Financial Statements
Plus Dane Housing Group Limited

For the year ended 31 March 2014

Registered Society No: 29480R
Homes and Communities Agency No: L4355

Contents

Association information

Board members	Linda Minnis Chairman Catrina Hewitson, Deputy Chair Anthony Barwise (Appointed 19 September 2013) Tom Murtha (Appointed 19 September 2013) Mervyn Jones (Appointed 19 September 2013) Gerard Lane (Appointed 19 September 2013) Roger Morris (Resigned 30 January 2014) John Turner (Resigned 19 September 2013) Glen Lewis (Resigned 19 September 2013) Lilian Hazell Pol O'Gray (Resigned 19 September 2013) Anne Davies Sandra Palmer
Secretary and registered office	Alison Carey Baltimore Buildings 13-15 Rodney Street Liverpool L1 9EF
Executive officers	Barbara Spicer (Chief Executive) – appointed 9 September 2014 Ken Perry (Chief Executive) – resigned 1 May 2014 Mike Doran (Group Transformation Director and Acting Chief Executive (from 1 May 2014 to 9 September 2014)) Peter Shaw (Managing Director-Ellesmere Port & Neston) Jayne Phillips (Managing Director - Knowledge, Innovation and Performance) – resigned 9 April 2013 Gerard Murden (Group Housing Director) – resigned 31 March 2014 Claire Griffiths (Group Property Director) Vivien Cross (Group Finance Director) Jackie Perry (Group Housing Director from 31 March 2014) Chris Mather (Acting Managing Director – Regeneration and Commercial to February 2014)
Auditors	Grant Thornton UK LLP Registered Auditors Chartered Accountants 4 Hardman Square Spinningfields Manchester M3 3EB
Bankers	National Westminster Bank plc Liverpool One Branch 49 South John Street Liverpool One L1 8BU
Solicitors	Devonshires LLP Salisbury House London Wall London EC2M 5QY

Chairman's statement

I am delighted to report on the positive performance of Plus Dane Group during the 2013/14 financial year.

Welfare Reform has added pressure to Plus Dane and other providers, particularly in the area of rental income collection however we will continue to respond to the challenges by continuously reviewing resource deployment in order to support tenants who face substantial challenges to their income. We have been working with customers to prepare for universal credit and we are developing our service offering to better support customers when universal credit is introduced. This includes the introduction of enhancements to our digital technology which will expand access across our services.

We have seen another successful year of performance delivering the Ellesmere Port and Neston Housing Management Contract, which we secured with Cheshire West and Chester Council in 2012.

Once again we successfully achieved the required performance indicators in accordance with the contract and have continued to add value in the area through our commitment to regeneration, delivering wide ranging projects from youth enterprise to cleaning and greening neighbourhoods whilst continuing to improve the performance for the core housing management service. The contract has now moved successfully into its third year and we are currently discussing the potential for a two year extension to the contract with the Council.

The Group has also continued to develop new homes, meeting our commitments through the HCA's Affordable Homes Programme. We have completed an additional 321 affordable homes this year, as well as bringing empty properties back into use in Liverpool through the Empty Homes Programme.

We were delighted to be named as the government's Help to Buy agent for the North West region, as well as being awarded a £10m Big Lottery Fund grant to lead a partnership project in Liverpool to transform services for people with multiple and complex needs.

We have achieved all of this whilst addressing the downgrade in our governance rating from the Homes and Communities Agency. Following the Regulatory Judgement we committed to a Voluntary Undertaking to strengthen the areas identified for improvement. We have made significant progress in delivering against this undertaking by developing a new business plan, and implementing new strategies and processes for strengthening governance, risk management, growth, asset management, organisational capacity and strategic finance.

The primary focus within the first two years of the new business plan is to embed these new strategies and processes in order to make us a more resilient organisation. This period of reconditioning will provide the foundation for the longer term aspirations of Plus Dane.

By 2016 our aim is to have a simplified and effective Governance regime, and to ensure that Value for Money underpins the development and delivery of all organisational activity.

It is clear that all Registered Providers will operate in an environment in which the certainty of regular income through Housing Benefit will be replaced by more complex and more volatile income streams.
It is unlikely that the current grant regime for new supply which requires more private borrowing and reducing grant levels will change. Indeed it will require a much more sophisticated and proactive approach to Asset Management to support new supply. We recognise that in order to continue to develop new homes, invest in our communities and ensure that our housing properties are maintained in good condition, we need to understand and maximise the value we get from our expenditure and our asset base consequently we are developing a comprehensive asset management strategy that will deliver this.

Chairman's statement

This renewed focus for the Group places us in a strong position to deliver on our commitments and has laid firm foundations for the future.

Linda Minnis
Chairman Plus Dane Housing Group
18th September 2014

Operating and Financial Review

Overview of the business

The Group is a Neighbourhood Investor providing affordable homes for rent and shared ownership throughout Cheshire and Merseyside. It also provides support for vulnerable and elderly tenants and is involved in regeneration projects within the neighbourhoods and communities we serve.

For the year under review the Group comprised six members: Plus Dane (Merseyside) Housing Association Limited, INclude Neighbourhood Regeneration ("INclude"), three60 Property Investors ("three 60"), Plus Dane (Cheshire) Housing Association Limited, Dane Partnership Homes, and Plus Dane Housing Group itself. In addition there is Circle Liverpool Limited our joint venture undertaking.

Plus Dane (Merseyside), INclude, Plus Dane (Cheshire) and Plus Dane are incorporated as Registered Societies and are, with the exception of Include, regulated by the Homes and Communities Agency as registered social landlords. three60 and Dane Partnership Homes are registered as limited companies with Companies House.

Business and financial review

The board is pleased to report a surplus for the year of £4.8m (2013: £3.3m) in what has been a challenging year. We have continued to invest in both our existing stock and undertake a series of new developments, for both sale and rent. The group continues to track progress against commitments under the 2011/15 Affordable Homes Programme completing a further 321 affordable homes this year.

Income and expenditure account

The following table provides a summary of the Group's results:

For the year ended 31 March	2014 £m	2013 £m
Group turnover	87.0	73.7
Operating surplus	16.6	14.4
Surplus on sale of property	0.3	0.3
Net interest payable	11.3	11.3
Surplus for the year	4.8	3.3

Group turnover has increased by £13.3m in the year, of which £8.1m is in respect of the fee income for the Ellesmere Port and Neston contract on planned repairs. Social housing income has been impacted by the RPI movement which was based on September 2012 RPI. This gave rise to an RPI increase of 3.1%. Further, additional developed properties have also increased turnover for the Group as well as a number of properties moving from target to affordable rent. The Group delivered on efficiency targets set as part of the budget process and continued low interest rates mean that despite borrowing more, the Group minimised the impact on interest this year.

Operating and Financial Review

Balance Sheet

As at 31 March	2014 £m	2013 £m
Tangible fixed assets	316.9	293.4
Net current liabilities	(0.2)	(0.2)
Creditors due after one year	292.2	273.8
Pension provision	8.6	11.9
Reserves:		
Revenue reserve	21.3	14.7
Revaluation reserve	(6.7)	(8.3)
Designated reserves	1.3	1.2
Total	316.7	293.2
Housing stock, owned and managed (units)	18,538	18,295

The Group is showing a position of £0.2m net current liabilities (2013: £0.2m) because a loan of £8.1m, held in three60, was due for renewal at 31 March 2014 and consequently disclosed within current liabilities. Renewal of the loan has been completed post year end.

The Group has recorded a deficit of £0.8 million in respect of the investment properties held by three60 which has arisen as a consequence of the year end valuation. The four freehold commercial investment properties were subject to a director's valuation informed by an external valuation as at 31 March 2014. A downward movement of £0.8m arising from the revaluation has been debited as an impairment charge to the income and expenditure account as the movement is deemed to be permanent. An upward movement of £0.4m has been credited to the revaluation reserve. A further adjustment has been recognised within the revaluation reserve of £1.2m in respect of the reclassification of an element of the cumulative diminution in value which had previously been recognised as temporary within the revaluation reserve. This has now been transferred to revenue reserve as a permanent diminution in value. A review undertaken by the directors at the year-end concluded that the property projections indicated a total permanent diminution of £2.0m. The cumulative revaluation deficit now stands at £6.7 million. Further details on this matter are included in note 13 to the financial statements.

The Group's five year income and expenditure accounts and balance sheets are summarised below:

Table 1 – Group Highlights – Summary

	2014	2013	2012	2011 Restated *	2010
Income and expenditure account (£'000)					
Total turnover	86,951	73,670	57,354	55,177	52,416
Income from lettings	55,834	52,783	48,264	43,696	42,016
Operating surplus	16,579	14,363	12,432	10,855	10,605
Surplus for the year transferred to reserves	4,798	3,261	3,057	2,663	1,725

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	2014	2013	2012	2011 Restated *	2010
Balance sheet (£'000)					
Housing properties	301,395	277,416	253,196	229,390	198,864
Other fixed assets	15,519	15,981	16,140	18,829	18,741
	316,914	293,397	296,336	248,219	217,605
Net current assets	(176)	(167)	3,808	3,376	6,625
Total assets less current liabilities	316,738	293,230	273,144	251,595	224,230
Loans (due over one year)	291,141	272,931	255,316	232,703	213,415
Pensions liability	8,624	11,875	9,314	6,667	15,734
Other long term liabilities	1,041	824	941	2,196	2,645
Reserves : revenue reserve/(deficit)	21,304	14,732	14,471	15,469	(2,241)
Accommodation figures					
Total housing stock owned and managed (number of dwellings):	**18,538**	**18,295**	**12,395**	**12,188**	**16,301**
Social housing	18,447	18,201	12,200	11,993	16,107
Non-social housing	91	94	195	195	194

	2014	2013	2012	2011 Restated *	2010
Statistics					
Surplus/(deficit) for the year as % of turnover	5.5%	4.4%	5.3%	4.6%	3.3%
Surplus/(deficit) for the year as % of income from lettings	8.6%	6.2%	6.3%	6.1%	4.1%
Rent losses (voids and bad debts as % of rent and service charges receivable)	2.8%	2.1%	2.1%	2.1%	1.9%
Rent arrears (gross arrears as % of rent and service charges receivable)	8.3%	8.4%	8.4%	8.6%	8.5%
Liquidity (current assets divided by current liabilities)	99%	99%	121%	119%	132%
Interest cover (surplus before interest payable divided by interest payable)	1.47	1.27	1.31	1.18	1.16
Total reserves/(deficit) per home owned and managed (excluding Ellesmere Port and Neston)	£1,643	£1,154	£1,167	£1,269	£(137)

Objectives and strategy

The objectives and strategy of the Group are set out in the Group's business plan. This updated business plan for the period 2014-2019 has an emphasis on the first two years and details the Group's mission and plans for the future. It is supported by a range of key strategies as well as operational and neighbourhood plans that are updated annually and monitored by Board and tenants.

The 2014/19 Business Plan sees us changing into an organisation that places its own resilience at the core of everything it does so that it is able to provide quality homes and to serve our people and neighbourhoods better.

Our updated mission is to be a resilient organisation providing resilient homes and serving resilient neighbourhoods and people. The achievement of this mission is underpinned by the following six key strategic objectives;

1. Embed a comprehensive risk management culture within the organisation based on clear assessment and control of strategic risk and strong management of operational risk in all areas.

Operating and Financial Review

2. Successfully embed the financial strategy and achieve stretching targets within the golden rules.
3. Maximise the quality and financial return of our asset base contributing to our financial resilience and supporting property based growth.
4. Implement a growth strategy that builds on current organisational competence and capacity, to grow existing products and services in places we already operate, within current debt facilities.
5. Embed a new robust, strategic Governance structure which will ensure clear group decision making, monitoring and control of the organisation.
6. Develop organisational capability that adds value to our customers, enables success through the talent of our people and creates the environment for continuous improvement and systematic innovation.

The business plan contains a suite of key milestones and performance indicators against which, Senior Management and the Board will monitor the Group's performance against these objectives. Performance against these milestones is reported to Board at the monthly Board meetings and has commenced for 2014.

As a Neighbourhood Investor the seven promises outlined in previous business plans continue to be at the heart of all operational plans for the subsidiaries. These explicit plans ensure that clear, targeted activities with measurable outcomes are delivered to tenants and neighbourhoods.

The implementation and monitoring of the operational plans for the Associations which deliver these promises are the primary responsibility of the Subsidiary Boards within the framework set by the Group Board Business plan and support the strategies of that plan.

Both Merseyside and Cheshire continue to deliver on the seven promises detailed in the current and previous business plans. These promises are as follows:

- Increased investment in existing property
- Ensure neighbourhoods enjoy good well being
- Increased community safety measures
- Further supporting vulnerable customers
- Working in partnership with residents
- Increased creation of local jobs
- Increased supply and choice of homes

Performance against these objectives is monitored through the delivery of neighbourhood investor plans which have been drawn up for each of the Association's neighbourhoods.

Operating performance in the period

For the year ended 31 March 2014 performance reporting for the group has covered 20 performance measures which have been reported to the Board on a quarterly basis and which cover governance and financial viability; home; tenant involvement and empowerment; neighbourhoods and community and value for money. Of the 20 measures 18 have achieved or exceeded targets, one was near target and one was on red indicating improvement requirement with corrective action already underway.

Merseyside performance

During the year ended 31 March 2014 performance against these promises has been measured against a series of 30 key performance indicators (KPIs). The performance reporting covers 30 operating and financial reporting measures and is reported to board on a quarterly basis. Of the 30 measures 22 (73%) were on or near target compared with 72% in 2012/13 while 8 (2013: 6) were on red indicating

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improvement requirement with corrective action already underway. Performance in all the red indicators has been investigated and reported to Board. Five of the key measures covered are considered below:

- The percentage of properties with a valid gas safety (CP12) certificate stands at 100% (2013: 99.97%) against a target of 100% showing an improvement in the year.
- During the year customer satisfaction with repairs saw a significant increase to 93.2% (2013: 90.1%) against a target of 92% (2013: 92%). This strong performance was shown with feedback around punctuality of staff, ease of customers' ability to report a repair and satisfaction with staff member who carried out the repair.
- The percentage of complaints resolved at the first stage of the process stands at 89.2% (2013: 94.4%) against a target of 95% (2013: 95%) which shows a slight dip year on year albeit still a strong performance.
- Although arrears collection is within target we have seen performance worsen on prior year. Current arrears (in respect of general needs and housing for older people) stand at 4.4% against a target of 4.5% and 2012/13 performance of 3.5%.

Void rent loss is under pressure and initiatives are underway to mitigate this. This is covered in more detail within the VfM section.

Cheshire performance

During the year ended 31 March 2014 performance against these promises has been measured against a series of 30 key performance indicators (KPI's). The performance reporting covers 30 operating and financial reporting measures and is reported to board on a quarterly basis. Of the 30 measures 22 (73%) were on or near target compared with 80% in 2013/14 while 6 (2013: 6) were on red indicating improvement requirement with corrective action already underway. Performance in all the red indicators has been investigated and reported to Board. Six of the key measures for Plus Dane Cheshire (excluding Ellesmere Port and Neston) are covered are considered below:

- The percentage of properties with a valid gas safety (CP12) certificate stands at 100% (2013: 99.95%) against a target of 100% showing an improvement in the year.
- During the year customer satisfaction with repairs saw a significant increase to 95.95% (2013: 91.2%) against a target of 92% (2013: 92%). This strong performance was shown with feedback around punctuality of staff, ease of customers' ability to report a repair and satisfaction with staff member who carried out the repair.
- The % of complaints resolved at the first stage of the process stands at 99.3%(2013: 100%) against a target of 95% (2013: 90%) which shows a slight dip year on year albeit still a strong performance.
- Although arrears collection is within target we have seen performance worsen on prior year. Current arrears (in respect of general needs and housing for older people shown net of housing benefit) stand at 2.3% against a target of 2.5% and 2012/13 performance of 1.8%.

These only represent a snapshot of performance and a much broader range of activities are measured. We continue to develop our performance management framework which is central to the way we do business.

Value for Money (VfM)

Achieving value for money is a fundamental business strategy for Plus Dane as it seeks to become financially stronger and provide excellent customer service. VfM is a core factor embedded in how we deliver all of our services.

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Our VfM strategy is reviewed annually and delivery of VfM is currently reported to the Group Board and subsidiary Boards. VfM is embedded through all our strategies including the Procurement Strategy, the Asset Management Strategy and our Business plan and is firmly embedded in our day to day business practices. A detailed annual value for money statement has been produced for March 2014 and is available on request or from the company's website at;
http://www.neighbourhoodinvestor.com/article.asp?id=189

Our VfM framework includes the following:

- Obtaining feedback on services through satisfaction monitoring
- Benchmarking of services
- Setting VfM targets for areas of operational delivery
- Appointment of VfM champions to a VfM working group
- Programme of service reviews and Social Return on Investment (SROI) reviews
- Establishing core costs for each area of service delivery
- Measurable VfM and procurement targets

Plus Dane has also undertaken a number of service reviews in recent years and, as well as a governance and leadership review that is currently underway; these are expected to contribute to our value for money agenda. A number of other service reviews and significant contract reviews are planned for 2014/15.

Our approach to planning, delivering, evaluating VfM and ensuring it is embedded as follows:

- **Governance** - Value for Money is addressed through Group Board and Audit Committee reporting and also through the other two functional committees the Group has in place.

- **Resident Engagement** - A key route to achieving value for money in the organisation is to work in partnership with our residents to provide a framework through which they can monitor performance through performance reporting, evaluate outcomes, and actively participate in challenging the organisation on service delivery and value for money through tenant inspections. They are also key in working alongside us in procurement.

- **Benchmarking and comparing our costs to others** – we benchmark our costs and performance through Housemark and other groups. This ensures we learn from sector good practice, understand our position which can inform the setting of challenging targets.

- **Financial Control** - Plus Dane is currently reviewing its budget setting process to identify areas for improvement and these will be implemented during 15/16 budgeting. An updated business plan for the period 2014/19 is now in place with emphasis on the first two years. A revised financial strategy is in place and a new risk management framework is in the process of being embedded across the group.

- **Performance Management and reporting –**annual key performance indicators are cascaded down through the organisation to individual team members through annual appraisal and target setting procedures.

Our value for money approach has developed over time and there have been a number of successful initiatives which have helped to further embed the group's desire to achieve value for money in its operations. Asset management is one the key developments in our ongoing value for money journey.

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Asset Management – Looking to the future

Plus Dane has dedicated significant resources in recent times to understanding the return on its assets and developing a strategy for optimising the future return on assets. Indeed, a better understanding of our assets and a fully developed refreshed asset management strategy is a prominent strategic objective included in the 2014-2016 Business plan. In aligning excellence in asset management as one of our strategic objectives we are ensuring we have the link from effective asset management through to the Group's purpose and objectives.

As an organisation, we hold significant amounts of data on our assets, including data on customers, demand, housing, property, market, commercial and business analysis data. Until now we have not had a fully integrated asset register containing all of the information in the same place. As a starting point in our approach to asset management and the delivery of our new asset management strategy the Group has pulled together all the data from different sources to compile a comprehensive asset register. The asset register has been a key source of information in the asset grading work detailed below.

Running alongside this work is the creation of a stock grading model. The organisation is clear in its stated strategic business plan objectives that a programme of stock rationalisation is required where assets are not performing or are not providing value for money across a number of measures. To enable this to happen, data from all systems is being consolidated into a single model and consistent tests applied and weighted with properties then being graded and compared to financial performance. Grading has been completed according to scores from measures on customer perception, geographic location, staff and community measures, financial performance, levels of asset investment required, asset performance and stock suitability. Initial results of the grading exercise indicate a small percentage of stock fall into the poor performing category. This is currently under review and when these results are finalised the data is to be fed into an option appraisal model with the outputs from this informing the asset management strategy.

Value for Money Savings

During 2013/14, a number of value for money initiatives helped contribute to overall VfM efficiency savings of some £1.8m, equating to some 3.8% of the Group's operating cost base. While further cost savings and VfM achievements have been made, these are deemed to be the key sustainable VfM gains achieved this year. It is important to note that this has not been at the expense of customer satisfaction levels, with overall levels of customer satisfaction with Plus Dane as a landlord, continuing to increase year on year.

Group VfM highlights	**2013/14**	**2012/13**	**2011/12**
Financial VfM Indicators			
Operating costs (excluding cost of sales) per home	£3,616	£3,577	£3,341
Planned and routine maintenance cost per home	£1,012	£972	£952
Rent void loss per home	£93	£62	£52
Social Housing lettings operating margin	24.1%	22.4%	21.5%
Housing Management VfM indicators			
Current rent arrears	4.25%	4.94%	5.61%
Relet times – general needs and housing for older people properties	46.2	33.7	40.5
Resident satisfaction – overall landlord	92.6%	87.3%	85.0%
Resident satisfaction – repairs	94.0%	90.7%	91.2%
Other analysis			
Ratio of top earner to bottom earner (maximum)	14:1	15:1	15:1
CEO and chair remuneration in £ per unit	11	11	12

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Number of homes = total owned and/or managed (excluding managed for Cheshire West and Chester) Operating cost (Excluding cost of sales), management cost, planned and routine maintenance cost and void loss all per note 3.

Analysis against comparative information

While the total operating cost per unit increased in 2013/14, it increased at less than the rate of inflation, delivering a real value for money saving. Planned and routine maintenance increased in line with the group's enhanced investment programme in our properties. We delivered more planned investment work than was budgeted for less money. Our performance against our peers in these areas indicates that while we are below average on costs, we are above the median and therefore our planned efficiency targets will strive to drive top quartile performance.

Void loss and relet times deteriorated this year as the impact of welfare reform measures began to take effect. We recognise that our performance, both against our historic performance and our peer group has been poor and needs dramatic action to improve if we are to become more resilient. There have been differing pictures of impact across the sector and as a Group we have certainly seen a geographical difference in performance, with Cheshire stock continuing to perform, while Merseyside stock has been more adversely affected. With specific regard to Merseyside, voids performance has been impacted by several factors including a 10% increase in voids from the previous year due to welfare reform, social issues and alternative housing options, along with process deployment and management, resource allocation and changing demand from traditional customer segments. As with many other providers, we do not have enough smaller houses for people impacted by the bedroom tax.

Our resident satisfaction levels continue to improve and outperform targets. The targets set on satisfaction are robust and are set at a level aiming to achieve top quartile performance and above the median.

Demonstrating value for money in resident involvement 2013/14

Over the past year we have worked in partnership with residents to review the way in which we will involve them going forward. One of the key considerations in the new framework is how we measure impact of the work we do in partnership with residents. We have developed a new philosophy for involvement which has an emphasis on ensuring that activities are outcome led and are meaningful for both the organisation and residents. The following are some examples of how we have achieved value for money and social value from our resident involvement activities.

In Neston in Cheshire West we have worked in partnership with Cheshire Police to create positive activities that would seek to reduce anti-social behaviour.

In Cheshire East we allocated £15,000 to provide support to tenants and their children who are looking for employment/ and or to build their skills.

Over the past three years the Dane Tenants Federation managed a £5,000 cash for neighbourhoods budget and applications from the local community to deliver small scale projects that benefit the local neighbourhoods.

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Risks and uncertainties

The first strategic objective of the 2014-19 business plan is in respect of risk management with the clear objective to embed a comprehensive risk management culture within the organisation.

To achieve this a series of actions have been set out in the business plan that will ensure the group have embedded a robust assurance approach resulting a in a clear alignment between risk appetite, tolerance and achievement of corporate goals.

Risks that may prevent the group achieving its corporate goals have been reviewed by senior management and board as part of the corporate planning process. These risks are recorded and assessed in terms of their impact and probability. They have also been reviewed in line with the risk appetite confirmed by the Board under the newly implemented risk appetite framework. The strategic risks key to the successful achievement of the group's objectives going forward is considered below.

Major Risks	Action being taken
Failure to comply with loan covenants Failure to comply with loan covenants causing a notifiable breach, leading to a re-price/withdrawal of funding facilities.	• Close monitoring of lenders covenants which is reported on monthly. • A suite of metrics have been established referred to as the Golden rules which contain the covenant compliance measures. These metrics are used in budget, business planning and decision making processes. • Negotiating new facilities, revisions to facilities and alternative sources of finance in advance of need.
Failure to effectively deliver Ellesmere Port and Neston Contract.	• Very close monitoring of contract performance measures and output against those measures. • Process established in respect of continued reforecast exercise of contract output, which has been subject to external validation.
Welfare reform leads to shortfall in income and increased costs Changes brought about through welfare reform lead to a shortfall in income collections and increased void loss, void repair costs and threat to organisational sustainability.	• WR project board and monitoring. • Benchmarking. • Membership of NHF forum on WR. • Customer profiling allowing targeting of those affected. • Close monitoring of rental arrears and working with tenants to recover these on a timely basis.
Increasing cost of pension provision Continuing poor performance of pension funds resulting in increasing deficit contributions and pressure on budgets. Failure to take action to implement a pension strategy leading to costs becoming unaffordable.	• Pension strategy to be revisited and agreed with board in July 2014. • Strategy review to be retendered for completion Autumn 2014 with actions implemented March 2015.

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Continued diminution in value of Three60 investment property values Risk of continued diminution of investment property values in three60 leading to potential covenant breach and cross default as well as potential impairment of Plus Dane Merseyside's investment in Three60.	• Property values kept under constant review to ensure no further adverse movement. • Three60 strategy review being tendered for completion by Autumn 2014. • Capacity to address covenant breach maintained within guarantee facility and potential for intra-group funding • Potential move to Beetham Court of group head office will improve property values significantly
Failing to deliver on Voluntary Undertaking Risk of failing to deliver on voluntary undertaking with HCA leading to non-compliance with regulatory standards.	• A Voluntary Undertaking action plan is in place and this continuously updated and progress monitored through the monthly voluntary undertaking control report to board. • Follow up meetings monitoring progress are held with Chairs Reference Group and HCA.
Failure to comply with VfM standard Failure to deliver on regulatory requirements relating to value for money.	• VFM working group established. • Comprehensive asset management strategy being developed and scheduled for completion in November 2014. • Targeted procurement of services with procurement targets in a number of areas. • Efficiency targets set at 2%, 5% and 3% for 14/15, 15/16 and 16/17 respectively. • Targeted voids activity driven by voids action plan and group.
Failure to deliver a streamlined governance structure Following the governance review the Group is committed to delivering a more streamlined governance structure. Failure to deliver an effective streamlined structure will mean the organisation fails to deliver change and efficiencies required to become stronger.	• Governance structure project commissioned to report to AGM in September 2014 to deliver streamlined structure.
Lack of funding for growth Poor performance, failure to improve our regulatory judgement or changes in the external environment may lead to an inability to secure new sources of funding for refinancing and future development.	• KPI performance reporting. • Management reporting on golden rules compliance. • Half yearly reports on business plan performance.

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Refreshed asset management strategy not implemented Lack of a coherent asset management strategy leading to the group not fully realising the value of assets through investment or disposal leading to poor organisational performance and value for money.	• Asset management action plan agreed. • External consultants appointed to assist in delivery of action plan. • Regular reporting to board/Audit and risk committee on progress.
Staff retention and development - Lack of suitably trained staff Loss of key staff and failure to have in place effective succession planning could lead to future regulatory downgrades/ poor performance which could ultimately impact covenants and lead to repricing/withdrawal of funding.	• Leadership team review. • Apprenticeship scheme. Monitoring of staff profile and details of the anticipated retirement/leaving dates. Review of skills shortages and gaps and details of works put out to subcontractors.
Failure to have robust Business Continuity Plan in place Failure to have an effective business continuity plan in place leading to an inability to function as a business and reputational damage and financial loss.	• Thoroughly tested business continuity plan in place. • Plan tested regularly and reviewed by internal auditors.
Failure to comply with health and safety legislation Failure to comply with health and safety legislation leading to injury or death with sanctions from the HSE and the HCA for causing serious detriment.	• Health and safety working group meet regularly. • Dedicated H&S officers across the Group. • Retained consultants advise on H&S matters.

Investment for the future

The investment of this year's financial results is detailed above. The investment of surpluses for investment in the Group's future financial stability is a key tenet of our financial strategy and is of paramount importance for all businesses. The investment will be in the form of development of new homes, extension and improvement of services, investment in existing stock and regeneration of our communities and neighbourhoods, investment in the people we serve as well as our properties. It also helps protect against unexpected events which is key in the current uncertain political and economic climate.

Housing properties

At 31 March 2014, the Group owned or managed 18,538 (2013: 18,295) completed units of accommodation. The owned properties are carried in the balance sheet at cost (after depreciation and capital grant) of £301.4 million (2013: £277.4 million). Further detail can be found in note 12.

Our investment in housing properties this year was funded through a mixture of cash generated from operations, social housing grant and loan finance. The Group's treasury management arrangements are considered below.

Operating and Financial Review

Capital structure and treasury policy

There is a robust treasury management strategy in place which addresses interest rate risk, covenant compliance, funding and liquidity risk and exposure to counterparties. The strategy is set annually and is approved by the Board. Management of the loan portfolio is the responsibility of the Group Finance Director and is managed in accordance with the treasury management strategy and policy. The Group borrows at both fixed and floating interest rates. Regular updates on treasury activity are given to the Audit and Risk Committee.

The Group does not make use of hedging instruments other than to fix variable rate debt either at the time of drawdown or following a review of the loan portfolio and market conditions.

The Group's borrowings total £301.9 million (2013: £281.6 million). The movement in loans drawn represents funds drawn for stock development and improvement. Cash balances at the end of the year stood at £8 million (2013: £5 million). New debt drawn totalled £20.3 million (2013: £21.1 million). Interest costs remained at £11.3 million (2013: £11.3 million). The average rate of interest paid in the year decreased slightly from 4.07% to 3.86%. Gearing for those members of the Group subject to gearing covenants stood at 69.3% (2013: 64.8%) while interest cover increased to 147% (2013: 127%).

The Group borrows principally from banks, at both fixed and floating rates of interest. There is no limit imposed on the level of fixed interest rate borrowings the Group is able to hold although the treasury policy recommends that between 50% and 80% of the Group's debt should be fixed. At the year-end, 55.2% of the Group's borrowings were at fixed rates. Variable rate borrowings are those where the interest rate is fixed for less than 12 months from the balance sheet date.

Bank borrowings in summary:

	2014 **£'000**	**2013** **£'000**
Fixed	166,518	150,797
Variable	135,415	130,822
Total drawn	301,933	281,619
Available facility	25,788	44,600

The maturity of the Group's borrowings is detailed in note 20 of the financial statements. The Group borrows and lends only in sterling and so is not exposed to currency risk.

Going Concern

The Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. It therefore continues to adopt the going concern basis in the preparation of the financial statements.

Statement of compliance

In preparing this Operating and Financial Review, the Board has followed the principles set out in the Statement of Recommended Practice "Accounting by Registered Social Housing Providers (update 2010)".

Operating and Financial Review

Post Balance Sheet events

Since the year end Plus Dane Merseyside has completed the renegotiation of its gearing covenants to 100% from 75% giving headroom within the business plan and providing increased flexibility. The group is still using 75% as its internal target in respect of gearing hence ensuring 25% headroom at all times on this covenant.

On 8 June 2014, Plus Dane Cheshire successfully completed the negotiation of a £40m revolving credit facility with its funding syndicate.

On 17 June 2014 Three60 renewed its guarantee facility of £10.5m with RBS for a period of three years.

Vivien Cross
Group Finance Director
18 September 2014

Report of the Board

The Board has pleasure in presenting the report and financial statements for Plus Dane Housing Group Limited for the year ended 31 March 2014.

Principal Activity

Plus Dane Group provides affordable homes for rent and shared ownership together with housing support for vulnerable and elderly residents. It also has interests in major regeneration projects and partnerships to deliver change to the neighbourhoods and communities which it serves.

Status

Plus Dane Housing Group is a Registered Society incorporated under the Co-operative and Community Benefit Societies Act 2014. It is registered with the Homes and Communities Agency as a Registered Provider of social housing as defined by Housing and Regeneration Act 2008.

Role of the Board

The Board comprises up to twelve non-executive directors and is responsible for managing the affairs of the Association and Group. The present Board members and the executive officers of the Association are set out on page 1. All of the Board members served throughout the period except as indicated on page 1.

The Board meets formally at least six times a year for regular business, including approval of the budget and business plan. Board members also attend an annual conference to discuss future strategy as part of the wider Plus Dane Group. Also in attendance at Board meetings are the members of the Senior Management Team and the Company Secretary as detailed on page 1. The Senior Management Team is supported in its day to day running of the Association and Group by members of the Group's Leadership Team. The Senior Management Team served throughout the year except as detailed on page 1. They hold no interest in the Association's shares and act as executives within the authority delegated by the Board.

The Board members are drawn from a wide background bringing together professional, commercial and local experience. Terms of reference are issued to the Board. Board members act in the interest of the Association and not on behalf of any interest group.

Members of the Board represent the Group on the Plus Dane Group's Group-wide committees: these are the HR Committee and Audit & Risk Committee.

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

Senior Management Team

While the Board is responsible for the Association's and Group's overall policy and strategy, management is delegated to the Chief Executive. The Senior Management Team is appointed and acts as executives within the authority delegated by the Board. They meet monthly under a revolving chairmanship to consider management issues. The meeting is the key decision making forum within the business.

Corporate Governance

In August 2013, the Group received a change to its governance rating in its Regulatory Judgement from the Homes and Communities Agency (HCA) from a G1 to a G3. Its viability rating remains unchanged at a V2. Following the downgrade Plus Dane committed to a voluntary undertaking to strengthen the areas identified for improvement and we have made significant progress in delivering against this, with a new

Report of the Board

business plan in place and new strategies and processes for strengthening governance, risk management, growth, asset management, organisational capacity and strategic finance. The recommendations provided by Campbell Tickell following its review of governance are being implemented. In addition, there is a Governance Implementation Group (GIG) which has been established, whose membership is drawn from across the Group, and whose purpose is to review and recommend for Board approval a simplified governance structure for the Group with the recommendation to then be received at the Group's AGMs to be held on 18 September 2014.

The Board is committed to the integrity and accountability in the stewardship of the Association's affairs. One of Plus Dane's objectives in respect of governance is to follow best practice. The Group has adopted the National Housing Federation (NHF)'s Excellence in Governance – Code for Members 2010 and endeavours to comply with it in its entirety.

This year, the Group's only identified area of non-compliance relates to the continuation of the Group Chair in her role until September 2015. This non-compliance with the 9 year rule is to allow an appropriate balance between renewal and continuity, particularly during a period of significant change in governance. The Chair of the Board may be requested to extend his or her service as Chair for a limited period (the service of the Group Chair has been extended to September 2015).

The Group updated its regulatory code policy by adopting the NHF's Code of Conduct 2012 in September 2013.

The Audit & Risk Committee has a protocol with the external auditors, which sets out policies for determining what non-audit work can be undertaken by the external auditors and procedures for periodic review and selection of external auditors.

Employees

The strength of the Group lies in the quality and commitment of its employees. The Group's ability to meet its objectives and commitments to its tenants in an efficient and effective manner depends on the contribution of all employees.

The Group provides training programmes focused on quality and customer service throughout the association, and seeks employees' views on how to improve services and on matters of common concern. The Group continues to provide information on the Group's objectives, progress and activities through regular office and departmental meetings and through its staff newsletter 'Ni News'.

Tenant Engagement

The Board actively encourages tenants' involvement in decision making by promoting differing methods and means of tenant involvement. Effective tenant involvement enhances the scrutiny of the Group.
There is a tenant board member on Parent Board. The Tenants Together Forum meets regularly to consider policy and service delivery issues and has recently undertaken a full review of its purpose and membership and is now working on the implementation of this, in tandem with the review of governance work.

Equality and Diversity

The Group is committed to equal opportunities for all its employees. It is committed to fulfilling its statutory responsibilities with regard to equality and to the continued promotion of equality and diversity across the business.

Report of the Board

Investment power
The Association's rules permit investment of monies not immediately required to carry out its objectives, as it determines and is permitted by law.

Internal controls assurance

The Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. This responsibility applies for all organisations controlled by the Association.

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

The board advised by the Audit and Risk Committee, has reviewed the effectiveness of the system of internal control for the year ended 31 March 2014 and to the date of approval of these financial statements. For the year ended 31 March 2014 and to the date of approval of these financial statements, the Board can make the following statements:

- The Group has established robust measures to address its downgrade in the governance rating from the Homes and Communities Agency. Following the downgrade the Group has committed to a voluntary undertaking to strengthen the areas identified for improvement and significant progress has been made in delivering against this, with a new business plan in place and new strategies and processes for strengthening governance, risk management, growth, asset management, organisational capacity and strategic finance. Further work is still to be done around embedding the new processes however this is well underway.
- With a new risk management strategy and approved framework for determining the group's appetite to risk the Group is in the process of implementing a comprehensive and robust risk management framework throughout the organisation which will create clear parameters for decision making. The challenges around decision making and embedding risk are being focussed on as these must be part of the overall decision making process within the organisation.
- In reviewing the effectiveness of the Group's system of internal control, the Board has considered a range of sources of assurance including:
    - management reports
    - key performance indicators
    - audit reports and
    - management systems
- The system of internal control is designed to provide the Board with reasonable assurance that risks are identified on a timely basis and dealt with appropriately; that assets are safeguarded; that proper accounting records are maintained; and that the financial information used within the business or for publication is reliable. Control is exercised through an organisational structure with clearly defined levels of authority, responsibility and accountability.
- The Group is committed to sound financial management in all aspects of its business. It has a robust business planning process and all parts of the Group have detailed annual budgets and longer term business plans. The Group has a comprehensive system of management reporting that includes financial results and key performance indicators. Overall scrutiny is provided by the Board.

Report of the Board

- The Group maintains a sophisticated approach to treasury management which is subject to external review each year.
- The anti-fraud policy sets out the commitment to preventing and detecting fraud. All staff are responsible for ensuring that systems of internal control are operated effectively. Whistle blowing procedures are in place. A register of all frauds and losses is maintained and scrutinised by the Audit and Risk Committee on a quarterly basis.
- The Audit & Risk Committee has received the Group Finance Director's annual review of the effectiveness of the system of internal control for the Association, and the annual report of the internal auditor, and has reported its findings to the Board.

Statement of the responsibilities of the Board for the report and financial statements

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

The Co-operative and Community Benefit Societies Act 2014 requires the board to prepare financial statements for each financial year. Under that law the board have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under the Co-operative and Community Benefit Societies Act 2014 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 and surplus or deficit of the association and group for that period.

In preparing these financial statements, the board is required to:

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

The board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012. It is also responsible for safeguarding the assets of the association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the directors is aware:

- there is no relevant audit information of which the Association's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant information and to establish that the auditors are aware of that information.

Report of the Board

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

Annual General Meeting
The Annual General Meeting will be held on 18 September 2014.

Auditors

A resolution to re-appoint Grant Thornton UK LLP as auditors will be proposed at the Annual General Meeting.

Approval
Approved by the Board and signed on its behalf by:

A Carey

Alison Carey
Company Secretary
18th September 2014

Independent Auditors' Report to the Members of Plus Dane Housing Group Limited

We have audited the financial statements of Plus Dane Housing Group Limited for the year ended 31 March 2014 which comprise the Consolidated and Association Income and Expenditure accounts, the Consolidated and Association Statements of Total Recognised Surpluses and Deficits, the Reconciliations of Movements in Group and Association funds, the Consolidated and Association Balance Sheets, the Consolidated Cash Flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the society's members, as a body, in accordance with regulations made under Sections 87 and 98(7) of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the society'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 society and the society'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 explained more fully in the Statement of Board's Responsibilities set out on page 20-21 the board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group and Association's affairs as at 31 March 2014 and of the group and parent's income and expenditure for the year then ended;
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, and the Accounting Direction for Private Registered Providers of Social Housing 2012.

Grant Thornton

Independent Auditors' Report to the Members of Plus Dane Housing Group Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

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

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester
23 September 2014

Consolidated and Association's Income and Expenditure Accounts

	Note	Group 2014 £'000	Group 2013 £'000	Association 2014 £'000	Association 2013 £'000
Turnover: Group and share of joint venture		87,195	73,887	9,665	9,084
Less: share of joint venture turnover		(244)	(217)	-	-
Group turnover	3	86,951	73,670	9,665	9,084
Operating costs	3	(46,894)	(45,357)	(8,864)	(9,093)
Cost of Sales	3	(23,492)	(13,956)	-	-
Group operating surplus/(deficit) before share of joint venture operating profit	3	16,565	14,357	801	(9)
Share of joint venture operating profit		14	6	-	-
Total operating surplus/(deficit)	9	16,579	14,363	801	(9)
Surplus on sale of fixed assets	10	260	276	-	-
Gift Aid		-	-	(650)	-
Interest receivable	7	43	39	2	2
Interest payable and similar charges	8	(11,293)	(11,288)	-	-
Share of joint venture interest payable		(4)	(4)	-	-
Other finance income/(costs)	6	8	(119)	-	-
Surplus/(deficit) on ordinary activities before tax		5,593	3,267	153	(7)
Tax on surplus/(deficit) on ordinary activities	11	(795)	(6)	(46)	(5)
Surplus/(deficit) for the year	25	4,798	3,261	107	(12)

All amounts relate to continuing activities.

The financial statements were approved by the Board and signed on its behalf on 18th September 2014.

Linda Minnis
Board Member

Catrina Hewitson
Board Member

Alison Carey
Company Secretary

The accompanying notes form part of these financial statements.

Consolidated and Association Statements of Total Recognised Surpluses and Deficits

Group	2014 £'000	2013 £'000
Surplus for the year	4,798	3,261
Actuarial gain/(loss) on defined benefit pension schemes	3,180	(2,994)
Unrealised gain/(loss) on revaluation of investment properties	354	(240)
Total recognised surpluses and deficits for the year	8,332	27

Association
There are no other recognised gains and losses for the Association for the year other than the surplus/(deficit) for the year.

Reconciliations of Movements in Group's and Association's Funds

	Group		Association	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Opening funds	7,600	7,573	4	16
Total recognised surpluses/(deficits) relating to the year	8,332	27	107	(12)
Closing funds	15,932	7,600	111	4

The accompanying notes form part of these financial statements.

Consolidated and Association's Balance Sheets

	Note	Group 2014 £'000	Group 2013 £'000	Association 2014 £'000	Association 2013 £'000
Tangible fixed assets					
Housing properties	12	578,781	551,873	-	-
Social housing and other grant	12	(277,386)	(274,457)	-	-
		301,395	277,416	-	-
Other fixed assets	13	15,351	15,822	2,223	1,854
Investments	15	113	113	113	113
Share of joint venture gross assets	15	326	313	-	-
Share of joint venture gross liabilities	15	(306)	(302)	-	-
Homebuy initiative		1,194	1,194	-	-
Less: Social housing grant		(1,159)	(1,159)	-	-
		316,914	293,397	2,336	1,967
Current assets					
Stock	16	193	275	-	-
Properties for sale	17	8,216	3,192	-	-
Debtors: Due within one year	18	11,412	10,507	2,495	2,761
Debtors: Due after one year	18	5,877	5,920	-	-
Cash at bank and in hand		8,364	5,045	(8)	66
		34,062	24,939	2,487	2,827
Creditors: amounts falling due within one year	19	(34,238)	(25,106)	(4,712)	(4,790)
Net current liabilities		(176)	(167)	(2,225)	(1,963)
Total assets less current liabilities		316,738	293,230	111	4
Creditors: amounts falling due after more than one year	20	292,182	273,755	-	-
Net pension liability	6	8,624	11,875	-	-
Capital and reserves					
Non-equity share capital	24	-	-	-	-
Revenue reserve	25	21,304	14,732	111	4
Designated reserve	25	1,346	1,226	-	-
Revaluation reserve	25	(6,718)	(8,358)	-	-
Group/Association funds		15,932	7,600	111	4
		316,738	293,230	111	4

These financial statements were approved by the Board and signed on its behalf on 18th September 2014.

Linda Minnis
Board Member

Catrina Hewitson
Board Member

Alison Carey
Company Secretary

The accompanying notes form part of these financial statements

Consolidated Cash Flow Statement

	Note	2014		2013	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	27(a)		30,832		25,236
Returns on investment and servicing of finance					
Interest received		43		39	
Interest paid		(12,008)		(11,331)	
Interest element of finance lease payments		(9)		(10)	
			(11,974)		(11,302)
Taxation:					
Taxation paid			(84)		(46)
Capital expenditure and financial investment					
Housing property additions		(42,020)		(39,935)	
Social Housing Grant received		5,220		5,837	
Proceeds from sale of housing properties		2,180		1,751	
Proceeds from sale of other fixed assets		67		300	
Purchase of other tangible fixed assets		(1,063)		(1,481)	
			(35,616)		(33,528)
Cash outflow before management of liquid resources and financing			(16,842)		(19,640)
Financing					
Loans received		20,325		21,169	
Capital repayment of finance lease		(164)		(160)	
Net cash inflow from financing			20,161		21,009
Increase in cash in year	27(b)		3,319		1,369

The accompanying notes form part of these financial statements

Notes to the financial statements

1. Legal status

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

2. Principal accounting policies

Basis of accounting

The financial statements of the Group and the Association have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice: Accounting by Registered Social Housing Providers (Update 2010), and comply with Accounting Direction for Private Registered Providers of Social Housing 2012.

The Group had net current liabilities of £176,000 at 31 March 2014. Notwithstanding this the Board has a reasonable expectation that the Group can draw on sufficient alternative funding should this be required. The Board are therefore comfortable that the Group has adequate resources to continue in operational existence for the foreseeable future. It therefore continues to adopt the going concern basis in the preparation of the financial statements.

Basis of consolidation

The Group accounts consolidate the Accounts of the Association and its subsidiaries at 31 March using merger accounting.

Interests in joint ventures are accounted for using the gross equity method in accordance with Financial Reporting Standard ("FRS") 9 – Associates and Joint Ventures.

Turnover and revenue recognition

Turnover comprises rental income receivable in the year, income from shared ownership first tranche sales, sales of properties built for sale, income from management contracts and other services included at the invoiced value (excluding VAT) of goods and services supplied in the year and revenue grants receivable in the year.

Rental income is recognised from the point when properties become available for letting. Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met.

Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale.

Income from management contracts is recognised from the point the Group becomes unconditionally entitled to the income through performance of it's contractual obligations.

Pre-emption agreement

Properties developed under a right of pre-emption agreement are included within current assets (as development sales debtors) where it is considered probable that the pre-emption right will be exercised.

Notes to the financial statements

2. Principal accounting policies (continued)

Taxation

The charge for taxation is based on the taxable surplus for the year and includes current tax on the taxable surplus for the year and deferred tax.

Deferred taxation

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

In accordance with FRS19, deferred tax is not provided for gains on the sale of non-monetary assets, if the taxable gain will probably be rolled over.

The recognition of deferred tax assets is limited to the extent that the Association and Group anticipates making sufficient taxable surpluses in the future to absorb the reversal of the underlying timing differences.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date.

Value Added Tax

The Group charged Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year end is included as a current liability or asset.

Interest payable

Interest, including issue costs, is allocated at a constant rate on the carrying amount over the period of the borrowing. Interest is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development if it represents either:

a) interest on borrowings specifically financing the development programme after deduction of interest on Social Housing Grant (SHG) in advance; or

b) interest on borrowings of the Group as a whole after deduction of interest on SHG in advance to the extent that they can be deemed to be financing the development programme.

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

Notes to the financial statements

2. Principal accounting policies (continued)

Pension costs

Contributions to the Group's defined contribution pension scheme, the Norwich Union Group personal pension plan, are charged to the profit and loss account in the year in which they become payable.

The Group participates in three funded multi-employer defined benefit schemes: the Social Housing Pension Scheme (SHPS), Merseyside Pension Fund (MPF) and Cheshire Pension Fund (CPF).

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

For the MPF and CPF schemes, assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit adjusted for deferred tax, is presented separately from other net assets on the balance sheet. A net surplus is recognised only to the extent that it is recoverable by the Group.

The current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included net in other finance costs. Actuarial gains and losses are reported in the statement of total recognised surpluses and deficits.

Supporting people

Charges for support services funded under Supporting People are recognised as they fall due under contractual arrangements with administering authorities.

Supporting people managed by agencies

Social housing capital grants are claimed by the Group as a developer and owner of the property and included in the balance sheet of the Group. The treatment of other income and expenditure in respect of supported housing projects depends on the nature of the partnership arrangements between the Group and its managing agents and on whether the Group carries the financial risk. Where the Group holds the support contract with the Supporting People administering authority and carries the financial risk, all the projects income and expenditure is included in the Group's income and expenditure account.

Investment properties

In accordance with SSAP 19 investment properties held for long term investment are revalued annually at open market value as at the balance sheet date. Valuations are carried out by external valuers at least every third year. Properties in the course of development included in tangible fixed assets are stated at cost at the commencement of the development plus all development costs incurred subsequently. Properties are reviewed regularly by the Directors and if, in their opinion, there has been impairment the property is written down to its valuation. On completion of a development the property is reclassified as either an investment property or property held for resale as appropriate.

Notes to the financial statements

2. Principal accounting policies (continued)

The aggregate surplus or deficit arising on revaluation is transferred to the revaluation reserve except where a deficit is deemed to represent a permanent diminution in value, in which case it is charged to the income and expenditure account.

On disposal of a fixed asset property, any surplus or deficit calculated by comparing net sale proceeds with book value, is included in surplus on ordinary activities before taxation and any realised revaluation surplus or deficit is reclassified, within reserves, to the profit and loss account.

No depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run.

Housing properties

Housing properties are principally properties available for rent and are stated at cost less social housing grant ("SHG") and depreciation. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

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

Shared ownership properties are split proportionally between fixed and current 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 within turnover, and the remaining element is classed as a fixed asset included in housing properties at cost, less any provisions needed for depreciation or impairment.

Depreciation of housing properties

The Group separately identifies the major components which comprise its housing properties, and charges depreciation, so as to write-down the cost of each component to its estimated residual value, on a straight line basis, over its estimated useful economic life.

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

Notes to the financial statements

2. Principal accounting policies (continued)

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

	Years
Main structure	100
Pitched Roofs	60
Flat Roofs	20
Windows, doors, external joinery & cladding	25
Heating systems	15
Kitchens	15
Bathrooms	20
Electrics including PV panels, wind turbines and other generators	25
Septic Tanks	25
Lifts	20
Aids and adaptations	15

Freehold land is not depreciated.

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

Impairment

Housing properties, including those with individual components which are depreciated over a period in excess of 50 years are subject to impairment reviews annually. Other assets are reviewed for impairment if there is an indication that impairment may have occurred.

Where there is evidence of impairment, fixed assets are written down to the recoverable amount, being the higher of the net realisable value or the value in use to the Group. Any such write down is charged to operating surplus.

Social housing grant

Social Housing Grant (SHG) is receivable from the Homes and Communities Agency ("HCA") and is utilised to reduce the capital costs of housing properties. It is allocated to the land and structure components of the associated asset in proportion to their cost. SHG due from the Homes and Communities Agency or received in advance is included as a current asset or liability. SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates.

SHG is subordinated to the repayment of loans by agreement with the Homes and Communities Agency. SHG released on sale of a property is normally available to be recycled and is credited to a recycled capital grant fund and included in the balance sheet in creditors.

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

Notes to the financial statements

2. Principal accounting policies (continued)

Other grants

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

Properties for sale

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

Other tangible fixed assets

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal depreciation rates applied are:

Freehold office building (straight line)	2%
Motor vehicles (on a reducing balance basis)	25%
Fixtures and equipment (straight line)	10% to 33%
Leasehold buildings (straight line)	Over term of the lease

Leased assets

Assets held under finance leases are included in the balance sheet and depreciated in accordance with the Group's normal accounting policies. The present value of future rentals is shown as a liability.

The interest element of rental obligations is charged to the income and expenditure account over the period of the lease in proportion to the balance of capital repayments outstanding.

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

Where the Group acts as lessor under the terms of a finance lease; the debtor represents amounts outstanding, under these agreements, excluding finance charges allocated to future periods. Finance lease interest is recognised over the period of the lease, so as to produce a constant rate of return.

Investments

Investments are valued at cost, less provision for impairment.

Notes to the financial statements

2. Principal accounting policies (continued)

Stocks

Stocks have been valued at the lower of cost and net realisable value.

Derivatives

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

Revenue reserves

Revenue reserves represent the accumulated accounting surpluses of the Group. They are utilised for investment in future capital repairs and improvements to the Group's housing stock and funding for new housing projects. The Board regularly reviews the Group's overall financial strength and accordingly agrees the appropriate level of reserves relative to the size of its development programme and risk capacity, especially in relation to treasury risk.

Designated reserves

A designated reserve is a reserve which has been earmarked for a specific use. The Group maintains designated reserves as follows:

Furniture/Equipment Replacement – an amount set aside for the replacement of communal furnishings and other equipment.

The Neighbourhood Reinvestment Reserve is designated to fund improvements in neighbourhoods decided upon by tenants.

Notes to the financial statements

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

	2014				2013			
	Turnover	Cost of sales	Operating costs	Operating surplus/ (deficit)	Turnover	Cost of sales	Operating costs	Operating surplus/ (deficit)
Group	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Social housing lettings	55,834	-	(42,404)	13,430	52,783	-	(40,912)	11,871
Other social housing activities								
Development services	1,435	-	(1,250)	185	1,150	-	(1,177)	(27)
Supporting people contracts	1,272	-	(1,252)	20	1,294	-	(1,160)	134
Management services and other	48	-	(93)	(45)	22	-	(26)	(4)
Leased to others	349	-	(70)	279	338	-	(126)	212
Community regeneration	172	-	(787)	(615)	552	-	(582)	(30)
Sale of housing accommodation	4,434	(3,506)	-	928	2,290	(1,955)	-	335
Other	905	-	(155)	750	586	-	(548)	38
	8,615	(3,506)	(3,607)	1,502	6,232	(1,955)	(3,619)	658
Non-social housing activities								
Lettings	271	-	(66)	205	272	-	(96)	176
Management contract	19,840	(18,899)	-	941	11,750	(11,650)	-	100
Income from finance leases	419	-	-	419	426	-	-	426
Other*	1,972	(1,087)	(817)	68	2,207	(351)	(730)	1,126
	22,502	(19,986)	(883)	1,633	14,655	(12,001)	(826)	1,828
	86,951	(23,492)	(46,894)	16,565	73,670	(13,956)	(45,357)	14,357

* Non-social housing activities – other, includes the activities of three60 Property Investors Limited, a subsidiary of the Group, whose principal activity is that of property investment and development.

The management contract income and expenditure is in respect of the Ellesmere Port and Neston management contract.

Notes to the financial statements

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

Association	2014				2013			
	Turnover	Cost of sales	Operating costs	Operating surplus	Turnover	Cost of sales	Operating costs	Operating surplus/ (deficit)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Other social housing activities								
Development services	2,535	-	(2,330)	205	2,450	-	(2,462)	(12)
Management services and other	7,130	-	(6,534)	596	6,634	-	(6,631)	3
	9,665	-	(8,864)	801	9,084	-	(9,093)	(9)

Notes to the financial statements

3. Income and expenditure from social housing lettings

Group

	General needs housing £'000	Shared ownership £'000	Supported housing & housing for older people £'000	Total 2014 £'000	Total 2013 £'000
Rent receivable net of identifiable service charges	42,974	1,405	8,273	**52,652**	49,614
Service charges receivable	1,224	209	1,213	**2,646**	2,613
Charges for support services	67	-	469	**536**	556
Turnover from social housing lettings	44,265	1,614	9,955	**55,834**	52,783
Expenditure on social housing lettings					
Management	9,994	376	2,591	**12,961**	12,570
Services	1,369	253	1,829	**3,451**	3,590
Routine and planned maintenance	11,010	40	2,070	**13,120**	12,330
Major repairs expenditure	2,393	13	910	**3,316**	3,468
Rent losses from bad debts	349	(1)	18	**366**	304
Supporting people	73	-	11	**84**	93
Depreciation of housing properties	7,730	51	1,170	**8,951**	8,554
Provision for bad debts	104	-	51	**155**	3
Operating costs on social housing lettings	33,022	732	8,650	**42,404**	40,912
Operating surplus on social housing lettings	11,243	882	1,305	**13,430**	11,871
Rent losses from voids	860	40	303	1,203	791

Notes to the financial statements

4. Accommodation in management and development

Group

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

Owned and managed by the Group

	2014 Units	2013 Units
Social housing		
General needs housing	10,106	9,823
Supported housing	1,903	1,907
Low cost home ownership	352	349
Leaseholder units	132	131
Total owned	12,493	12,210
Managed for others	5,846	5,883
Managed by others	108	108
Non-social housing		
Market rented	19	22
Extra care	72	72
	91	94
Total owned and in management	18,538	18,295
Under construction		
General needs	554	503

Notes to the financial statements

5. Directors' emoluments and expenses

Board members
During the year, fees of £61,115 (2013: £55,599) were paid to Board members and expenses paid amounted to £8,846 (2013: £5,055).

Executive directors
The remuneration for the executive directors of the Plus Dane Housing Group for the year ended 31 March 2014 is detailed in the table below.

As a member of the Group, the Association bears a charge in respect of the services provided to it by the members of the Group executive director team. The charge for the current year amounted to £33,367 (2013: £38,413).

		Basic salary £'000	Benefits in kind £'000	Pension contribution £'000	2014 Total £'000	2013 Total £'000
K Perry	Former Group Chief Executive	130	5	22	157	156
M Doran	Acting Group Chief Executive (from May 2014) and Former Group Transformation Director	88	5	8	101	100
P Shaw	MD – Ellesmere Port and Neston	88	4	8	100	101
J Phillips	Former MD Knowledge, Innovation & Performance (to May 2014)	2	-	1	3	118
G Murden	Former Group Housing Director (to March 2014)	88	5	15	108	108
C Griffiths	Group Property Director	59	3	6	68	100
V Cross	Group Finance Director	88	6	8	102	100
C Mather	MD Regeneration and Commercial Development (to February 2014)	73	-	12	85	-
Total		616	28	80	724	783

The emoluments of the highest paid director of the group, the former Group Chief Executive, excluding pension contributions were £134,359 (2013: £134,359). The former Group Chief Executive was a member of the Merseyside Pension Fund. He was an ordinary member of the pension scheme and no enhanced or special terms apply. During the year the Group does not make any further contribution to an individual pension arrangement for the Chief Executive.

In addition to the amounts shown above £94,362 has been recognised in respect of pension contributions paid on retirement of Gerard Murden (former Group Housing Director). A total of

Notes to the financial statements

£81,725 was accrued for in 2013 in relating to former group executive director (J Phillips) for compensation on loss of office following a restructure of the executive management team.

Board members
The fees paid to board members of the Plus Dane Housing Group for the year ended 31 March 2014 are detailed in the table below. Total expenses paid to board members amounted to £8,846 (2013: £5,055).

		2014 Total £'000	2013 Total £'000
Linda Minnis	Chair	13	9
Richard Kemp	Former Chair	-	8
Catrina Hewitson	Deputy Chair	10	10
Roger Morris	Board member	5	5
John Turner	Board member	2	5
Glen Lewis	Board member	2	5
Lilian Hazel	Board member	5	5
Pol O'Gray	Board member	2	5
Anne Davies	Board member	5	2
Sandra Palmer	Board member	5	2
Thomas Murtha	Board member	3	-
Anthony Barwise	Board member	3	-
Gerard Lane	Board member	3	-
Mervyn Jones	Board member	3	-
Total		61	56

Notes to the financial statements

6. Employees

Group

The average number of employees of the Group expressed in full time equivalents during the year was:

	2014 Number	2013 Number
Housing, support and care	608	568
Development	21	22
Administration	114	99
	743	689

	2014 £'000	2013 £'000
Employee costs		
Wages and salaries	20,213	19,051
Social security costs	1,619	1,549
Other pension costs	2,526	2,016
	24,358	22,616

The full time equivalent number of staff (including executive directors) who received emoluments within the Group:

	2014 No.	2013 No.
£60,001 to £70,000	8	11
£70,001 to £80,000	8	4
£80,001 to £90,000	2	3
£90,001 to £100,000	3	1
£100,001 to £110,000	2	5
£110,001 to £120,000	1	1
£150,101 to £160,000	1	1

Notes to the financial statements

6. Employees (continued)

Association

The average number of employees of the Association expressed in full time equivalents during the year was:

	2014 Number	2013 Number
Administration and development	89	90

	2014 £'000	2013 £'000
Employee costs		
Wages and salaries	3,217	3,232
Social security costs	576	277
Other pension costs	276	348
	4,069	3,857
Recharged from Group companies	1,363	1,771
	5,432	5,628

The full time equivalent number of staff who received emoluments within the Association:

	2014 No.	2013 No.
£60,001 to £70,000	3	2
£70,001 to £80,000	3	2
£80,001 to £90,000	-	2
£90,001 to £100,000	-	-
£100,101 to £110,000	1	2
£110,101 to £120,000	1	-
£150,101 to £160,000	1	1

Notes to the financial statements

6. Employees (continued)

The Group participates in three funded multi-employer defined benefit schemes: the Social Housing Pension Scheme, Merseyside Pension Fund and Cheshire Pension Fund.

Social Housing Pension Scheme (SHPS)

Members of the Group participate in SHPS (the Scheme). The Scheme is funded and contracted out of the state scheme.

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

The Scheme operated a single benefit structure, final salary with a $1/60^{th}$ accrual rate, to March 2007. From April 2007 there are three benefit structures available, namely:

- Final salary with a $1/60^{th}$ accrual rate
- Final salary with a $1/70^{th}$ accrual rate
- Career average revalued earnings with a $1/60^{th}$ accrual rate

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

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

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

A defined contribution benefit structure was made available from 1 February 2014 for those affected by auto enrolment.

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

Different members of the Group have elected to operate the final salary benefit structure as follows:

- a $1/60^{th}$ accrual rate benefit structure for active members at 31 March 2007;
- a $1/60^{th}$ or $1/70^{th}$ accrual rate benefit structure for new entrants between 1 April 2007 and 31 March 2010;
- a 1/80th accrual rate benefit structure for new entrants from 1 April 2010;
- the option of a defined contribution benefit structure from 1 October 2010.

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

Notes to the financial statements

than 50% of the total contribution rate. From 1 April 2010 the requirement for employers to pay at least 50% of the total contribution rate no longer applies.

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

During the accounting period the Group paid contributions at the rate of 2% to 10.95% in to the defined benefit scheme. Member contributions into the defined benefit scheme were at the rate of 1.0% to 10.75%. Employer and member contributions to the defined contribution scheme are set at 4.5% each. Further, the Group has paid a lump sum of £57,048 in respect of a contribution to past deficit for Plus Dane Merseyside. Plus Dane Cheshire made a contribution to past deficits at a rate of 7.5% per annum. The additional scheme for Auto Enrolment has employer contributions of 2% and member contributions of 1%.

As at the balance sheet date there were 353 active members of the Scheme employed by the Group. The annual pensionable payroll of these members was £3,138,373 on a consistent and reasonable basis. The Group continues to offer membership of the Scheme to its employees.

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

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

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

	% p.a.
Valuation Discount Rates:	
Pre-Retirement	7.0
Non Pensioner Post Retirement	4.2
Pensioner Post Retirement	4.2
Pensionable Earnings Growth	2.5 per annum for 3 years, then 4.4
Price Inflation	2.9
Pension Increases:	
Pre 88 GMP	0.0

Notes to the financial statements

Post 88 GMP	2.0
Excess Over GMP	2.4

Expenses for death-in-service insurance, administration and Pension Protection Fund (PPF) levy are included in the contribution rate.

The valuation was carried out using the following demographic assumptions:

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

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

The long-term joint contribution rates that will apply from April 2013 required from employers and members to meet the cost of future benefit accrual were assessed at:

Benefit Structure	**Long-term Joint Contribution Rate (% of pensionable salaries)**
Final salary with a 1/60th accrual rate	19.4%
Final salary with a 1/70th accrual rate	16.9%
Career average revalued earnings (CARE) with a 1/60th accrual rate	18.1%
Final salary with a 1/80th accrual rate	14.8%
Career average revalued earnings (CARE) with a 1/80th accrual rate	14.0%

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a Recovery Plan setting out the steps to be taken to make up the shortfall.

Following consideration of the results of the actuarial valuation it was agreed that the shortfall of £1,035 million would be dealt with by the payment of deficit contributions as shown in the table below:

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

(*) The contributions of 7.5% will be expressed in nominal pound terms (for each Employer), increasing each year in line with the Earnings growth assumption used in the 30 September 2008

Notes to the financial statements

valuation (i.e. 4.7% per annum). The contributions of 3.1% will be calculated by proportioning the nominal pound payment at the time of the change. Earnings at 30 September 2008 (for each Employer) will be used as the reference point for calculating these contributions.

These deficit contributions are in addition to the long-term joint contribution rates as set out in above.

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

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

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

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

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

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

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

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

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former

Notes to the financial statements

employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

Merseyside Pension Fund

The MPF is a multi-employer scheme, administered by Wirral Borough Council under the regulations governing the Local Government Pension Scheme, a defined benefit scheme. The most recent formal actuarial valuation was completed as at 31 March 2013 and rolled forward to 31 March 2014 by a qualified independent actuary.

The employers' contributions to the MPF by the Association for the year ended 31 March 2014 were £836,241 (2013: £861,000) at a contribution rate of 9.8% – 16.5% of pensionable salaries. The employers' contribution rate for the year ending 31 March 2015 has been set at 12.1% - 14.6%.

Financial assumptions

	31 March 2014 % per annum	31 March 2013 % per annum
Discount rate	4.6	4.2
Future salary increases	3.9	3.9
Future pension increases	2.4	2.4
CPI Inflation assumption	2.4	2.4

Expected return on assets

The expected return on assets assumptions were:

	2014 % per Annum	2013 % per Annum
Equities	7.0	7.0
Government bonds	3.4	2.8
Other bonds	4.3	3.9
Property	6.2	5.7
Cash/liquidity	0.5	0.5
Other	Dependent on type of asset	

Notes to the financial statements

6. Employees (continued)

Mortality assumptions
The post retirement mortality assumptions used to value the benefit obligation at March 2014 are based on S1PA CMI_2009_[1.25%] Tables (106% Males, 97% Females) for non-retired members and pensioners.

Within the past three years, investigations have been carried out by the scheme actuaries into the mortality experience of the Association's scheme. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	2014	2013
Current pensioners		
- Males	22.3 years	21.8 years
- Females	25.2 years	24.7 years
Future Pensioners		
- Males	26.6 years	23.7 years
- Females	28.0 years	26.6 years

Amounts recognised in the balance sheet:

	2014 £'000	2013 £'000
Present value of funded obligations	(29,811)	(31,011)
Present value of unfunded obligations	-	-
Total present value of benefit obligations	(29,811)	(31,011)
Fair value of plan assets	24,364	23,676
Deficit	(5,447)	(7,335)

Notes to the financial statements

6. Employees (continued)

Analysis of the amount charged to the income and expenditure account:

	2014 £'000	2013 £'000
Current service cost	755	622
Past service cost	-	6
Loss on settlements	-	13
Expected return on pension scheme assets	(1,362)	(1,200)
Interest on pension scheme liabilities	1,309	1,270
	702	711

£755,000 (2013: £641,000) was charged to the operating surplus and £53,000 was credited (2013: £70,000 charged) to other finance costs/income.

Amounts recognised in the statement of total recognised surpluses and deficits

	2014 £'000	2013 £'000
Actuarial gain / (loss) in pension scheme recognised in STRSD	1,754	(2,245)
Cumulative actuarial loss recognised in STRSD	(3,305)	(5,059)

Changes in present value of defined benefit obligation:

	2014 £'000	2013 £'000
Opening defined benefit obligation	31,011	25,772
Current service cost	755	622
Past service cost	-	6
Loss on settlements	-	13
Member contributions	238	258
Interest cost	1,309	1,270
Actuarial (gains) / losses	(2,701)	3,763
Benefits paid	(801)	(693)
Closing defined benefit obligation	29,811	31,011

Notes to the financial statements

6. Employees (continued)

Changes in fair value of assets:

	2014 £'000	2013 £'000
Fair value of assets at beginning of year	23,676	20,532
Expected return on assets	1,362	1,200
Member contributions	238	258
Employer contributions	836	861
Actuarial (losses) / gains	(947)	1,518
Benefits paid	(801)	(693)
Fair value of assets at end of year	24,364	23,676

Major categories of plan assets as a percentage of total plan assets:

	2014	2013
Equities	62.0%	60.6%
Government bonds	13.7%	15.7%
Other bonds	2.6%	3.6%
Property	8.0%	8.3%
Cash	2.7%	2.3%
Other	11.0%	9.5%

Actual return on plan assets:

	2014 £'000	2013 £'000
Actual return on plan assets	1,164	2,719

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

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Present value of defined benefit obligation	(29,811)	(31,011)	(25,772)	(23,238)	(24,923)
Fair value of scheme assets	24,364	23,676	20,532	19,475	17,375
Surplus/(deficit) on scheme	(5,447)	(7,335)	(5,240)	(3,763)	(7,548)
Experience adjustments on plan liabilities	293	-	-	1,857	-
Experience adjustments on plan assets	(947)	1,518	(816)	222	3,483

Notes to the financial statements

6. Employees (continued)

Cheshire Pension Fund ("CPF")

The CPF is a multi-employer scheme, administered by Cheshire West and Chester Council under the regulations governing the Local Government Pension Scheme, a defined benefit scheme. The most recent formal actuarial valuation was completed as at 31 March 2013 and rolled forward to 31 March 2014 by a qualified actuary.

During 2012/13 a number of employees transferred into the Group from Cheshire West and Chester Council. FRS 17 obligations of £197,000 were recognised on the transfer of those employees who are members of the CPF.

The employer's contributions to the scheme by the Association for the year ended 31 March 2014 were £1,305,000 (2013: £1,136,000) at a contribution rate for the staff previously employed by Cheshire West and Cheshire in Ellesmere Port and Neston of 24.4% while for the remaining staff a rate of 29.8%. The employer's contribution rate for the year ending 31 March 2015 has been set at 21.3% and 36% for the Ellesmere Port and Neston staff and the Cheshire staff respectively.

Financial Reporting Standard 17

Financial assumptions

The major assumptions used by the actuary in assessing scheme liabilities were:

	2014 % per annum	2013 % per annum
Rate of increase in salaries	3.6	5.1
Rate of increase in pensions in payment	2.8	2.8
Discount rate	4.3	4.5
Expected return on assets	5.6	5.0

Mortality

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2010 model assuming current rates of improvement have peaked and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

Current pensioners	2014	2013
- Males	22.3 years	22.9 years
- Females	24.4 years	25.7 years
Future Pensioners		
- Males	24.1 years	24.9 years
- Females	26.7 years	27.7 years

Notes to the financial statements

6. Employees (continued)

Expected return on assets

The expected return on assets assumptions were:

	2014 % per annum	2013 % per annum
Equities	6.6	5.7
Bond	3.5	3.0
Property	4.8	3.9
Cash	3.7	3.0

Amounts recognised in the balance sheet

	2014 £'000	2013 £'000
Fair value of employer assets	34,928	31,666
Present value of funded liabilities	(38,105)	(36,206)
Net underfunding in funded plans	(3,177)	(4,540)
Net liability	(3,177)	(4,540)
Amount in the balance sheet		
Liabilities	(4,834)	(5,272)
Assets	1,657	732
Net liability	(3,177)	(4,540)

Analysis of the amount charged to the income and expenditure account

	2014 £'000	2013 £'000
Current service cost	1,280	973
Past service costs	42	15
Loss on curtailments and settlements	1	13
Expected return on pension scheme assets	(1,602)	(1,243)
Interest on pension scheme liabilities	1,647	1,292
	1,368	1,050

£1,323,000 (2013: £1,001,000) was charged to the operating surplus and £45,000 charged (2013: £49,000) to other finance cost.

Notes to the financial statements

6. Employees (continued)

Amounts recognised in the statement of total recognised surpluses and deficits

	2014 £'000	2013 £'000
Actuarial gain/(loss) in pension scheme recognised in STRSD	1,426	(749)
Cumulative actuarial gain/(loss) recognised in STRSD	(448)	(1,874)

Changes in present value of defined benefit obligations

	2014 £'000	2013 £'000
Defined benefit obligations at beginning of year	36,206	17,788
Obligations transferred in year	-	13,027
Current service cost	1,280	973
Interest cost	1,647	1,292
Contributions by members	305	278
Actuarial (gains)/losses	(591)	3,342
Past service costs	42	15
Losses on curtailments and settlements	1	13
Benefits paid	(785)	(522)
Defined benefit obligations at end of year	38,105	36,206

Changes in fair value of assets

	2014 £'000	2013 £'000
Fair value of assets at beginning of year	31,666	13,714
Assets transferred in year	-	13,224
Expected return on assets	1,602	1,243
Contribution by members	305	278
Contributions by employer	1,305	1,136
Actuarial gains	835	2,593
Benefits paid	(785)	(522)
Fair value of assets at end of year	34,928	31,666

Notes to the financial statements

8. Employees (continued)

Major categories of plan assets as a percentage of total plan assets

	2014 £	2014 %	2013 £	2013 %
Equities	22,703	65	23,116	73
Bonds	7,684	22	4,433	14
Property	2,445	7	1,900	6
Cash	2,096	6	2,217	7
	34,928	100	31,666	100

Actual return on plan assets

	2014 £'000	2013 £'000
Actual return on plan assets	2,918	3,839

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

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Fair value of employer assets	34,928	31,666	13,714	13,345	12,140
Present value of defined benefit obligation	(38,105)	(36,206)	(17,788)	(16,249)	(20,326)
Surplus/(deficit)	(3,177)	(4,540)	(4,074)	(2,904)	(8,186)
Experience gains/(losses) on assets	835	2,593	(477)	540	2,660
Experience gains/(losses) on liabilities	(2,503)	23	(181)	1,042	-

7. Interest receivable

	Group		Association	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Interest receivable and similar income	43	39	2	2

Notes to the financial statements

8. Interest payable and similar charges

	Group 2014 £'000	Group 2013 £'000
Interest on bank loans and overdrafts	11,445	11,706
Finance leases	9	10
RCGF Interest	5	5
Refinancing costs written off	445	69
	11,904	11,790
Less: interest capitalised in housing property costs	(611)	(502)
	11,293	11,288
Capitalisation rate used to determine the finance costs capitalised during the period	4.4%	4.7%

9. Operating surplus / (deficit)

	Group		Association	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Is stated after charging:				
Depreciation of housing properties	8,430	7,789	-	-
Depreciation of other tangible fixed assets	1,076	1,055	576	503
Operating lease charges:				
- Land and buildings	1,216	372	-	-
- Other	122	1,020	7	7
Auditors' remuneration (excluding VAT):				
- for audit services	41	51	4	4
- for non-audit services				
- tax compliance	7	3	3	2
- tax advisory	12	4	12	4
- other	29	-	29	-

Notes to the financial statements

10. Surplus on sale of fixed assets- housing properties

	Group		Association	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Disposal proceeds	1,775	1,252	-	-
Carrying value of fixed assets	(1,515)	(976)	-	-
	260	276	-	-

11. Tax on surplus on ordinary activities

	Group		Association	
United Kingdom Corporation Tax	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Current taxation:				
Current tax on income for year	354	2	24	2
Adjustment in respect of prior year	9	(39)	9	(39)
Total current tax charge/(credit)	363	(37)	33	(37)
Share of joint venture tax charge	-	1	-	-
	363	(36)	33	(37)
Deferred taxation:				
Net origination and reversal of timing differences	555	24	34	24
Adjustment in respect of prior year	(123)	18	(21)	18
Total tax charge	795	6	46	5

Notes to the financial statements

11. Tax on surplus on ordinary activities (continued)

The current tax charge for the year varies from the standard rate of corporation tax in the United Kingdom of 23% (2013 24%). The differences are explained below:

	Group		Association	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Surplus/(deficit) on ordinary activities subject to tax	6,338	3,267	154	(7)
Surplus/(deficit) on ordinary activities at the standard rate of corporation tax in the UK of 23% (2013 - 24%)	1,457	784	35	(1)
Effects of:				
Expenses not deductible for tax purposes	133	614	14	11
Fixed asset differences	508	1	-	-
Net charitable income	(1,134)	(398)	-	-
Accelerated capital allowances	-	(6)	-	-
Chargeable gains	9	-	-	-
Depreciation in excess of capital allowances	(10)	(8)	(25)	(8)
Losses utilised	(621)	(955)	-	-
Unrelieved tax losses	-	33	-	-
Adjustment in respect of prior year	9	(39)	9	(39)
Short term timing differences	12	(63)	-	-
	363	(37)	33	(37)

Unrelieved losses of £nil (2013: £5,693,248) are carried forward and are available to reduce the tax liability in respect of future surpluses.

Notes to the financial statements

12. Tangible fixed assets - Housing properties – Group

Housing properties	Non-Social Housing	Social Housing Shared Ownership		Social Housing General needs		Total
	Held for letting £'000	Held for letting £'000	Under construction £'000	Held for letting £'000	Under construction £'000	£'000
Cost						
At 1 April 2013	7,482	23,413	3,180	555,454	15,819	605,348
Works to existing properties	-	-	-	2,432	-	2,432
Reclassification	-	(401)	-	401	-	-
Additions	18	23	10,817	6,161	24,232	41,251
Schemes completed in year	-	6,158	(6,158)	20,743	(20,743)	-
Transfer (to)/ from current assets	-	177	(6,067)	-	-	(5,890)
Disposals	(3)	(386)	-	(3,259)	-	(3,648)
At 31 March 2014	7,497	28,984	1,772	581,932	19,308	639,493
Depreciation and impairment						
At 1 April 2013	(151)	(450)	-	(52,649)	(225)	(53,475)
Charged in year	(46)	(200)	-	(8,184)	-	(8,430)
Reclassification	-	(8)	-	8	-	-
Released on disposal	2	28	-	1,163	-	1,193
At 31 March 2014	(195)	(630)	-	(59,662)	(225)	(60,712)
Depreciated cost						
At 31 March 2014	7,302	28,354	1,772	522,270	19,083	578,781
At 31 March 2013	7,331	22,963	3,180	502,805	15,594	551,873
Social Housing Grant						
At 1 April 2013	(3,961)	(9,381)	(307)	(251,686)	(7,910)	(273,245)
Reclassification	(27)	41	-	(41)	-	(27)
Additions	-	-	(328)	(414)	(3,071)	(3,813)
Schemes completed in year	-	(400)	400	(5,634)	5,634	-
Disposals	1	283	-	712	-	996
At 31 March 2014	(3,987)	(9,457)	(235)	(257,063)	(5,347)	(276,089)
Other Grant						
At 1 April 2013	(533)	(39)	-	(640)	-	(1,212)
Additions	-	-	-	-	(103)	(103)
Schemes completed in year	-	-	-	(85)	103	18
At 31 March 2014	(533)	(39)	-	(725)	-	(1,297)
Net book value						
At 31 March 2014	2,782	18,858	1,537	264,482	13,736	301,395
At 31 March 2013	2,837	13,543	2,873	250,479	7,684	277,416

Notes to the financial statements

12. Tangible fixed assets - Housing properties (continued)

The net book value includes £542,515 (2013: £629,854) in respect of assets held under finance leases. Depreciation charged in the year on these assets amounted to £88,426 (2013: £88,246).

Social Housing Grant	**2014 £'000 Revenue**	**2014 £'000 Capital**	**2013 £'000 Revenue**	**2013 £'000 Capital**
Total accumulated SHG receivable at 31 March :	1,809	276,193	1,809	273,245

The Group is unable to analyse the cost of housing land and buildings between freehold and other tenures, nor is it able to provide a reasonable estimate except at excessive costs. It is considered the effect of this omission is negligible.

Expenditure on works to existing properties:	**2014 £'000**	**2013 £'000**
Amounts capitalised	7,171	8,530
Amounts charged to income and expenditure account	4,400	3,468
	11,571	11,998

Notes to the financial statements

13. Other fixed assets

Group

	Freehold offices £'000	Leasehold office premises £'000	Motor vehicles £'000	Fixtures & equipment £'000	Freehold investment properties £'000	Total £'000
Cost or valuation						
At 1 April 2013	6,148	1,186	61	5,476	8,715	21,586
Additions	108	-	-	956	-	1,064
Disposals	(249)	-	-	(59)	-	(308)
Revaluations	-	-	-	-	(391)	(391)
At 31 March 2014	6,007	1,186	61	6,373	8,324	21,951
Depreciation						
At 1 April 2013	(2,348)	(599)	(61)	(2,756)	-	(5,764)
Charged for the year	(207)	(82)	-	(787)	-	(1,076)
Disposals	185	-	-	55	-	240
At 31 March 2014	(2,370)	(681)	(61)	(3,488)	-	(6,600)
Net book value						
At 31 March 2014	3,637	505	-	2,885	8,324	15,351
At 31 March 2013	3,800	587	-	2,720	8,715	15,822

The Group's four freehold commercial investment properties were subject to a director's valuation informed by an external valuation prepared by Knight Frank LLP as at 31 March 2014. This external valuation was under instruction from the Royal Bank of Scotland. A downward movement of £745k arising from the revaluation has been debited as an impairment charge to the income and expenditure account as the movement is deemed to be permanent.

In addition, the Group's 7 residential investment units were subject to a director's valuation – with an upward movement of £129k arising. A total upward movement of £354k has been credited to the revaluation reserve.

Both valuations represent an assessment of the Market Value (as defined in the Royal Institute of Chartered Surveyors' Valuation Standards) of the individual properties.

In determining whether the cumulative diminution in value (including that previously recognised in the financial statements) is temporary rather than permanent, the directors have taken into account general movements in UK commercial property values, regional variations on such movements and the condition and position of each individual property in the Group's portfolio. It is the Group's intention to hold the properties for their long-term potential and the directors consider that in the medium to long term not all property values will recover to at least those paid. In the context of holding the properties for long-term benefit the directors have prepared cash flow projections that

Notes to the financial statements

support their view that (based on current occupancy and yield levels) the treatment of the diminution in value as temporary is appropriate for some properties. However, for other properties the projections indicate a permanent diminution of £2.03m.

In reaching this conclusion the board directors acknowledge the current uncertainties in the UK economy and that recorded reductions in value may take longer than anticipated to recover or indeed may in part prove to be permanent. In such an event, part or the entire deficit on the revaluation reserve (see note 25) will be realised. The three60 covenants to its lenders are based on loan to value ratios and the coverage of interest payments by rental income. At the year end the company was compliant with such requirements and is projected to be so for the foreseeable future based on current occupancy and yield levels.

Had the freehold investment property not been revalued, it would have been included on the historical cost basis at £17.076m.

Association

	Fixtures, fittings & equipment £'000
Cost	
At 1 April 2013	3,032
Additions	945
Disposals	(32)
At 31 March 2014	3,945
Depreciation	
At 1 April 2013	1,178
Charge for the year	576
Disposals	(32)
At 31 March 2014	1,722
Net book value	
At 31 March 2014	2,223
At 31 March 2013	1,854

Notes to the financial statements

14. Subsidiaries

As required by statute, the financial statements consolidate the results of Plus Dane Housing Group Limited and its wholly owned and/or controlled subsidiary undertakings, as follows:

- Plus Dane (Cheshire) Housing Association Limited
- INclude Neighbourhood Regeneration Limited
- Three60 Property Investors Limited
- Dane Partnership Homes Limited
- Plus Dane (Merseyside) Housing Association Limited

In accordance with the Accounting Direction 2012 disclosures have been made in relation to transactions between Plus Dane Housing Group and non-regulated entities within the Group.

During the year the Association had the following intra-Group transactions with Dane Partnership Homes Limited, Three60 Property Investors Limited and Include Regeneration Limited, non-regulated entities:

	Dane Partnership Homes Limited		Three60 Property Investors Limited		Include Neighbourhood Regeneration Limited	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Management Services	(5)	(4)	(100)	(88)	(95)	(144)
Development and Sales Services	-	(17)	(23)	(44)	-	-
	(5)	(21)	(123)	(132)	(95)	(144)

Transaction Category	Allocation Basis
Management Services	Directly attributable costs and percentage of budgeted turnover
Development and Sales Services	Directly allocated Staff Costs

Plus Dane Merseyside has provided a guarantee to three60 Property Investors Limited, a fellow group undertaking, for £10.5m. The guarantee is next due for renewal on 17 September, 2017.

Notes to the financial statements

15 Fixed asset investments

Group

	Joint venture loan £'000
At 1 April 2013 and at 31 March 2014	113

Association

	Joint Venture £'000
As at 1 April 2013 and 31 March 2014	113

Joint Venture Undertakings

The Group has the following aggregate interests in joint ventures.

	2014 £'000	2013 £'000
Share of gross assets	326	313
Share of gross liabilities	(306)	(302)
Share of net assets	20	11

The Association (and Group) holds a 22.5% interest in the ordinary share capital of a joint venture undertaking, Circle Liverpool Limited. This company is incorporated in the United Kingdom and manages and operates waste recycling in the Liverpool area.

16. Stock

Group

	2014 £'000	2013 £'000
Consumables	193	275

Notes to the financial statements

17. Properties for sale

Group	2014 £'000	2013 £'000
Outright sale	5,105	2,851
Shared ownership	3,111	341
	8,216	3,192

18. Debtors

Amounts receivable within one year

	Group 2014 £'000	Group 2013 £'000	Association 2014 £'000	Association 2013 £'000
Rent and service charges	4,636	4,412	-	-
Less: provision for bad debts	(3,012)	(2,612)	-	-
	1,624	1,800	-	-
Amounts due under finance lease	482	496	-	-
Loans to employees	233	346	-	-
Other debtors and prepayments	8,819	6,047	1,949	762
SHG receivable	196	1,728	-	1,559
Corporation tax	-	19	-	19
Amounts due from Group undertakings	-	-	488	350
Deferred tax	58	71	58	71
	11,412	10,507	2,495	2,761
Amounts receivable after one year				
Amounts due under finance lease	5,877	5,920	-	-
	17,289	16,427	2,495	2,761

Amounts due under finance lease

Amounts due under finance leases amount to £6,360,000. This represents the value of the finance lease at 31 March 2014 granted to CLS Care Services over The Larches in Macclesfield. The Larches is a 90 unit dementia and extra care village which was completed and the lease granted in

Notes to the financial statements

October 2007. The lease is for a period of 30 years and the substance of the lease is such that it is deemed to be a finance lease and has been treated in the financial statements accordingly.

Loans to employees

The loans to employees relate solely to the Group's car loan, travel pass and course loan scheme, the interest rate on all loans being between 3 per cent and 3.5 per cent per annum repayable by monthly instalments.

19. Creditors: amounts falling due within one year

	Group		Association	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Loans (see note 20)	10,545	8,431	-	-
Finance lease creditor (see note 20)	123	164	-	-
Trade creditors	4,742	3,586	529	783
Social Housing Grant received in advance	4,753	2,587	1,729	2,587
Other grant received in advance	-	-	-	-
Rent received in advance	1,287	923	-	-
Other tax and social security	876	936	90	90
Corporation tax	351	-	21	-
Accruals and deferred income	8,833	6,776	371	509
Recycled Capital Grant Fund (see note 23)	562	703	-	-
Disposal Proceeds Fund (see note 21)	74	74	-	-
Amounts due to Group undertakings	-	-	1,753	821
Other creditors	1,673	926	219	-
Deferred tax	419	-	-	-
	34,238	25,106	4,712	4,790

Notes to the financial statements

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

Group	2014 £'000	2013 £'000
Bank loans	291,388	273,188
Less: issue costs	(246)	(257)
	291,142	272,931
Recycled Capital Grant Fund (see note 23)	309	298
Disposal Proceeds Fund (see note 21)	521	152
Other grants	160	201
Finance lease creditor	50	173
	292,182	273,755

Debt Analysis

Group	2014 £'000	2013 £'000
Debt on bank loans repayable as follows		
In five or more years	252,129	254,409
Between two and five years	30,649	16,288
Between one and two years	8,610	2,491
	291,388	273,188
In one year or less	10,545	8,431
	301,933	281,619

Housing loans from lending institutions are secured by specific charges on some of the Group's housing properties and floating charges over the Group's assets and are repayable at rates of interest of between 1.3% and 10.73%.

The level of undrawn facilities at the year end stands at £25.8 million (2013: £44.6 million).

Debt on finance leases repayable as follows	2014 £'000	2013 £'000
	123	164
Between one and two years	50	123
Between two and five years	-	50
After five years	-	-
	173	337

Finance leases are secured on the assets to which they relate.

Notes to the financial statements

21. Disposal proceeds funds

Group	2014 £'000	2013 £'000
At 1 April	226	120
Grant recycled upon relevant events	368	106
Interest credited	1	
Balance at 31 March	595	226

Disclosed as:

	2014 £'000	2013 £'000
Due within one year (see note 19)	74	74
Due after one year	521	152
	595	226

22. Deferred tax

	Group		Association	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
At 1 April	(71)	(113)	(71)	(113)
Origination and reversal of timing differences	555	24	34	24
Prior year adjustment	(123)	18	(21)	18
At 31 March	361	(71)	(58)	(71)
Deferred tax asset (note 18)	(58)	(71)	(58)	(71)
Deferred tax liabilities	419	-	-	-
Net deferred tax liability/(asset)	361	(71)	(58)	(71)
Comprising:				
Accelerated capital allowances	389	(71)	(58)	(71)
Fixed asset timing differences	(28)	-	-	-
Net deferred tax liability/(asset)	361	(71)	(58)	(71)

Notes to the financial statements

23. Recycled capital grant fund

Group	2014 £'000	2013 £'000
At 1 April	1,001	1,077
Additions to fund	94	155
Interest credited	5	6
Utilised in the year	(229)	(237)
At 31 March	871	1,001
Disclosed as:		
Amounts falling due within one year	562	703
Amounts falling due after one year	309	298
	871	1,001

24. Share capital

	2014 £	2013 £
Shares of £1 each issued and fully paid		
At 1 April and 31 March	8	8

The shares provide members with the right to vote at general meetings but do not provide any rights to dividends or distributions. The members' liability is limited to £1 on a winding up of the Association.

Notes to the financial statements

25. Reserves

	Revenue reserve	Furniture equipment replacements (Designated)	Revaluation reserve	Tenant invest reserve (Designated)	Total 2014
	£'000	£'000	£'000	£'000	£'000
Group					
At 1 April	14,732	1,184	(8,358)	42	7,600
Surplus for year	4,798	-	-	-	4,798
Transfers	(1,406)	133	1,286	(13)	-
Actuarial gain on defined benefits pension	3,180	-	-	-	3,180
Fixed asset revaluation	-	-	354	-	354
At 31 March	21,304	1,317	(6,718)	29	15,932

Association

	Revenue reserve 2014	Revenue reserve 2013
	£'000	£'000
At 1 April	4	16
Deficit for year	107	(12)
At 31 March	111	4

Notes to the financial statements

26. Note of historical cost surpluses and deficits

Group	2014 £'000	2013 £'000
Reported surplus on ordinary activities before taxation	6,338	3,267
Realisation of property revaluation loss	-	-
Historical cost surplus on ordinary activities before taxation	6,338	3,267
Historical cost retained surplus for the year	6,338	3,267

27. Notes on the cash flow statement

a) Reconciliation of operating surplus to net cash inflow from operating activities

	2014 £'000	2013 £'000
Operating surplus	16,580	14,363
FRS 17 adjustment	(63)	(552)
Depreciation/amortisation/impairment	10,260	8,844
Share of JV surplus	(10)	(6)
Movement in stock and properties held for sale	948	1,017
Movement in debtors	(2,425)	(2,393)
Movement in creditors	5,542	3,963
Net cash inflow from operating activities	30,832	25,236

Notes to the financial statements

27. Notes on the cash flow statement (continued)

b) Reconciliation of net cash inflow to movement in net debts

	2014 £'000	2013 £'000
Change in cash in the year	3,319	1,369
Cash flow from movement in debt	(20,161)	(21,009)
Movement in net debt	(16,842)	(19,640)
Net debt at 1 April	(276,654)	(257,014)
Net debt at 31 March	(293,496)	(276,654)

c) Analysis of changes in net debt

	At 1 April 2013 £'000	Cash flow £'000	At 1 April 2014 £'000
Cash at bank and in hand	5,045	3,319	8,364
Loans	(281,362)	(20,325)	(301,687)
Finance leases	(337)	164	(173)
	(281,699)	(20,161)	(301,860)
Change in net debt	(276,654)	(16,842)	(293,496)

Notes to the financial statements

28. Capital commitments

Group

	2014 £'000	2013 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	36,691	9,576
Capital expenditure that has been authorised but not yet contracted for	13,524	51,377
	50,215	60,953

The Group expects to finance the above commitments by:

	2014 £'000	2013 £'000
Social Housing Grant receivable	8,863	6,124
Loan facilities, shared ownership staircasing sales and other trading cash flows	41,352	54,829
	50,215	60,953

29. Commitments under operating leases

As at 31 March 2014, the Group had annual commitments under non-cancellable operating leases as follows:

	2014 £'000	2013 £'000
Land and buildings		
Operating leases which expire:		
Less than 1 year	-	-
In two to five years	370	75
In five to ten years	-	300
	370	375

Notes to the financial statements

29. Commitments under operating leases (continued)

	2014 £'000	2013 £'000
Other		
Operating leases which expire:		
Less than 1 year	496	428
In two to five years	546	533
	1,042	961

The payments which the Association is committed to make in the next year under operating leases are as follows:

	2014 £'000 Other equipment	2013 £'000 Other equipment
Leases expiring:		
Within one year	-	-
One to five years	7	7
	7	7

30. Guarantee

The Homes and Communities Agency (HCA) have committed £2m of development funding to Three60 limited, with a scheme completion date of March 2015. Plus Dane Housing Group has provided a parent company guarantee to the HCA in respect of this funding. The maximum liability in respect of this guarantee being the amount drawn at any specific time not to exceed the £2m facility. No monies have been drawn to date.

Plus Dane Merseyside has provided a guarantee to three60 Property Investors Limited, a fellow group undertaking, for £10.5m. The guarantee is next due renewal on 17 September, 2017.