost				
At beginning of year	**8.9**	**4.0**	**9.1**	**22.0**
Additions	**-**	**3.6**	**3.8**	**7.4**
Disposals	**-**	**(1.1)**	**-**	**(1.1)**
Reclassification	**1.0**	**-**	**-**	**1.0**
At end of year	**9.9**	**6.5**	**12.9**	**29.3**
Capital grant				
At beginning and end of year	**1.3**	**-**	**-**	**1.3**
Depreciation				
At beginning of year	**2.1**	**3.2**	**5.3**	**10.6**
Charge for year	**0.1**	**0.2**	**1.1**	**1.4**
Disposals	**-**	**(1.1)**	**-**	**(1.1)**
Reclassification	**-**	**-**	**-**	**-**
At end of year	**2.2**	**2.3**	**6.4**	**10.9**
Net book value				
At 31 March 2014	**6.4**	**4.2**	**6.5**	**17.1**
At 31 March 2013	5.5	0.8	3.8	10.1

Notes

13. Housing properties, stock for resale and work in progress

Group	2014 Unit nos.	2013 Unit nos.	2014 £m	2013 £m
Cost				
Low cost home-ownership properties – for sale	**208**	83	**14.4**	4.1
Low cost home ownership properties – under construction			**4.7**	15.2
Outright sale properties – for sale	**77**	15	**23.6**	2.7
Outright sale properties – under construction			**23.0**	63.1
Commercial properties – for sale	**7**	18	**9.6**	6.2
Land for sale			**5.0**	20.2
			80.3	111.5
Stock write down				
At beginning of year			**19.0**	3.3
Transfers during year			**(0.9)**	17.1
Release for year			**(13.1)**	(1.4)
At end of year			**5.0**	19.0
Net book value			**75.3**	92.5

Notes

Association	2014 Unit nos.	2013 Unit nos.	2014 £m	2013 £m
Cost				
Low cost home-ownership properties – for sale	**208**	83	**14.4**	4.1
Low cost home ownership properties – under construction			**3.8**	14.1
Outright sale properties – for sale	**77**	1	**23.6**	0.2
Outright sale properties – under construction			**14.3**	47.7
Commercial properties – for sale	**7**	18	**9.6**	6.2
Land for sale			**5.0**	20.2
			70.7	92.5
Stock write down				
At beginning of year			**19.0**	3.3
Transfers during year			**(0.9)**	17.1
Release for year			**(13.1)**	(1.4)
At end of year			**5.0**	19.0
Net book value			**65.7**	73.5

Notes

14. Debtors

Amounts receivable within one year	2014 Group £m	2013 Group £m	2014 Association £m	2013 Association £m
Rent and service charge arrears	**47.0**	40.7	**47.0**	40.7
Provision for bad and doubtful debts	**(8.9)**	(9.6)	**(8.9)**	(9.6)
	38.1	31.1	**38.1**	31.1
Amounts owed by group undertakings	**-**	-	**10.7**	22.0
Trade debtors	**7.4**	7.4	**7.3**	7.3
Other debtors	**14.8**	10.2	**7.6**	6.8
Prepayments and accrued income	**8.0**	5.6	**8.0**	4.5
	68.3	54.3	**71.7**	71.7

Amounts receivable after more than one year	2014 Group £m	2013 Group £m	2014 Association £m	2013 Association £m
Amounts owed by group undertakings	**-**	-	**27.3**	23.9
Other debtors	**2.6**	2.3	**2.6**	2.3
	2.6	2.3	**29.9**	26.2

Deferred tax assets

Group	2014 £m	2013 £m
In respect of tax losses		
At beginning of year	**-**	0.1
Utilised in year	**-**	(0.1)
At the end of year	**-**	-

Notes

15. Investments (held as current assets)

	2014 Group £m	2013 Group £m	2014 Association £m	2013 Association £m
Other investments	**26.5**	35.2	**26.5**	35.2

Included in the above are cash at bank and investments charged to lenders of £24.6m (2013: £33.1m) and cash at bank held for leaseholders of £1.9m (2013: £2.1m). It is anticipated that the cash at bank and investments charged to lenders will be released from charge within one year.

16. Creditors: amounts falling due within one year

	2014 Group £m	2013 Group £m	2014 Association £m	2013 Association £m
Housing loans	**3.0**	3.5	**3.0**	1.7
Trade creditors	**2.9**	3.2	**2.1**	2.5
Amounts owed to group undertakings	**-**	-	**7.6**	27.2
Taxation and social security	**1.0**	1.8	**1.0**	1.7
Other creditors	**35.0**	25.8	**35.1**	24.3
Recycled capital grant fund (note 17c)	**-**	0.6	**-**	0.6
Disposal proceeds fund (note 17c)	**0.5**	1.7	**0.5**	1.7
Accruals and deferred income	**42.1**	42.5	**29.0**	29.4
	84.5	79.1	**78.3**	89.1

Notes

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

	2014 Group £m	2013 Group £m	2014 Association £m	2013 Association £m
Housing loans	**1,151.9**	1,162.2	**854.4**	385.0
Bonds	**253.2**	253.2	**-**	-
Total housing loans (see below)	**1,405.1**	1,415.4	**854.4**	385.0
Amounts owed to group undertakings	**-**	-	**554.7**	1,037.6
Other creditors	**3.0**	0.3	**-**	-
Recycled capital grant fund (see below)	**14.7**	10.6	**14.7**	10.6
Disposal proceeds fund (see below)	**2.2**	0.6	**2.2**	0.6
Cyclical and major repairs fund	**6.2**	5.5	**6.2**	5.6
Shared ownership sinking fund	**0.6**	0.6	**0.6**	0.6
	1,431.8	1,433.0	**1,432.8**	1,440.0

Notes

The maturity of the housing loans is as follows:

a) Housing loans
Housing loans from banks, building societies and other lending institutions are secured by specific charges on the Group's housing properties and are repayable at varying rates of interest as follows:

Group	Nominal value £m	Fair value adjustment £m	Less capitalised loan costs £m	2014 £m	2013 £m
Repayable by instalments					
Within one year	**3.0**	**-**	**-**	**3.0**	3.5
In the second to fifth years	**82.2**	**-**	**-**	**82.2**	88.7
Over five years	**926.1**	**12.0**	**(10.1)**	**928.0**	965.1
	1,011.3	**12.0**	**(10.1)**	**1,013.2**	1,057.3
Not repayable by instalments					
Within one year	**-**	**-**	**-**	**-**	-
In the second to fifth years	**39.0**	**0.5**	**(0.4)**	**39.1**	6.0
Over five years	**102.5**	**0.9**	**(0.8)**	**102.6**	102.4
	141.5	**1.4**	**(1.2)**	**141.7**	108.4

Notes

17. Creditors: amounts falling due after more than one year (continued)

b) Bonds

	2014 Group £m	2013 Group £m	2014 Association £m	2013 Association £m
Not repayable by instalments	**250.0**	250.0	**-**	-
Bond premium	**4.9**	4.9	**-**	-
Capitalised loan costs	**(1.7)**	(1.7)	**-**	-
Total	**253.2**	253.2	**-**	-

At 31 March 2014, the fair value of the bonds was £299.7m (2013: £299.8m).

c) Recycled capital grant fund and disposal proceeds fund

Recycled capital grant fund

	2014 Group £m	2013 Group £m	2014 Association £m	2013 Association £m
Due within one year	**-**	0.6	**-**	0.6
Due after more than one year	**14.7**	10.6	**14.7**	10.6
	14.7	11.2	**14.7**	11.2

Notes

Disposal proceeds fund

	2014 Group £m	2013 Group £m	2014 Association £m	2013 Association £m
Due within one year	**0.5**	1.7	**0.5**	1.7
Due after more than one year	**2.2**	0.6	**2.2**	0.6
	2.7	2.3	**2.7**	2.3

Recycled capital grant fund

	Group £m	Association £m
Reconciliation of movement during year:		
At beginning of year	**11.2**	**11.2**
Utilised during the year	**(4.0)**	**(4.0)**
Grant recycled	**7.5**	**7.5**
At end of year	**14.7**	**14.7**

Disposal proceeds fund

	Group £m	Association £m
Reconciliation of movement during year:		
At beginning of year	**2.3**	**2.3**
Utilised during the year	**(1.2)**	**(1.2)**
Grant recycled	**1.6**	**1.6**
At end of year	**2.7**	**2.7**

Notes

17. Creditors: amounts falling due after more than one year (continued)

d) Derivative transactions
The Group has entered into financial derivative contracts as follows:

	2014		2013	
	Total notional principal £m	**Fair value £m**	Total notional principal £m	Fair value £m
Interest rate swaps without options	**350.0**	**(84.8)**	350.0	(106.6)
Total	**350.0**	**(84.8)**	350.0	(106.6)

Financial risk management

Risk management objectives and policies
The Genesis Housing Association Corporate Finance team is responsible for the management funds and control of associated risks. Its activities are governed by the Group Board and the Board of Genfinance Limited, which is responsible for treasury issues in all Group legal entities.

Interest rate risk management
The Group manages it's exposure to fluctuations in interest rates with a view to managing its interest costs in line with long term financial planning targets and primarily to create stability of costs, revenue and surplus. The Group achieves these objectives by prudent use of financing and hedging instruments, methods and techniques.

Counterparty/credit risk management
The failure of a provider of a credit facility, deposit taker, money transmission provider or derivatives counterparty to fulfil its contractual obligations when they fall due, or reduction in their creditworthiness, may result in a financial loss or liquidity problem for the group, perhaps even a default. The Group maintains a formal counterparty credit limits policy in respect of those organisations from which it draws funds on committed facilities, or with whom it may enter into derivative transactions, or with whom funds may be deposited.

Market risk
The Group does not have any financial instrument's recorded at fair value on an on-going basis and is not subject to any material market risk.

Liquidity risk management
The Group ensures it has adequate, though not excessive, cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business and service objectives. The Group takes account of economic and financial market conditions in considering its liquidity requirement.

The fair values of the financial derivative contracts have not been recognised in either the Group's Income and Expenditure Account or Balance Sheet.

During the financial year, the Group entered into transactions to remove all cancellable options from existing derivative contracts, embed RPI contracts into loan agreements and reduce swap portfolio mark to

Notes

market exposure.

The only standalone derivatives open at year end are vanilla interest-rate swaps, entered into to hedge against movements in the cost of floating-rate debt. They are accounted for as 'cash flow hedges' under the terms of FRS 26 although Genesis Housing Association does not apply FRS 26 as outside the scope. Cash flows under these hedges will occur in the same periods as the underlying interest payments on floating-rate borrowings and will be reported at cost at the time on an accruals basis.

Hedging position
At 31 March 2014 the Group's borrowings were hedged as follows:

	2014		2013	
	Principal £m	**Percentage %**	Principal £m	Percentage %
Interest rates fixed for more than 12 months	**1,099.1**	**78**	1,161.1	82
Interest rates linked to RPI	**5.1**	**-**	5.1	-
Capped interest rates	**150.0**	**11**	180.0	13
	1,254.2		1,346.2	
Floating rate (interest rates fixed for less than 12 months)	**148.7**	**11**	65.0	5
	1,402.9	**100**	1,411.2	100

Notes

18. Provisions for liabilities

	2014 Group £m	2014 Association £m
At beginning of year	2.7	2.7
Utilised during the year	(0.5)	(0.5)
At end of year	2.2	2.2

The Group has an obligation under certain temporary housing and office leases with landlords to make good dilapidations to properties under short leasehold for letting when they are handed back. The provision is based on the Group's estimated liability for dilapidation costs at the end of the lease.

19. Reserves

Group	Restricted reserve £m	Revenue reserve £m	Revaluation reserve £m	Total £m
At beginning of year	2.9	256.1	-	259.0
Surplus for the year	-	40.5	-	40.5
Actuarial loss recognised in the pension schemes	-	(1.2)	-	(1.2)
Revaluations in the year	-	-	3.9	3.9
At end of year	2.9	295.4	3.9	302.2

Association	Restricted reserve £m	Revenue reserve £m	Revaluation reserve £m	Total £m
At beginning of year	0.2	257.5	-	257.7
Surplus for the year	-	39.5	-	39.5
Actuarial loss recognised in the pension schemes	-	(1.2)	-	(1.2)
Revaluations in the year	-	-	3.9	3.9
At end of year	0.2	295.8	3.9	299.9

Restricted reserves

Restricted reserves relate to funds received by Genesis Community Foundation which will be used in the furtherance of the charitable objectives of the donor, The Knowles Charitable Trust.

Notes

20. Members

Association	2014 No.	2013 No..
At beginning of year	82	83
Shares cancelled	(22)	(1)
At end of year	60	82

Each share has a nominal value of £1 which carries no right to interest, dividend or bonus. When a shareholder ceases to be a shareholder, the share is cancelled and the amount paid up becomes the property of the Association.

21. Commitments

a) Capital commitments

Capital commitments at the end of the financial year for which no provision has been made, are as follows:

	2014 Group £m	2013 Group £m	2014 Association £m	2013 Association £m
Contracted for and not provided	275.2	239.9	200.1	125.4
Authorised by the Board and not yet contracted for	-	-	-	-

The Group expects to finance the above contracted commitments by:

	2014 Group £m	2013 Group £m	2014 Association £m	2013 Association £m
Proceeds from property sales	74.8	126.3	59.7	88.1
Capital grant receivable	7.0	9.8	7.0	9.8
Cash and available loan facilities	193.4	103.8	133.4	27.5
	275.2	239.9	200.1	125.4

At 31 March 2014, the Group has cash and borrowing facilities available of £242m (2013: £277m).

Notes

21. Commitments (continued)

b) Annual commitments under non-cancellable operating leases are as follows:

Group		2014		2013
	Land and buildings £m	**Other £m**	Land and buildings £m	Other £m
Operating leases which expire:				
Within one year	**21.3**	**0.1**	12.5	0.3
In the second to fifth years inclusive	**26.0**	**0.1**	36.0	0.3
Over five years	**6.7**	**-**	5.2	-
	54.0	**0.2**	53.7	0.6

Association		2014		2013
	Land and buildings £m	**Other £m**	Land and buildings £m	Other £m
Operating leases which expire:				
Within one year	**21.3**	**-**	12.5	-
In the second to fifth years inclusive	**26.0**	**-**	36.0	-
Over five years	**6.7**	**-**	5.2	-
	54.0	**-**	53.7	-

Notes

22. Housing units and bedspaces

Group	**2014 Group Units**	2013 Group Units	**2014 Association Units**	2013 Association Units
Under development on site at end of year				
Units for rent	**567**	1,113	**265**	525
Low cost home ownership units	**258**	291	**74**	219
Outright sales units	**692**	550	**570**	422
	1,517	1,954	**909**	1,166
Under management at end of year				
General needs units owned (social)	**14,433**	14,533	**14,433**	14,533
General needs units owned (affordable)	**333**	95	**333**	95
General needs units managed on behalf of others	**1,265**	1,265	**1,265**	1,265
Supported housing and housing for older people	**3,066**	2,964	**3,066**	2,964
Temporary housing units	**3,596**	3,447	**3,596**	3,447
Low cost home ownership and other leased units	**6,312**	5,947	**6,312**	5,947
Key worker accommodation	**1,398**	1,454	**1,398**	1,454
Other – non social housing:				
Market let	**579**	183	**579**	183
Intermediate rent	**628**	693	**628**	693
Managed for private landlords	**691**	2,281	**691**	2,281
Commercial	**68**	63	**68**	63
	32,369	32,925	**32,369**	32,925
Units owned but managed by others	**1,070**	1,197	**1,070**	1,197

Notes

23. Pension schemes

During the year the Group was involved with four pension schemes.

Genesis Housing Association operated two schemes:

a) The PCHA 2001 Pension Scheme - A defined benefit scheme which is closed to new employees with effect from 1 June 1996 with Scottish Widows plc. Regular employee and employer contributions to the scheme ceased with effect from 31/03/2012 when the scheme was closed to future accrual. Past service deficit contributions made by the employer are determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

A full actuarial valuation was carried out as at 31 March 2010. At that date, the funding level was 89.1% with a past service deficit of £3.7m. The trustees closed the scheme to future benefit accrual from 31 March 2012 and active members ceased membership of the scheme. Genesis made a payment of £1,500,000 before 1 April 2012 and will make an annual contribution of £700,000 annually from 1 April 2013 to 1 April 2015 to fund the past service deficit. The next full actuarial valuation, as at 31 March 2013 will be completed and signed off by the Trustees at 30 June 2014.

The Group's contributions to the scheme in the year ended 31 March 2014 amounted to £700,000 (2013: £700,000), which includes an annual contribution of £700,000 (2013: £700,000).

b) The Friends Life Pension Scheme – A defined contribution scheme which was open to all employees starting from 1 June 1996, which was a money purchase scheme with Friends Life into which the employee and the Association each contributed between 3.5% and 7.5% of salary. Employees in this scheme were contracted into the State Earnings Related Pension Scheme. On 4th June 2013 The Board approved the recommendation to close the scheme from 1st July 2013. The charge to the Association for the year was £248,000 (2013: £1,028,000).

c) The Social Housing Pension Scheme - A defined contribution pension scheme, open to all employees from 1 July 2013, which is a money purchase scheme with the Social Housing Pension Scheme into which the employee and the Association each contribute between 3.5% and 7.5% of salary. Employees in this scheme are contracted into the State Earnings Related Pension Scheme. On 4th June 2013 The Board approved the recommendation to open the scheme from 1st July 2013. The charge to the Association for the year was £711,000 (2013: £0).

In addition, Genesis Housing Association participated in the following two schemes:

d) The Local Government Pension Scheme – A defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 1997, as amended. The Group's contributions to the London Pensions Fund Authority Scheme ("LPFA") for two groups of staff amounted to £55,000 (2013: £50,000).

e) The Social Housing Pension Scheme – A defined benefit scheme (SHPS), which is a multi-employer defined benefit scheme including Genesis Housing Association Limited. The Scheme was funded and contracted-out of the state scheme. It was closed to future accrual with effect from June 2013. The past service deficit was not triggered and continued to be paid. The total contributions for the year ended 31 March 2014 totalled £725,000 (2013: £459,000). In addition and running alongside the SHPS defined benefit scheme there was an Additional Voluntary Contribution (AVC) scheme. This was closed at the end of June 2013 and a past service deficit of £224,000 (2013: £0) was triggered and paid by the Association.

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Notes

PCHA 2001 pension scheme
Employee benefit obligations

The amounts recognised in the balance sheet are as follows:

	2014 £m	2013 £m
Present value of funded obligations	**47.0**	46.1
Fair value of plan assets	**(39.7)**	(39.0)
Net liability	**7.3**	7.1
Amounts in the balance sheet		
Liabilities	**(7.3)**	(7.1)

The amounts recognised in surplus are as follows:

	2014 £m	2013 £m
Current service cost	**-**	-
Interest on obligation	**2.0**	2.0
Expected return on plan assets	**(2.3)**	(2.1)
Losses on curtailments and settlements	**-**	-
Total	**(0.3)**	(0.1)
Actual return on plan assets	**1.1**	3.3

Notes

23. Pension schemes (continued)

Changes to the present value of the defined benefit obligation are as follows:

	2014 £m	2013 £m
Opening defined benefit obligation	**46.1**	43.3
Service cost	**-**	-
Interest cost	**2.0**	2.0
Actuarial losses	**-**	1.5
(Losses) on curtailments and settlements	**-**	-
Benefits paid	**(1.1)**	(0.7)
Closing defined benefit obligation	**47.0**	46.1

Changes in the fair value of plan assets are as follows:

	2014 £m	2013 £m
Opening fair value of plan assets	**39.0**	35.7
Expected return	**2.3**	2.1
Actuarial gains/(losses)	**(1.2)**	1.2
Contribution by members	**-**	-
Contribution by employer	**0.7**	0.7
Benefits paid	**(1.1)**	(0.7)
Closing fair value of plan assets	**39.7**	39.0

The Group expects to contribute £0.7m in 2014/15.

Notes

The major categories of plan assets as a percentage of total plan assets are as follows:

	2014	2013
UK equities	**20%**	18%
FTSE guaranteed equity notes	**13%**	12%
Overseas equities	**7%**	7%
Bonds	**43%**	46%
Property	**1%**	1%
Other	**11%**	11%
Cash	**5%**	5%

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2014	2013
Discount rate at 31 March	**4.3%**	4.3%
Expected return on plan assets at 31 March	**6.0%**	6.0%
Future salary increases	**0%**	0%
Future pension increases	**3.40%**	3.25%

Notes

23. Pension schemes (continued)

Amounts for the current and previous four periods are as follows:

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Defined benefit obligation	**(47.0)**	(46.1)	(43.3)	(35.5)	(37.3)
Plan assets	**39.7**	39.0	35.7	32.5	30.7
(Deficit)	**(7.3)**	(7.1)	(7.6)	(3.0)	(6.6)
Experience adjustments on plan liabilities	**0.7**	-	(0.4)	1.3	(0.6)
Experience adjustments on plan assets	**(1.2)**	1.2	(0.1)	(0.1)	4.5

Notes

LPFA

Employee benefit obligations

The amounts recognised in the balance sheet are as follows:

	2014 £m	2013 £m
Present value of funded obligations	**9.5**	9.2
Fair value of planned assets	**(8.1)**	(7.8)
	1.4	1.4
Present value of unfunded obligations	**0.1**	0.1
Net liability	**1.5**	1.5
Amounts in the balance sheet		
Liabilities	**(1.5)**	(1.5)

Notes

23. Pension schemes (continued)

The amounts recognised in surplus are as follows:

	2014 £m	2013 £m
Current service cost	**0.1**	0.1
Interest on obligation	**0.4**	0.4
Expected return on plan assets	**(0.4)**	(0.4)
Change in past service cost from RPI to CPI change	**-**	-
Total	**0.1**	0.1
Actual return on plan assets	**0.3**	1.0

Changes in the present value of the defined benefit obligation are as follows:

	2014 £m	2013 £m
Opening defined benefit obligation	**9.2**	9.3
Service cost	**0.1**	0.1
Interest cost	**0.4**	0.4
Actuarial losses	**0.1**	0.5
Benefits paid	**(0.3)**	(1.1)
Closing defined benefit obligation	**9.5**	9.2

Notes

Changes in the fair value of plan assets are as follows:

	2014 £m	2013 £m
Opening fair value of plan assets	**7.8**	7.8
Expected return	**0.4**	0.4
Actuarial gains/(losses)	**0.1**	0.6
Contribution by employer	**0.1**	-
Benefits paid	**(0.3)**	(1.0)
Closing fair value of plan assets	**8.1**	7.8

The Group expects to contribute £50,000 in 2013/14.

The major categories of plan assets as a percentage of total plan assets are as follows:

	2014	2013
UK equities	**53%**	73%
Bonds	**30%**	10%
Alternative assets	**0%**	15%
Property	**3%**	0%
Other	**11%**	0%
Cash	**3%**	2%

Notes

23. Pension schemes (continued)

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2014	2013
Discount rate at 31 March	**4.4%**	4.3%
Expected return on plan assets at 31 March	**6.4%**	5.6%
Future salary increases	**4.6%**	4.2%
Future pension increases	**2.8%**	2.5%

Amounts for the current and previous four periods are as follows:

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Defined benefit obligation	**(9.5)**	(9.2)	(9.3)	(8.4)	(12.0)
Plan assets	**8.1**	7.8	7.8	8.4	8.6
(Deficit)	**(1.4)**	(1.4)	(1.5)	-	(3.4)
Experience adjustments on plan liabilities	**0.2**	-	-	2.3	-
Experience adjustments on plan assets	**0.1**	0.6	(0.5)	(0.5)	1.4

Notes

Social Housing Pension Scheme ("SHPS")

The Association participates in the SHPS (The Scheme). The Scheme is funded and is contracted-out of the State Pension scheme.

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

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

The last formal valuation of the Scheme was performed as at 30 September 2013 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £2,718m. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,151m, equivalent to a past service funding level of 70%.

The Association has been notified by The Pensions Trust of the estimated employer debt on withdrawal from SHPS based on the financial position of the Scheme as at 30 September 2011. As of this date the estimated employer debt was £44.2m.

Notes

24. Analysis of cash flows

Group	2014 £m	2013 £m
Returns on investment and servicing of finance		
Interest received	**0.7**	0.3
Interest paid	**(65.8)**	(53.2)
	(65.1)	(52.9)
Capital expenditure and financial investment		
Cash paid for construction and purchase of housing properties	**(149.1)**	(113.1)
Purchase of other tangible fixed assets	**(7.5)**	(2.8)
Sale of housing properties	**66.5**	146.2
Capital grant received	**34.8**	34.3
Decrease/(increase) in fixed asset investments	**1.6**	(5.5)
	(53.7)	59.1
Movement of liquid resources		
Decrease/(increase) in current asset investments	**8.7**	(3.3)
Financing		
New borrowings	**24.0**	63.6
Repayment of borrowings	**(34.8)**	(87.8)
Additional loan costs	**-**	1.2
	(10.8)	(23.0)

Notes

25. Analysis of net debt

Group	At beginning of the year £m	Cash flow £m	At end of year £m
Cash in hand and at bank	**129.6**	**(54.2)**	**75.4**
	129.6	**(54.2)**	**75.4**
Debt due after one year	**(1,415.4)**	**9.8**	**(1,405.6)**
Debt due within one year	**(3.5)**	**1.0**	**(2.5)**
	(1,289.3)	**(43.4)**	**(1,332.7)**
Current asset investments	**35.2**	**(8.7)**	**26.5**
Total	**(1,254.1)**	**(52.1)**	**(1,306.2)**

Notes

26. Related party disclosures

The following related parties had outstanding balances at 31 March 2014 and had transactions during the year with the Group as follows:

Transactions with associates

Logic Homes Limited invoiced the Group £nil (2013: £62,454) for services provided. The Group invoiced Logic Homes Limited £nil (2013: £14,400) for office facilities. At 31 March 2014 £nil (2013: £14,400) was due to Logic Homes Limited by the Group.

Transactions with joint ventures
There were no material transactions with joint ventures during the year.

27. Legislative provisions

Genesis Housing Association Limited is registered with the Financial Services Authority under the Industrial and Provident Societies Act 1965 (No 31241R) and with the Homes and Communities Agency (No 4655).

Genesis Housing Association Ltd

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Genesis Housing Association Ltd is a Charitable Industrial and Provident Society (reg no. 31241R) Genesis is a registered provider of social housing. Tenant Services Authority No. 4655