
ORIGIN HOUSING LIMITED

ANNUAL ACCOUNTS

YEAR ENDED 31 MARCH 2015

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BOARD MEMBERS, EXECUTIVE DIRECTORS, ADVISORS AND BANKERS**Board Members**

Chair Colin Sherriff
 Vice Chair Alison Lowton (resigned as Vice-Chair December 2014 and as Board Member April 2015)
 Nicky Wilden (appointed Vice Chair December 2014)

Other Members

Phillip Dawson (resigned August 2014)
 Karen Wilson
 Dayna Byfield
 Suzanne Davies
 Jolyon Griffiths
 Anne Bowers
 Mash Halai
 Mary Gibbons (appointed December 2014)
 Stephen Mutton (appointed April 2015)
 Steve White (co-opted April 2015)

Chair of Audit & Risk Committee
 Chair of Governance Committee
 Chair of Investment Committee

Suzanne Davies
 Nicky Wilden
 Jolyon Griffiths

Executive Directors

Chief Executive
 Director of Finance
 Director of Development
 Housing Services Director
 People Services Director

Karen Wilson
 Chris Trebilcock
 Gareth Jones
 Manpreet Dillon
 Cathy McCarthy

Registered office

St Richard's House
 110 Eversholt Street
 London NW1 1BS

Registered number

Incorporated as a charitable social landlord under the Co-operative and Community Benefit Societies Act 2014, No: 10008R

Registered by the Homes & Communities Agency, No: L0871

Auditors

BDO LLP
 2 City Place
 Beehive Ring Road
 Gatwick
 West Sussex
 RH6 0PA

Internal Auditors

Baker Tilly, The Pinnacle 170 Midsummer Boulevard, Milton Keynes
 Bucks.
 MK9 1BP

Principal Solicitors

Trowers & Hamblins
 3 Bunhill Row,
 London, EC1Y 8YZ

Bankers

Royal Bank of Scotland
 189-191 Camden High Street
 London NW1 7BP

REPORT OF THE BOARD

The board presents its report and the group's audited financial statements for the year ended 31 March 2015.

Principal activities

Origin Housing Limited ('the association') is a charitable registered provider of social housing administered by a board, all the members of which are paid. The association's principal activities are the development and management of housing (affordable, sheltered, supported, keyworker, shared ownership, rent to homebuy, leasehold) and the provision of care and support services. 'The group' consists of the association and the subsidiaries listed in note 14, 'Investment in subsidiaries', to the financial statements. The activities of the group are detailed in the Operating and Financial Review on pages 7 to 18 of the financial statements.

Business review

Details of the Group's performance for the year and future plans are set out in the Operating and Financial Review that follows this report of the Board.

Legal status

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

Housing property assets

Details of changes to the Group's housing property assets are shown in note 11 to the financial statements. Housing property values are considered in the Operating and Financial Review.

Reserves

After transfer of the surplus for the year of £11.6m (2014: £5.0m), at the year-end Group reserves amounted to £113.2m (2014: £95.1m).

Donations

The Group did not make any donations during this or the previous financial year.

Payment of creditors

In line with Government guidance, our policy is to pay purchase invoices within 30 days of receipt, or earlier if agreed with the supplier.

Financial instruments

The Group's approach to financial risk management is outlined in the Operating and Financial Review.

Employees

The strength of the Group lies in the quality of all its employees. In particular, our ability to meet our objectives and commitments to tenants in an efficient and effective manner depends on their contribution. Our aim is that staff are engaged, motivated, high performing and proud to work for Origin. Becoming an employer of choice for a diverse group of people, representative of our communities is an important part of this and is part of our commitment to equality and diversity.

The Group shares information on its objectives, progress and activities through regular office and departmental meetings involving board members, the senior management team and staff.

Severance and Redundancy Payments

The total severance and redundancy payments made during the year were £10,526 (2014: £50,298) relating to 4 (2014: 8) individuals.

Health and safety

The board is aware of its responsibilities on all matters relating to health and safety. The group has prepared detailed health and safety policies and provides staff training and education on health and safety matters.

Board members and executive directors

The board members and the executive directors of the group together with changes that have occurred during the year are set out on page 2. The board members are drawn from a wide background bringing together professional, commercial and local experience.

The performance of individual board members is reviewed annually by the Chair. An independent consultant conducts the appraisal of the Chair with input from the board and executive directors. The Chair and Chief Executive received remuneration throughout the year, other members received remuneration from 1 October 2014. Board member remuneration is disclosed in note 9 to the accounts.

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

REPORT OF THE BOARD (CONTINUED)**Service contracts**

The Chief Executive is appointed on a permanent contract on 6 months' notice. The other executive directors are employed on 3 months' notice. Details of the executive directors' remuneration packages are included in note 9 to the audited financial statements.

Pensions

The executive directors and most staff are members of one of the Social Housing Pension Scheme (SHPS) schemes: SHPS defined benefit final salary pension scheme; SHPS defined benefit career average earnings pension scheme; or the SHPS defined contribution scheme. The executive directors participate in the scheme on the same terms as all other eligible staff. The association contributes to the schemes on behalf of its employees. The details of the schemes are explained in note 8 to the accounts.

NHF Code of Governance and Code of Conduct

Origin Housing Limited has adopted the NHF Code of Governance and has complied with its provisions.

Following an annual review and assessment return to the regulator, the board can confirm that Origin Housing Limited complies with the Code of Governance, and the board and executive team are committed to upholding the code, and to adhering to the high standards of conduct set out in the NHF Code of Conduct.

The membership of the Origin Housing Board provides a cross section of experience that is designed to support and challenge the executive team. The board is supported by the Audit and Risk Committee, Investment Committee and Governance Committee.

Resident involvement

The group encourages resident involvement in decision-making by promoting mechanisms of resident involvement. Examples include the scrutiny panel and service specific panels. As at 31 March 2015 the group had one resident board member.

Internal controls assurance

The board is responsible for maintaining a sound system of internal controls within the group/association and for reviewing its effectiveness. It delegates the ongoing review of controls to the Audit and Risk Committee and the board receives an annual report from the executive and Audit and Risk Committee.

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

In fulfilling these responsibilities the board has ensured that the process for identifying, evaluating and managing the significant risks faced by the association is a continuing process and is embedded in the day-to-day management and governance processes. This has been in place for the year under review and up to the date of the approval of these accounts and report.

The board has agreed a number of key policies designed to ensure effective internal controls including;

- a Risk Management Policy and framework
- the Rules and Standing Orders of the association (including terms of reference for boards and committees)
- a set of delegated powers detailing responsibilities for expenditure and authorisation of payments
- a comprehensive set of financial and operating policies and procedures covering all aspects of the business
- a risk based approach to internal audit reviews
- code of conduct for board members and staff
- a policy on regular performance reporting to the board
- Treasury Management Policy and Strategy with bi-annual reviews provided to the Investment Committee together with updates on the current position included in the quarterly management accounts provided to the board.

The board has in place a comprehensive process to review the effectiveness of the association's and group's system of internal controls. This includes all of the following elements;

Identifying and evaluating key risks and the control environment

- reviews of the risk management framework
- a strategic risk register linked to the association's key business plan objectives
- a three times a year review of the strategic risk register and internal controls by the Audit and Risk Committee
- Board review of strategic risks twice a year
- a strategic risk register reviewed quarterly by the executive
- a 5 year business plan developed from a 30 year planning model

REPORT OF THE BOARD (CONTINUED)

- a specific review of high level business plan risks as part of the annual review of the business plan
- reports to the Audit and Risk Committee and board on any significant changes affecting key risks
- an Executive Investment Panel and an Investment Committee which reviews the financial and other risks attached to all new business initiatives within parameters agreed by the board
- a Risk Assessment Panel which reviews other risks apart from new business initiatives and funding issues

Information and reporting systems

- an annual budget agreed before the beginning of each financial year
- quarterly performance reports to boards
- quarterly management accounts to the board
- a monthly balanced scorecard report reviewed by the executive and senior managers covering all key performance areas
- an annual review of performance and setting of new targets by the board
- an annual review of the Business Plan by the board
- minutes of the Audit and Risk Committee considered by the board
- minutes of the Risk Assessment Panel considered by the Audit and Risk Committee
- minutes of the Executive Investment Panel considered by the Investment Committee
- reports to the board on any fraudulent activity
- reports from the regulator on regulatory matters are reviewed by the board

Monitoring arrangements on control issues

- a regular programme of internal audit reviews based on the risk map and reported to the Audit and Risk Committee consisting of non executive directors and an independent co-opted member.
- an annual report from the Internal Auditor to the Audit and Risk Committee
- a regular review by the Internal Auditor of the completion of internal audit recommendations, reported to the Audit and Risk Committee
- review of external audit management letters and action taken by officers
- a three times a year review of strategic risks and controls by the Audit and Risk Committee
- a quarterly review by the executive of strategic risks
- the annual report by the executive team to the Audit and Risk Committee and board on the effectiveness of internal controls

This process culminates in an annual report by the executive team on the effectiveness of internal controls to the Audit and Risk Committee and a subsequent report from the Audit and Risk Committee to the board.

Going concern

After making enquiries, the board has a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Annual general meeting

The annual general meeting will be held on 26 August 2015 at St. Richard's House, 110 Eversholt Street, London, NW1 1BS.

Disclosure of information to auditors

At the date of making this report each of the association's board members, as set out on page 2, confirm the following:

- so far as each board member is aware, there is no relevant information needed by the association's auditors in connection with preparing their report of which the association's auditors are unaware
- each board member has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant information needed by the association's auditors in connection with preparing their report and to establish that the association's auditors are aware of that information.

REPORT OF THE BOARD (CONTINUED)

External auditors

BDO LLP will be proposed for reappointment at the forthcoming annual general meeting.

The Report of the Board was approved by the board of Origin Housing Limited on 26 August 2015 and signed on its behalf by:



C Waterer
Company Secretary

OPERATING AND FINANCIAL REVIEW

Background

Activities

The principal activities of Origin Housing Limited ("Origin") and the group are to provide quality affordable homes and effective management services, to meet the needs of customers and to build sustainable communities in North London and Hertfordshire.

Origin is a dynamic and diverse organisation that owns and manages over 6,000 properties, including:

- general needs and affordable housing for rent, for households who are unable to rent or buy at open market rates;
- sheltered retirement accommodation for older people; supported housing and care for people who need additional housing-related support or additional care;
- intermediate rented housing for key workers; and
- low-cost home ownership, primarily shared ownership where residents purchase a share in the equity of their homes and pay rent to the Association on the remainder.

As well as owning and managing these properties, Origin develops new affordable housing and through its Connected Partnership is one of the associations selected by the GLA and HCA as a development partner.

Statement of compliance

In preparing this Operating and Financial Review, the Board has followed the principles set out in Part 3 of the SORP 'Accounting by Registered Social Housing Providers Update 2010' and 'The Accounting Direction for Private Registered Providers of Social Housing 2012' published by the Homes and Communities Agency.

Objectives and strategy

The objectives and strategies are set out in a business plan which is reviewed annually and approved by the Board. The overarching goals are:

- Remain a strong, growing business focused on North London and Hertfordshire.
- Make best use of our resources to provide more homes and services across a range of tenures and needs.
- Grow and diversify our care and support services. Origin acquired Lee Housing Association Limited (LHA) via a transfer of engagements on 30 September 2014.
- Provide high quality, sustainable homes that meet customers, needs and expectations. All our homes meet or exceed the decent homes standard and our 2014/15 business plan is predicated on delivering 200 to 300 new homes per annum.
- Focus on services that really matter to our customers.
- Undertake profit making activities to subsidise our charitable objectives. Our 2014/15 Business plan assumes that 20% of new developments would be private sale.
- Work in partnership to support our residents and their communities.
- Recruit and retain talented people.

The Origin Housing Board believe that despite the uncertainty in the sector, the Association and Group with a financially robust business plan is well placed to continue to develop more affordable homes sustaining growth while delivering the services to our tenants and customers they want and need.

Financial position

The financial results for Origin are set out on pages 21 to 58. The following tables and paragraphs highlight key features of Origin's financial position at 31 March 2015.

The turnover for the year of £57.9m shows a rise from last year's figure of £50.8m, largely as a result of the acquisition of Lee Housing Association. Also, turnover from social housing lettings has increased from 2014/15 (2015: £40.2m ; 2014: £34.9m as shown in Note 2) with a 7% growth in social housing units under management combined with rent increases applied in line with the HCA formula generating an increase of 3.2%. The remainder of the increase is due to improved first tranche shared ownership sales and outright sales.

Origin is pleased to report an operating surplus before taxation of £19.4m (2014: £12.4m) which together with our surplus on the sale of fixed assets of £3.2m (2014: £2.5m) contributed to the year-end reserves of £113.2m (2014: £95.1m).

It is the aim of Origin to improve its operating surplus over the coming years, with efficiency savings planned through service reviews and other initiatives ensuring resources can be reallocated to improve service delivery and the development of new homes.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Cash inflows and outflows during the year are shown in the consolidated cash flow statement on page 26.
The net cash inflow from operating activities was £12.2m (2014: £11.5m).

For the year ended 31 March	2013	2014	2015
	£'000	£'000	£'000
Group Income and Expenditure Account			
Turnover	45,620	50,801	57,892
Cost of sales	(5,946)	(7,271)	(5,853)
Operating costs	<u>(28,180)</u>	<u>(31,114)</u>	<u>(32,660)</u>
Operating surplus	<u>11,494</u>	<u>12,416</u>	<u>19,379</u>
Surplus for the financial period	<u>4,150</u>	<u>4,936</u>	<u>11,617</u>
Group Balance Sheet			
Housing properties, net of depreciation	499,568	539,222	575,766
SHG and other capital grants	<u>(230,647)</u>	<u>(235,493)</u>	<u>(241,836)</u>
Housing properties net of grants	268,921	303,729	333,930
Other tangible fixed assets at cost or valuation	<u>37,016</u>	<u>38,094</u>	<u>43,658</u>
Tangible fixed assets	305,937	341,823	377,588
Net current assets	<u>15,164</u>	<u>18,601</u>	<u>27,580</u>
Total assets less current liabilities	<u>321,101</u>	<u>360,424</u>	<u>405,168</u>
Creditors: Amounts falling due after more than one year	231,990	265,275	292,017
Revaluation reserve	23,223	24,325	30,710
Revenue reserve	64,870	69,848	81,443
Designated reserves	<u>1,018</u>	<u>976</u>	<u>998</u>
Reserves	89,111	95,149	113,151
	<u>321,101</u>	<u>360,424</u>	<u>405,168</u>
Housing stock - Social	5,309	5,473	5,837
Housing stock - Non-Social	531	540	598
Managed stock	-	-	-
Total	<u>5,840</u>	<u>6,013</u>	<u>6,435</u>

Some significant financial performance measures are provided in the table below:

	2013	2014	2015
Interest cover (operating surplus excluding depreciation divided by interest payable)	1.8	1.8	2.3
Liquidity (current assets divided by current liabilities)	1.7	2.0	2.5
Gearing (total debt as a % of gross historic cost of housing properties)	46.0%	49.2%	50.7%

Both Interest cover and liquidity have improved in performance in comparison to 2013/14 results. While, Gearing has increased reflecting our ongoing development program and the reduction in grant funding.

OPERATING AND FINANCIAL REVIEW (CONTINUED)**Accounting policies**

Origin's accounting policies are set out on pages 30 to 32. The accounting policies that are most critical to the financial results relate to accounting for housing properties and include: capitalisation of interest and development costs; deduction of capital grant from the cost of assets; housing property depreciation; and the treatment of shared ownership properties. Origin has implemented component accounting (as recommended by SORP 2010) for its fixed assets. The accounts also reflect the Homes and Communities Agency's 'Accounting Direction for Private Registered Providers of Social Housing 2012'.

The year ended 31 March 2016 will be the first year under which the accounts will have to be prepared in accordance with FRS102. There will be a significant change to the format of the statutory accounts and the accounting treatment of grants, loans, pensions and property assets will change significantly. No benefits are expected to be derived from the changes. However, there will be the need to work with our funders to redefine our loan covenants.

Housing properties

At 31 March 2015 Origin owned and managed 6,435 housing properties. This shows an increase on the 2014 figure (6,013), with increases in all tenures other than Rent to Homebuy and residential care homes, as a result of new developments completing in the year, and an acquisition of Lee Housing Association. The properties are carried in the balance sheet at cost (after depreciation and capital grant) of £333.9m (2014: £303.7m).

The investment in new and existing housing properties this year was funded through a mixture of Social Housing Grant, loan finance, working capital and the proceeds from the sale of assets.

Pension costs

Origin participates in the Social Housing Pension Scheme ('SHPS'). The scheme is funded, and is contracted out of the state scheme. SHPS is a multi-employer defined benefit scheme which means there is no requirement to reflect any potential long term liability in the financial statements, although this will change next year, as a consequence of the new FRS102 requirements. The triennial actuarial valuation and benefits review was undertaken 30 September 2014.

All eligible new starters are automatically enrolled into the Pension scheme in line with auto-enrolment requirements employment. Afterwards, they can decide to opt out of the scheme at their discretion.

Capital structure and treasury policy

A further £7m of debt facilities were negotiated during the year bringing our total facilities to £354.6m of which, £296.7m were drawn at year end. The undrawn £58m together with the cash in hand of £8.5m at year end provides the necessary funding for our development programme for the next couple of years and exceeds our contractual commitments of £4.8m at 31 March 2015. Origin operates the policy of not entering into contractual commitments in excess of its available undrawn facilities and seeks to maintain prudent headroom over all its financial covenants.

External influences and the Operating Environment

Over the last year the Bank of England has maintained the historically low interest rates. However, in recent weeks concerns about underlying inflationary pressures have resulted in warnings that interest rates are likely to rise over the coming year, all be it in small incremental steps. We have certainly experienced rising development costs and increased wage pressure when recruiting technical staff. Origin is proactively reviewing its operating costs with a view to driving down costs and increase efficiencies.

Since the General Election in May there have been a series of announcements by the new government culminating in the Budget on the 8th July that will impact the social housing sector. The most significant announcements are;

- Extension of the right to buy option to Housing Association tenants, meaning eligible tenants who have lived in a house for three to five years will be entitled to a 35 per cent discount, which increases by one per cent each additional year, to a maximum discount of £77,900 outside London and £100,000 within London. For tenants living in flats, the discount starts at 50 per cent, rising by two per cent a year after five years. The discount is to be recoverable from the proceeds of the sale of high value properties currently owned by Local Authorities.
- The reduction of the cap on Welfare benefits from the current national flat rate of £26,000 p.a. per household to £23,000 in London and £20,000 outside of London. For single person households the cap is to be reduced from £18,200 p.a. to £15,400 in London and £13,400 outside of London.
- Regulated rents which comprise much of our income to be reduced by 1% per annum in absolute terms each year for 4 years commencing on 1 April 2016.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

- Housing Associations will be required to charge households earning more than £40,000 p.a. in London or £30,000 p.a. outside of London market rent or close to market rent.
- Housing Benefit will cease to be available for those under the age of 21

Local Authorities continue to experience reductions in central government funding and pressures on our Care & Support activities remain undiminished.

Much detail behind the announcements has yet to emerge but it is clear that the changes to welfare benefits will have a significant adverse impact on many of our residents and service users while the contraction in our income streams will necessitate a reappraisal of our business plan over the coming months. The announcements create a fundamental challenge for all Housing Associations including Origin and will require us to realise significant efficiencies in our operations.

VALUE FOR MONEY (VFM) SELF ASSESSMENT 2014/15

Introduction by Chair of Origin Housing Board

Value for Money (VFM) is a very important part of Origin's business. It supports our vision of 'Great Homes', 'Positive People' and 'Strong Communities', our business plan and our overall day-to-day work. 'Adding value' is one of our five values and we have developed specific competencies for recruiting and developing our people in this area. It is also fundamental to the Board's approach to governance. As Chair of the Board of Origin Housing I and my Board colleagues are committed to embedding VFM across the business, particularly in shaping our approach to service delivery, planning and project management. Through tools like our asset management software and participation in benchmarking groups, Origin is committed to providing services which achieve high operational performance and customer satisfaction, while controlling and where possible reducing costs. This is for the benefit of our customers and to strengthen the business so we can deliver more affordable homes.

The Board considers that this report accurately and fairly reflects the business and comments:

- We have focused successfully on those areas where we can make most impact because of the scale and significance of the activities eg the responsive repair service, income collection, use of our assets and staff engagement
- Our merger with Lee HA this year has been positive in VFM terms for the business and customers
- We are focused on reducing management costs but we are conscious that there are risks associated with this and a balance to be struck with our wider social objectives
- Our social investment programme must demonstrate its value to customers and the business and with the HACT social value model we are moving closer to this
- Our 2015/16 focus is on procurement and our investment in IT to reduce service costs and improve our digital offer in the medium term
- The July 2015 budget announcements will have a major impact on the business and require us to undertake a fundamental strategic review. This will need to include making significant reductions in operating costs from 2016 onwards.

Our approach to VFM to enable robust decision making and planning

- The Board holds overall responsibility for delivering VFM, including setting the five-year business plan and the financial model which supports it. It undertakes an annual Board strategic review, which includes consideration of VFM
- Investment Committee is responsible for decisions regarding financing arrangements and investment of those resources in more homes. Audit and Risk Committee's work includes reviewing internal audit reports that highlight operational performance
- An overall VFM strategy is in place, agreed by the Board, which includes emphasis on a culture of VFM in Origin, and centralising value for money in investment decisions and reviews of services
- The Executive team reviews business performance and delivery, including value for money elements, monthly. The Executive Investment Panel assesses investment options, takes decisions and makes recommendations to the Investment Committee
- Annual business planning takes place to drive the five year plan and VFM is embedded in the projects and key workstreams agreed each business year
- The Senior Management team has overall responsibility for the day-to-day work driving value for money, including the management of procurement and the control and effectiveness of our property assets.
- The Resident Scrutiny Panel selects areas of particular significance to residents to investigate in terms of VFM and reports back to residents annually.

Return on assets

Introduction

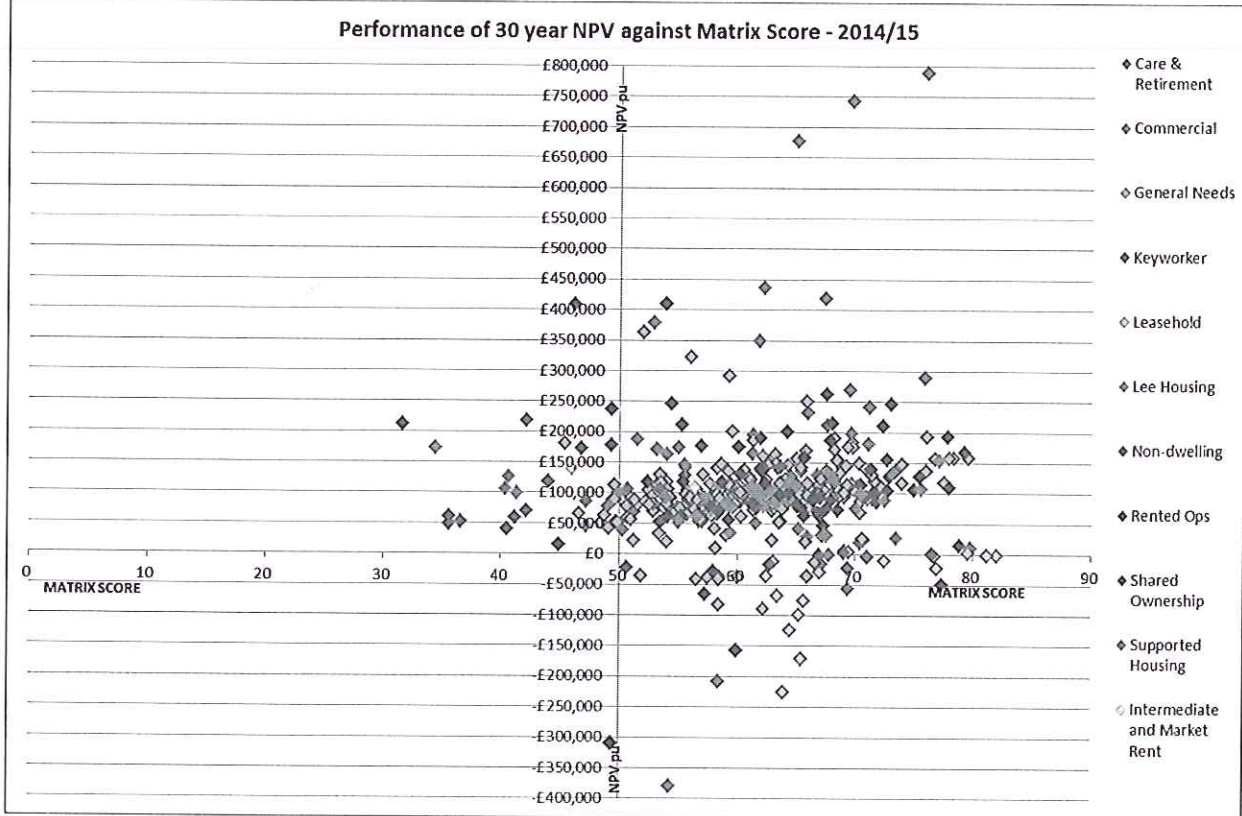
A key component of deriving value from our property asset base is to provide security for debt finance to enable us to invest in building new homes and improving our existing housing stock. The debt per property has increased consistently in the last few years, from £41,745 in 2011/12 to £50,838 at the end of 2014/15, reflecting our ongoing delivery of new homes and investment in stock. During 2014/15, Origin's revolving loan facility with RBS was increased from £8m to £15m. This was to enable us to fulfil our commitment of delivering 200 – 300 new properties annually. By careful application of our properties for security purposes 25% of our properties remain un-charged and available, enabling us to raise additional funds in the future.

We have continued to develop our asset management matrix software to enable us to monitor the social and financial value we derive from our properties and to make decisions about which of our homes to sell, convert or modernise. Properties are grouped together based either on their proximity to each other or tenure, and the Net Present Value

(NPV) per home is calculated for each group based on projected future net cash flows. As a separate exercise, a matrix score based on certain financial criteria, socio economic measures from the Office of National Statistics and the local experience of our front line staff is calculated for each property group.

In 2014/15 we included the 359 homes acquired from the takeover of Lee Housing (a small housing association providing services to single homeless people), our commercial portfolio and 'secondary units' which are non accommodation rentable areas like parking bays and sheds. This has increased the number of asset groups from 338 in 13/14 to 459 in 14/15.

The scattergram below shows us the relative performance of each property group and enables us to focus on those which are underperforming from both a financial perspective and a wider socio economic view point, and to develop an appropriate response.



Since 2013/14 the number of property groups with a negative NPV and/or an asset matrix score of less than 50 has increased from 27 to 39 (which equates to 231 homes) due to the additional inputs to the matrix which has increased the number of asset groups and further refined the pre-existing groups. We still need to look further at properties which have a low matrix score and/or low NPV, for example certain key worker accommodation, and will be carrying out options appraisals to take a view on the future of these assets after further data validations.

The Asset review group has worked on 27 asset groups comprising 775 dwellings that were underperforming. In the last year the performance of these has started to show some improvements with the Matrix score rising from 45 to 57 and the average NPV increasing by £2000 a unit. Much of this relates to major pieces of work (disposal, remodelling, changing customer groups) where the results will not feed through for at least another year. There are examples in the next section of these initiatives.

An example of an immediate improvement is in our keyworker stock where the average NPV has increased by 11% following intensive work to improve letting performance.

The matrix is an improving tool. The changes and additions during the year have increased the detail available for analysis and have helped to build the priorities for our regeneration programme and our decisions on conversions and disposals, reflected in the 2015/16 plans.

Improving the performance of our assets

Disposals

In 2014/15 we committed to dispose of at least five properties. This was achieved by selling some of the worst performing assets: 31 Mornington Crescent for £1.85m, and Ambassador House for £1.6m. The resulting funds were largely fed into our regeneration programme to modernise older blocks of accommodation in Camden.

Conversions

As part of our ongoing remodelling project, we converted Speedwell House, formerly retirement housing accommodation, into a 'Sheltered Plus' scheme with 25 flats providing higher levels of support including an overnight service. As part of the conversion Origin invested £400k in new kitchens, level access showers, and a warden call system, improving financial performance and sustainability. This resulted in additional annual income for the intensive housing management service of over £92k a year.

We converted 100 Pratt St in Camden. This was previously a supported, shared scheme that was underused and decommissioned by the London Borough of Camden. We remodelled it to supported student housing let at market rents and with high specification furnishings and decorations. The 4 flats will now bring in additional income of over £7.3k income per year.

We also converted 25 homes into Affordable Housing units - 19 in London and 4 outside London, which produced a £100k surplus.

We have continued to develop our hospital accommodation in response to the changing needs of the key worker market, providing more shared accommodation, and have commenced negotiations on the redevelopment of less popular accommodation in Stevenage.

Reinvestment in existing stock

During 2014/15 we spent £8.67m on capital maintenance, as planned. Broken down by business stream this is:

Business Stream	Spend (£000)
Affordable rents/intermediate rent	1,690
Commercial properties	240
Leasehold/shared ownership	196
General Needs	3,232
Care and Support	225
Retirement Housing	1,289
NHS Hospital sites	90
Secondary units (sheds, parking spaces etc)	9
Communal areas	367
Other	1,333

We replaced 360 boilers, 124 kitchens and bathrooms. 57 homes benefitted from external wall insulation, which also levered in £84k of external energy company obligation grant. The boiler and cladding works satisfied the requirements of a preferential loan provided by the European Investment Bank. The overall £12.1m investment in planned maintenance also included external decorations, window replacements, roofs and other health and safety related works. The average customer satisfaction with the planned maintenance service was 85.4% for the 2014/15 year, which is slightly under the target of 90%. We will be concentrating in 2015/16 on making improvements to the customer consultation process for future planned maintenance schemes.

We have achieved an improvement the energy efficiency rating of properties during the year partly as a result of our thermal cladding programme - at the start of the year 2014/15 380 homes had a thermal rating below D – by the end of the year 123 of those had been improved to D or above. Many of these homes are occupied by older people, where the improvements have tackled fuel poverty issues and increased tenancy sustainability. Our target remains to bring all homes to at least a D rating by 2017 – as well as improving lives of customers, these improvements clearly demonstrate the environmental requirements of the HCA Value for Money standard.

In 2015/16 we plan to:

- Continue the Origin regeneration programme to improve the quality of older accommodation
- Agree the disposals of two commercial assets which we expect to deliver a receipt of £1.5m in 2016/17
- Carry out an asset review of the transferred Lee Housing stock
- Use the asset matrix to drive 40 more conversions over the life of the development programme

- Carry out a CROHM - Carbon Reduction Options for Housing Managers – Housing stock assessment which will provide a detailed assessment of the most cost-effective options for improvement, addressing fuel poverty issues and improving SAP scores
- Identify schemes where we can build additional stories on lower rise blocks to lever in additional capital and diversify tenure
- Convert a number of homes previously let under a Camden Council Homeless Family Initiative, into a supported housing scheme for young people at risk
- Finalise redevelopment proposals for unpopular hospital accommodation

Development Activities

We completed the build of 76 homes during 2014/15, the remainder of our 2011-15 Affordable Housing Programme (in 2013/14 there were 239 homes completed), with the total cost of £21.1m being in line with budget. In the same year we generated £2.5m surplus from sales, which will be reinvested in our future development programme.

There will be a significant shift in the funding of new developments over the coming years, as illustrated in the table below.

	3 Years to 31 March 2015	3 Years to 31 March 2018
New homes completed	502	692
<u>Investment</u>	£m	£m
New homes	122.8	94.3
Existing homes	24.1	30.9
	<u>146.9</u>	<u>125.2</u>
<u>Sources of Funding</u>		
Grant funding	17.3	11.9
Loan funding (net of refinancing)	83.5	71.8
	<u>100.8</u>	<u>83.7</u>
Funding from own resources	<u>46.10</u>	<u>41.50</u>
	31%	33%

The overall scale of our development programme remains unchanged at present. However, the strategic review we will be undertaking in 2015/16 may result in plans and targets being amended.

In response to reduced grant rates and anticipated increased costs Origin will be building a proportion of homes for private sale (20% of projected completions) to fund social housing. Most of the private sale homes will be carried out as Joint Ventures to share the risks and returns with developer partners. The sharing of costs for homes carried out by Joint Venture is reflected in the reduced cost per unit for new developments to be completed in the three years up to March 2018. The proportion of shared ownership completions over the same period will be 33% of the total.

During the year we achieved over £275k in savings via the Connected Partnership through the framework arrangements for procuring consultant services at competitive fees, sharing key programme management staff and jointly procuring training and other services.

Origin has been awarded £7.83m by the GLA and HCA in grant funding for the 3 years to March 2018 to deliver 134 affordable and 184 shared ownership homes (total 318 homes) in that time. We anticipate that further grant funding will be available for development schemes that emerge over this period.

In 2015/16 we plan to:

- Implement joint venture proposals for two major schemes of 120 homes each in Harrow
- Achieve start on site for a pipeline of 398 new homes at a total scheme cost of £99.7m
- Seek GLA funding to achieve better value for money regarding the sales programme
- Benchmark the costs/productivity of the Origin development team

Financial return on Investment

We also compare certain indices against the Global Accounts for the sector prepared by the HCA. These provide a coarser benchmark as they cover all traditional housing associations in England many of which have very different characteristics from Origin.

Year ended 31 March	2011/12	2012/13	2013/14	*2014/15	2014/15	Budget Target	Global Accounts (median)
						2014/ 2015	2014
	£'000	£'000	£'000	£'000	£'000	£'000	£m
Turnover	43,102	45,620	50,801	52,193	57,892	51,540	9,914
Operating Surplus	8,533	11,494	12,416	13,680	19,379	12,066	2,586
Margin	19.80%	25.20%	24.40%	26.20%	33.50%	23.40%	25.90%

* Results excluding the acquisition of Lee Housing

Operating margin - we have exceeded our target by 2.80% (10.10% with the addition of Lee Housing) because of higher rental income and improved cost control. We anticipate a margin of 25.8% in 2015/16 which is our target. Business growth together with efficiency savings planned through service reviews and other initiatives ensuring resources will all contribute.

Operating costs per property – costs in 2014/15 averaged £4418 against a budget of £4472. This is a healthy position due to the reduction in some of the discretionary spend areas – IT software costs, legal & professional, training and HR contingency costs.

Overheads

We have used the Housemark benchmarking to help us understand our costs. The table below shows our performance and how this has changed.

Overhead cost breakdown per direct user										
KPI	Sample Size	Upper	Median	Lower	Origin Housing Group (2013/2014)			Origin Housing Group (2012/2013)		
					Result	Rank	Quartile	Result	Rank	Quartile
Premises	54	3,740	5,890	7,368	5,914	28		6,293	32	
ITC	54	5,501	7,394	9,179	9,389	42		8,733	39	
Finance	54	3,030	4,045	5,212	5,142	40		3,968	27	
Central	54	7,070	9,369	12,536	12,277	39		12,321	40	

Quartile key							
	Upper Quartile	Middle Upper	Median	Middle Lower	Lower Quartile	N/A	No Data
Valid dataset							
Small dataset							

Premises – the figures include notional costs for our offices, which do not arise in cash terms because we own those offices. We have undertaken a review to assess whether this is an effective use of the asset and are satisfied that alternative office arrangements would increase costs.

ITC - costs will remain high because although we have tendered various services in the year to reduce costs, we have budgeted in 2015/16 for an increase in project based capital and revenue expenditure as part of the business's three year Customer First programme, aiming to improve Origin's ability to service customers on line, and make

investments in initiatives such as document management that in the medium term will reduce overhead costs and improve business reliability. However, savings of £130k were made within the department in 2014/15.

Central – we regularly tender services like insurance to improve VFM. We have reduced central staff costs but this area will continue to be a focus for us in the future.

Please note that it is not possible to compare Finance overheads between this year and last year due to a change in the method of calculating the data in the previous benchmarking year.

In 2015/16 we plan to:

- Achieve 10% savings on telephony through better procurement of services
- Review our overall office costs
- Use the Back Office Benchmarking service provided by our internal auditor, Baker Tilly, to pride better intelligence about these costs.

Staff Resources

Benchmarked staff absence and turnover statistics are presented below:-

KPI	2010/11 position	2011/12 position	2012/13 position	2013/14 position	2013/14 Median London /SE benchmark	2014/15 position	2015/16 target
Percentage of staff turnover	26%	33%	19%	16.44%	12.89%	24.54%	15%
Number of days sickness absence	10	8	6.8	6.05	7.72	5.38	5.5

In terms of sickness absence, we changed our Occupational Health provider late in 2013/14, so 2014/15 was our first full year of using the new company. While there was little cost difference between the two companies, our new company offers additional services which has had a marked improvement in tackling and reducing incidences of short and long term sickness.

High turnover is a concern for the organisation, although our 2014 staff survey showed staff engagement levels of 82 %, and satisfaction of staff with Origin as an employer was 84%, which our benchmarking with ORC tells us is very high. We are confident that these statistics are not due to the perceptions of staff, but more a reflection of the buoyant London employment economy and the limited career options that a company of our size is able to provide.

In 2015/16 we plan to:

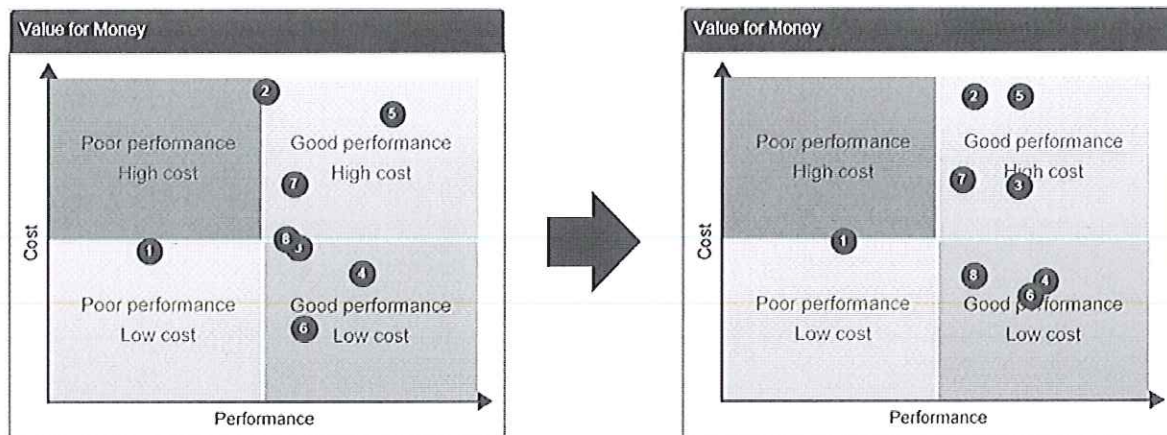
- Develop better tools for the retention of 'rising stars' and the utilisation of more trainee and development roles
- Outsource pre - employment checks to speed up the process of recruiting and reducing the cost of recruiting short term temporary staff until permanent staff are in place, particularly relevant for services to vulnerable customers

Performance management of VFM

Origin subscribes to a national benchmarking organisation, Housemark, to monitor the cost, quality and performance of its key services from year to year. The tables below show the progress that Origin has made year on year with the aim of moving all key services into the 'Good performance, low cost' quadrant of the graphs. These show results up to the end of the most recent Housemark audited year - 2013/14 compared to the previous year:

2012/13

2013/14



1. Responsive repairs and void works	4. Major works and cyclical maintenance	7. Resident involvement
2. Rent arrears and collection	5. Lettings	8. Estate services
3. Anti-social behaviour	6. Tenancy management	

The key changes from 2012/13 to 2013/14 have been:

- A reduction of total costs of housing management from £679.89 per home to £658.49 per home
- A reduction of the direct costs of income and rent arrears collection from £180.64 per home to £140.23 per home
- An increase in the direct cost of tenancy management from £59.44 per home to £61.56 per home
- Static performance on responsive repairs and maintenance and rent arrears and collection (although this should be seen against the increased performance in these areas in the 2014/15 figures contained in the table below).

Origin also uses a set of key performance indicators, agreed with our Board, to assess the cost, performance and quality of each of its key services and benchmarks them where this is possible. We analyse our end of year financial information and set targets for the forthcoming financial year as part of our business planning process. Origin's objective is to achieve an improvement on performance that is at least comparable to that achieved by its peers. These are the results at the end of the 2014/15 year, which show the position one year on from the Housemark benchmarking above. Note that during the year 422 homes were added to the stock - 359 units which were former Lee Housing stock, and 76 new development homes:

Type	Indicator	2013/14 London Housemark Benchmark (top quartile)	2013/14 London Housemark Benchmark (median quartile)	Actual 2013-14	Target 2014-15	Actual 2014-15	Result	Target 2015-16
Overall Service								
Cost	Total £ operating costs per property	TBA	N/A	4329.00	5,656	4333.00		5656
Performance	Total overheads as a percentage of operating costs (%)	N/A	N/A	39.80	33.7	37.80		33.68
Quality	% Overall satisfaction with landlord services	81.45	77	75.19	79.0	77.16		79.00
Responsive Repairs								
Cost	Total £ cost per property of responsive repairs	426.01	508.87	647.85	685	612.85		685.00
Performance	Average time to complete non urgent repairs (days)	6.93	9.89	11.00	10.00	12.00		10.00
Quality	Overall satisfaction with repairs service	95	90.2	86.00	90	91.00		90.00
Planned Maintenance								
Cost	Improvement works spend per property	1289.2	1760.1	1317.00	1,447	1290.32		1447.00
Performance	Average SAP rating of properties (%)	71.1	69	72.00	72	73.00		73.00
Quality	Overall satisfaction with the condition of the property	80.95	76.4	77.80	76	74.60		76.00
Empty Properties (Voids)								
Cost	Void Works Total Cost Per Property	109.17	140.13	125.80	150.8	97.84		125.00
Performance	Average time in days to re-let empty properties	24.78	29.71	24.50	25.00	20.58		25.00
Quality	% resident satisfaction with their new home	N/A	N/A	76.09	90	91.76		90.00
Income								
Cost	Total cost per property of rent arrears and collection	114.77	139.02	165.96	155	100.62		155.0
Performance	Current tenant rent arrears as a % of rent due (excluding voids)	3.19	3.78	3.61	4	4.40		4.0
Quality	% of tenants evicted as a result of rent arrears during the year	0.26	0.32	0.21	0.3	0.24		0.3
Tenancy & Estate Management								
Cost	Total cost per property of antisocial behaviour	48.75	69.93	39.05	44	37.95		44.0
Cost	Total cost per property of estate services	223.51	283.37	225.60	230.9	205.75		230.9
Quality	Satisfaction of residents with neighbourhood as a place to live	80.87	78.9	86.04	80	81.63		80.0

*Taken from HCA Global Accounts

	2013	2014	2015	Global Accounts 2014 (median)
Management cost per home	£963	£1,047	£1,055	£990
Revenue maintenance expenditure per home	£1,036	£970	£1,166	£1,000

Our management cost per home of £1,055 has remained broadly in line with the previous year's performance of £1,047, which is a favourable result when allowing for inflation and taking into consideration that most of our stock is within Central London. Nevertheless, reducing our management costs continues to be our priority of the coming years.

The increase in the repair cost per unit is largely due to increased volume of properties becoming void and an increase in the level of responsive repair related costs. We are in the process of agreeing a new repairs price framework (Price per Property model) with our current repairs contractor – Gilmartins, which is expected to facilitate tighter budgetary control – particularly with responsive repairs.

Customer Services

We have continued to develop our on line offer via the customer portal available through our website. We now have over 200 customers registered with the new site, carrying out over 1000 transactions over the year, most of which would previously have been carried out by telephone.

We are now in the second year of our co-located customer service centre with a repairs service staffed by our responsive repairs contractor employees and an increasing number of other enquiries being handled by the Origin contact centre. Satisfaction with contact centre staff closed the year at 87%, up from 80% at the end of the previous year.

In 2014/15 we embarked on a three year change programme called Customer First which will see us increasing digital services for those customers who want or would like to be trained to engage with us this way. The programme will concentrate on changing the way we work to deliver new and improved customer services based on customer insight, making the best use of technology and buildings, enhancing our performance management and changing behaviours so we do the right thing at the right time.

In Care and Support services, staffing costs have not increased while overall satisfaction levels remain high at 95.6% for all services. By the use of different staffing arrangements we have increased our revenue this year by providing extra hours services at a number of schemes without increasing overall costs.

Responsive Repairs

Satisfaction with the repairs service has consistently remained high over the year while controlling the open book costs through careful monitoring of the day to day maintenance contract. There still remain some issues regarding costs of day to day repairs – these will be addressed within the 2015/16 actions below.

Empty Homes

During the year the Origin resident scrutiny panel reviewed voids and lettings as part of their review programme. As part of their recommendations Origin ended the scheme where customers were incentivised to leave their home in good condition, making a budget saving of £30k. In addition, the numbers of customers downsizing from family accommodation into smaller homes was less than budgeted.

Income

The results of the review of our income management service (both staffing and systems) carried out in 2013/14 have yielded great end of year results, with a reduction in direct costs of managing the service and in the percentage of overall arrears to 4.40% (although slightly over target at the end of the year). This is as a result of better use of our arrears IT systems and the removal of outsourced contracts and re-instatement of in house activities. The full end of year position for our business streams in terms of arrears was:

Business stream	Target 2014/15	Actual performance at end of financial year
General Needs	4.0%	4.59%
Shared ownership	2.2%	1.18%
Retirement Housing	3.2%	2.67%
Supported Housing	3.5%	3.91%

In 2014/15 we made savings of £115k with the cancellation of outsourced financial support services, and the setting up of internal financial support services to continue to reduce income while offering support to customers who need help paying their rent.

Tenancy and Estate management

In the year we carried on with the roll out of new estate services, including re-specification and tendering of estate services. We achieved savings of £53k on bulk refuse and pest control services by bringing them in house.

In 2015/16 we plan to:

- Continue reducing rent arrears despite the income risks associated with Universal Credit to reach our target of 4%
- Review our void processes to improve void turnaround times
- Review the Price Per Property model to improve cost control and customer service, and reduce transactional costs.

Procurement and Efficiency Initiatives

In the 2013/14 self - assessment we made a number of promises regarding procurement and efficiency initiatives for 2014/15. During the year we:

- Re-tendered our insurance provision with an actual cost saving of around £230k against a planned saving of at least £50k per annum
- Merged with Lee Housing Association, delivering service quality improvements for customers and achieving economies of scale. Empty homes management has improved in this area with average void times reduced from 40 days average down to 21 days
- Achieved a one off increase in the net assets on the transfer of Lee Housing into Origin, at a value of £5.7m
- Reviewed the procurement process for white goods
- Re-tendered planned maintenance works using new approaches
- Reviewed our overall approach to procurement

We also promised to invest in IT system enhancements designed to streamline the way we hold and manage data and information, which will deliver business efficiencies in the medium term. While the programme of Electronic Document Management commenced in the year, it has not yet been possible to quantify the savings achieved.

Under our continuing Procurement programme, in 2014/15 we achieved £468,949 in total savings (compared with the 2013/14 figure of £436,650).

2013/14

Method	Savings
Tenders	£407,418
Utilities	£28,000
Other	£1,232
Total	£436,650

2014/15

Method	Savings
Tenders	£424,949
Utilities	£44,000
Total	£468,949

During 2014/15 we:

- Tendered Lifts contracts and benefitted from economies of scale purchase by buying in bulk and getting 18 lifts for the price of 12, saving over £164k.
- Tendered the Ventilation/Air Conditioning contract and achieved savings of £6,245 per year on maintenance contract over five years
- Used the Fusion 21 framework via a mini tender to appoint Keepmoat to install kitchens and bathrooms. We have benchmarked prices with our incumbent contractor Gilmartins and the result of this is a 36% reduction on previous installations valued at £3.8k per property. We have reached an agreement with Gilmartins who will charge the same price for the 350 homes to be included in the 2015/16 programme to achieve an annual saving of approximately £1.3m.

In 2015/16 we plan to:

- Appoint a single contractor from our procurement framework to cover all fire and security equipment (previously separate contracts) to save in the region of £270k
- Retender the gas safety inspection contract and lever in additional value to the contract at the same price eg carrying out a property MOT at the point of visit.

Social return on Investment

In 2014/15 we continued on the third year of our Social Investment strategy. This is designed to provide better overall VFM by more closely linking Origin's business objectives to the needs of our customers, who told us they wanted help with accessing employment, managing money and getting online. These requirements are balanced with organisational priorities to ensure that income is collected, welfare reform risks are minimised and that tenancies do not fail. In 2014/15:

- Via the HACT Social Value Tool Bank we were able to show community development projects created over £1.6m of well-being from an Origin investment of under £300k. For every one pound invested over five pounds of well-being was created.
- The Origin Time Bank retained 147 members who collectively volunteered over 1,500 hours of their time to support community projects and initiatives within Origin communities.
- the Debt and Welfare Benefits Advisor helped 150 residents claim over £90k in one off and back dated benefits. £40k of these benefits were paid directly to Origin rent accounts.
- 20 people have been supported into work and over 30 residents participated in training.

In 2015/16 we plan to:

- Carry out a review of our social investment strategy
- Develop a fundraising strategy including making full use of partners to maximise social value.

STATEMENT OF RESPONSIBILITIES OF THE BOARD**Statement of the responsibilities of the Board for the report and financial statements**

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

Community Benefit Society law and social housing legislation require the board members to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the association and of the surplus or deficit of the association for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by Registered Social 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 members are responsible for keeping adequate accounting records that are sufficient to show and explain the association's transactions and disclose with reasonable accuracy at any time the financial position of the group and association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012. They are 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.

The Board is responsible for ensuring that the report of the board is prepared in accordance with the Statement of Recommended Practice: Accounting by Registered Social Housing Providers Update 2010.

Financial statements are published on the association's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the association's website is the responsibility of the board members. The board members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ORIGIN HOUSING LIMITED

We have audited the financial statements of Origin Housing Limited for the year ended 31 March 2015 which comprise the consolidated and association income and expenditure accounts, consolidated and association statements of total recognised surpluses and deficits, the reconciliation of movements in group's and association's 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 association's members, as a body, in accordance with the Housing and Regeneration Act 2008 and Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the board and auditors

As explained more fully in the statement of board member responsibilities, the board members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent association's affairs as at 31 March 2015 and of the group's and parent association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012.

Matters on which we are required to report by exception

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

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

BDO LLP

BDO LLP, statutory auditor
Gatwick, West Sussex
United Kingdom

Date:

27 August 2015

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

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2015

		31 March 2015	31 March 2014
	Note	£'000	£'000
Turnover	2	57,892	50,801
Cost of sales	2	(5,853)	(7,271)
Operating costs	2	(32,660)	(31,114)
Operating surplus	2	19,379	12,416
Surplus on sale of fixed assets – housing properties	5	3,158	2,467
Interest receivable and other income	6	79	66
Interest payable and similar charges	7	(10,892)	(9,980)
Surplus on ordinary activities before taxation		11,724	4,969
Tax on surplus on ordinary activities	10	(107)	(33)
Surplus for the financial period	24	11,617	4,936

Historical cost surpluses and deficits were identical to those shown in the income and expenditure account.

Turnover and operating surplus for the current and prior years relate to continuing activities.

The notes on pages 30 to 58 form part of these financial statements.

ASSOCIATION INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2015

		2015	2014
	Note	£'000	£'000
Turnover	2	50,856	45,923
Cost of sales	2	(1,712)	(3,865)
Operating costs	2	(31,619)	(30,655)
Operating surplus	2	<u>17,525</u>	<u>11,403</u>
Surplus on sale of fixed assets – housing properties	5	3,158	6,150
Interest receivable and other income	6	645	691
Interest payable and similar charges	7	(10,569)	(10,320)
Surplus on ordinary activities before taxation		<u>10,759</u>	<u>7,924</u>
Tax on surplus on ordinary activities	10	-	(33)
Surplus for the financial period	24	<u><u>10,759</u></u>	<u><u>7,891</u></u>

Historical cost surpluses and deficits are detailed in the note on page 26.

Turnover and operating surplus for the current and prior years relate to continuing activities.

The notes on pages 30 to 58 form part of these financial statements.

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS

For the year ended 31 March 2015

	Note	Group		Association	
		2015	2014	2015	2014
		£'000	£'000	£'000	£'000
Surplus for the financial year		11,617	4,936	10,759	7,891
Unrealised surplus on revaluation of investments	24	-	-	-	-
Unrealised (deficit)/surplus on revaluation of commercial properties	24	6,385	-	5,990	-
Total recognised surpluses/(deficits) for the year		<u>18,002</u>	<u>4,936</u>	<u>16,749</u>	<u>7,891</u>

NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS

For the year ended 31 March 2015

	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Reported surplus on ordinary activities before taxation	11,617	4,936	10,759	7,891
Realisation of property revaluations	-	-	-	1,749
Historical cost surplus for the year	<u>11,617</u>	<u>4,936</u>	<u>10,759</u>	<u>9,640</u>

RECONCILIATION OF MOVEMENTS IN GROUP'S AND ASSOCIATION'S FUNDS

For the year ended 31 March 2015

	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
At 1 April	95,149	90,213	98,094	90,203
Total recognised surpluses/(deficits) relating to the year	18,002	4,936	16,749	7,891
At 31 March	<u>113,151</u>	<u>95,149</u>	<u>114,843</u>	<u>98,094</u>

The notes on pages 30 to 58 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 March 2015

	Note	31 March 2015 £'000	31 March 2014 £'000
Tangible fixed assets			
Housing properties at depreciated cost	11	575,766	539,222
Social Housing Grant	11	(238,383)	(232,040)
Other capital grants	11	(3,453)	(3,453)
		<u>333,930</u>	<u>303,729</u>
Commercial properties at cost or valuation	12	41,054	35,752
Other tangible fixed assets at depreciated cost	13	2,604	2,342
		<u>377,588</u>	<u>341,823</u>
Investments			
Homebuy loans		2,350	2,533
Social Housing Grant		(2,350)	(2,533)
		<u>-</u>	<u>-</u>
Current assets			
Properties for sale	15	31,295	15,964
Debtors	16	6,566	7,268
Deferred tax assets	10	-	-
Investments	17	-	5,000
Cash at bank and in hand		8,477	8,954
		<u>46,338</u>	<u>37,186</u>
Creditors: amounts falling due within one year	18	<u>(18,758)</u>	<u>(18,585)</u>
Net current assets		<u>27,580</u>	<u>18,601</u>
Total assets less current liabilities		<u>405,168</u>	<u>360,424</u>
Creditors: amounts falling due after more than one year	19	292,017	265,275
Capital and reserves			
Non-equity share capital	23	-	-
Revaluation reserve	24	30,710	24,325
Revenue reserve	24	81,443	69,848
Designated reserve	24	998	976
	24	<u>113,151</u>	<u>95,149</u>
		<u>405,168</u>	<u>360,424</u>

The notes on pages 30 to 58 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 26 August 2015 and signed on its behalf by:



Chair

Board Member



Secretary

ASSOCIATION BALANCE SHEET

As at 31 March 2015

	Note	31 March 2015 £'000	31 March 2014 £'000
Tangible fixed assets			
Housing properties at depreciated cost	11	539,421	513,857
Social Housing Grant	11	(234,774)	(228,431)
Other capital grants	11	(3,453)	(3,453)
		<u>301,194</u>	<u>281,973</u>
Commercial properties at valuation	12	35,700	30,754
Other tangible fixed assets at depreciated cost	13	2,604	2,342
		<u>339,498</u>	<u>315,069</u>
Investments			
Homebuy loans		2,350	2,533
Social Housing Grant		(2,350)	(2,533)
Investment in subsidiaries and associated undertakings	14	17,147	2,532
		<u>17,147</u>	<u>2,532</u>
Current assets			
Properties for sale	15	3,721	2,765
Debtors	16	18,342	6,696
Deferred tax assets	10	-	-
Investments	17	-	5,000
Cash at bank and in hand		5,261	7,186
		<u>27,324</u>	<u>21,647</u>
Creditors: amounts falling due within one year	18	(16,232)	(14,829)
Net current assets		<u>11,092</u>	<u>6,818</u>
Total assets less current liabilities		<u>367,737</u>	<u>324,419</u>
Creditors: amounts falling due after more than one year	19	252,894	226,326
Capital and reserves			
Non-equity share capital	23	-	-
Revaluation reserve	24	28,566	22,576
Revenue reserve	24	85,279	74,541
Designated reserve	24	998	976
	24	<u>114,843</u>	<u>98,093</u>
		<u>367,737</u>	<u>324,419</u>

The notes on pages 30 to 58 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 26 August 2015 and signed on its behalf by:



Chair



Board Member



Secretary

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2015

		2015	2014
	Note	£'000	£'000
Net cash inflow from operating activities	27	12,191	11,491
Returns on investments and servicing of finance			
Interest received		79	66
Interest paid		(13,755)	(11,322)
Proceeds from the sale of investments		-	-
Net cash outflow from returns on investments and servicing of finance		(13,676)	(11,256)
Management of liquid resources			
Investment in Money Market		5,000	(5,000)
Corporation tax paid		(84)	-
Capital expenditure			
Proceeds from sale of housing properties	5	6,400	3,548
Payments to acquire and develop housing properties		(42,569)	(41,813)
Capital grants received		7,346	7,964
Payments to acquire commercial properties		(671)	-
Payments to acquire other fixed assets		(1,109)	(728)
		(30,603)	(31,029)
Net cash outflow before financing		(27,172)	(35,794)
Financing			
Loans received		65,559	68,170
Loans repaid		(38,864)	(38,864)
	29	26,695	29,306
Decrease in cash	28	(477)	(6,488)

The notes on pages 30 to 58 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS**1 Accounting policies****Basis of accounting**

The financial statements of the Group and the Association are prepared under the historic cost convention, modified for the revaluation of commercial properties and investments; in accordance with applicable accounting standards and the Statement of Recommended Practice ('SORP'): accounting by Registered Social Housing Providers Update 2010; and comply with the Accounting Direction for Private Registered Providers of Social Housing 2012.

Origin Housing Limited is incorporated as a charitable social landlord under the Co-operative and Community Benefit Societies Act 2014, No. 10008R.

Basis of consolidation

The consolidated financial statements include the results of Origin Housing Limited and all its subsidiaries at 31 March. All intra-Group balances, transactions, income and expenses are eliminated in full on consolidation. The results of subsidiary undertakings acquired or disposed of during the period are included or excluded from the income statement from the effective date of acquisition or disposal.

Turnover

Turnover comprises rental income receivable in the year, income from sales of first tranche shared ownership sales and outright sales, other services included at the invoiced value (excluding value added tax) of goods and services supplied in the year and revenue grants receivable in the year.

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

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. Deferred tax assets and liabilities are not discounted.

Value added tax

The Group charges 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 respectively.

Interest payable

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 received in advance; or
- b) interest on borrowings of the Association as a whole after deduction of interest on Social Housing Grant received in advance to the extent that they can be deemed to be financing the development programme.

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

Derivatives

The Association 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**1 Accounting policies (continued)****Pensions**

The Group contributes to a defined benefit final salary pension for staff that were in post before 1 April 2007 and to a career average earnings scheme for other new staff who were in post and elected to join the scheme by 30 September 2010, from these dates the schemes were closed to new members. Staff who were not members of either scheme at 30 September 2010 could elect to join a defined contribution scheme to which the Group contributes. From 1 February 2014 all qualifying staff not already a member of the defined contribution scheme, and new starters are automatically enrolled into the scheme as set out by legislation.

The Group participates in the Social Housing Pension Scheme ('SHPS') a multi-employer defined benefit scheme.

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

Supporting people

Charges for support services funded under supporting people are recognised as they fall due under the contractual arrangements with administering authorities.

Housing properties

Housing properties are principally properties available for rent, including the retained equity in shared ownership properties, and are stated at cost less 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. Major components of properties are treated as separable assets and component additions are described as works to existing properties.

Shared ownership and staircasing

Under shared ownership arrangements, the Association disposes of a long lease of shared ownership housing units to persons who occupy them, at a premium equal to between 25% and 75% of the open market value (the 'first tranche'). The occupier has the right to purchase further proportions at the current valuation at that time up to 100% ('staircasing').

A shared ownership property comprises two assets: that to be disposed of in the first tranche sale, which is recorded as a current asset; and that retained by the Association, which is recorded as a fixed asset in the same manner as for general needs housing properties.

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

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

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

Properties under rent to homebuy arrangements (where the occupier has the right to purchase within 5 years) are also disclosed under shared ownership, with 100% recorded as a fixed asset.

Commercial properties

Commercial properties are stated at market value less depreciation and impairment. The rolling valuation method has been adopted for valuations.

Market value is defined as the estimated amount for which the property should exchange on the valuation between a willing buyer and a willing seller in an arms length transaction after proper marketing wherein the parties had each acted 'knowledgably, prudently and without compulsion'.

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, including land costs. SHG due from the HCA or received in advance is included as a current asset or liability respectively. SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates.

SHG is subordinated to the repayment of loans by agreement with the HCA. SHG released on sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included in the balance sheet in creditors.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**1 Accounting policies (continued)****Depreciation of housing and commercial properties**

Freehold land is not depreciated. Buildings are depreciated over their estimated useful economic life of 100 years. Major components of buildings are treated as separable assets and depreciated over their estimated useful economic lives at the following rates:

Roof, doors and windows	40 years
Kitchens and bathrooms	25 years
Boilers and heating equipment, electrical, lifts	20 years

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

Depreciation of 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. The expected useful lives of other assets are:

Furniture, fixtures and fittings	15 years
Computers and office equipment	4-7 years

Impairment

Properties which are depreciated over a period in excess of 50 years are subject to annual impairment reviews. Other assets are reviewed for impairment if there is an indication that impairment may have occurred.

Where there is evidence of impairment, fixed assets are written down to their recoverable amount. Any such write down is charged to operating surplus, unless a revaluation reserve exists for the asset, in which case the amount of the impairment is deducted from the revaluation reserve up to the balance of the reserve for the asset. Any remaining impairment is then charged to operating surplus.

Leased assets

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

Properties for sale

Properties for outright sale and shared ownership first tranche developments are valued at the lower of cost and net realisable value, regardless of whether they are completed or still under construction. Cost comprises materials, direct labour, direct development overheads and attributable interest on borrowings. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Homebuy loans and grants

Under these arrangements the Association receives Social Housing Grant representing a maximum of 30% of the open market purchase price of a property in order to advance interest free loans of the same amount to a homebuyer. The buyer meets the balance of the purchase price from a combination of personal mortgage and savings. Loans advanced by the Association under these arrangements are disclosed in the investments section of the balance sheet.

In the event that the property is sold on, the Association recovers the equivalent loaned percentage value of the property at the time of the sale. The grant becomes recyclable when the loans are repaid up to the amount of the original grant and to the extent the proceeds permit. The Association is able to retain any surplus proceeds less sale costs attributable to the equivalent loaned percentage share of the value of the property. If there is a fall in the value of the property the shortfall of the proceeds is offset against the recycled grant. There are no circumstances in which the Association will suffer any capital loss.

Current asset investments

Current asset investments are readily disposable liquid resources stated at market value. They include some money market deposits, held for more than 24 hours that can only be withdrawn without penalty on maturity or by giving notice of more than one working day.

Reserves

The Group establishes restricted reserves for specific purposes where their use is subject to external restrictions and designated reserves where reserves are earmarked for a particular purpose.

Revaluation reserve

The difference between the market value of commercial properties and the historical cost carrying value is credited to the revaluation reserve. Any impairment on commercial properties is debited against the revaluation reserve up to the balance of the reserve.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	Group 2015			
	Turnover £ '000	Cost of sales £ '000	Operating costs £ '000	Operating surplus £ '000
Social housing lettings	40,225	-	(27,507)	12,718
Other social housing activities				
Shared ownership first tranche sales	2,528	(1,712)	(358)	458
Supporting people contract income	866	-	(864)	2
Community development	64	-	(373)	(309)
Care & repair	532	-	(466)	66
Charges for support services	324	-	(307)	17
Transfer of engagement: Lee Housing Association	5,699	-	-	5,699
	10,013	(1,712)	(2,368)	5,933
Non-social housing activities				
Properties for outright sale	4,549	(4,141)	(160)	248
Commercial activities	2,227	-	(1,628)	599
Leasehold & market rent	877	-	(989)	(112)
Other (non-housing)	1	-	(8)	(7)
	7,654	(4,141)	(2,785)	728
	57,892	(5,853)	(32,660)	19,379
	Group 2014			
	Turnover £ '000	Cost of sales £ '000	Operating costs £ '000	Operating surplus £ '000
Social housing lettings	34,947	-	(25,664)	9,283
Other social housing activities				
Shared ownership first tranche sales	5,205	(3,625)	(653)	927
Supporting people contract income	886	-	(829)	57
Community development	44	-	(477)	(433)
Care & repair	539	-	(445)	94
Charges for support services	337	-	(213)	124
	7,011	(3,625)	(2,617)	769
Non-social housing activities				
Properties for outright sale	4,442	(3,646)	(68)	728
Commercial activities	2,120	-	(1,194)	926
Leasehold & market rent	803	-	(1,205)	(402)
Other (non-housing)	1,478	-	(366)	1,112
	8,843	(3,646)	(2,833)	2,364
	50,801	(7,271)	(31,114)	12,416

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Turnover, cost of sales, operating costs and operating surplus (continued)

	Association 2015			
	Turnover £ '000	Cost of sales £ '000	Operating costs £ '000	Operating surplus £ '000
Social housing lettings	37,477	-	(26,778)	10,699
Other social housing activities				
Shared ownership first tranche sales	2,528	(1,712)	(358)	458
Supporting people contract income	870	-	(864)	6
Community development	64	-	(373)	(309)
Care & repair	532	-	(466)	66
Charges for support services	311	-	(299)	12
Transfer of engagement: Lee Housing Association	5,699	-	-	5,699
	<u>10,004</u>	<u>(1,712)</u>	<u>(2,360)</u>	<u>5,932</u>
Non-social housing activities				
Properties for outright sale	8	-	-	8
Commercial activities	1,845	-	(1,495)	350
Leasehold & market rent	917	-	(986)	(69)
Gift aid received	605	-	-	605
Other (non-housing)	-	-	-	-
	<u>3,375</u>	<u>-</u>	<u>(2,481)</u>	<u>894</u>
	<u>50,856</u>	<u>(1,712)</u>	<u>(31,619)</u>	<u>17,525</u>
	Association 2014			
	Turnover £ '000	Cost of sales £ '000	Operating costs £ '000	Operating surplus £ '000
Social housing lettings	34,263	-	(25,381)	8,882
Other social housing activities				
Shared ownership first tranche sales	5,205	(3,625)	(653)	927
Supporting people contract income	886	-	(829)	57
Community development	44	-	(477)	(433)
Care & repair	539	-	(445)	94
Charges for support services	333	-	(210)	123
	<u>7,007</u>	<u>(3,625)</u>	<u>(2,614)</u>	<u>768</u>
Non-social housing activities				
Properties for outright sale	393	(240)	-	153
Commercial activities	1,842	-	(1,095)	747
Leasehold & market rent	801	-	(1,203)	(402)
Gift aid received	139	-	-	139
Other (non-housing)	1,478	-	(362)	1,116
	<u>4,653</u>	<u>(240)</u>	<u>(2,660)</u>	<u>1,753</u>
	<u>45,923</u>	<u>(3,865)</u>	<u>(30,655)</u>	<u>11,403</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Turnover, cost of sales, operating costs and operating surplus (continued)

Particulars of income and expenditure from social housing lettings	2015		2014		
	General needs housing £'000	Supported housing & housing for older people £'000	Key worker / intermediate housing £'000	Shared ownership £'000	Total £'000
Rent receivable net of identifiable service charges	22,619	3,160	7,217	1,726	31,702
Service charge income	1,684	1,652	301	365	3,158
Net rental income	24,303	4,812	7,518	2,091	34,860
Other income	171	1,442	(114)	2	87
Turnover from social housing lettings	24,474	6,254	7,404	2,093	34,947
Management	(2,794)	(2,257)	(1,057)	(140)	(5,701)
Service charge costs	(1,490)	(1,117)	(1,425)	-	(4,353)
Other cost	(2,931)	(1,953)	(547)	(429)	(5,611)
Routine maintenance	(2,636)	(582)	(614)	-	(3,832)
Planned maintenance	(2,148)	(477)	(410)	-	(3,035)
Rent losses from bad debts	(345)	(71)	(20)	(9)	(445)
Depreciation of housing properties	(2,750)	(822)	(765)	(211)	(4,548)
Release of impairment	493	-	-	-	493
Operating costs on social housing lettings	(14,601)	(7,279)	(4,838)	(789)	(27,507)
Operating surplus/(deficit) on social housing lettings	9,873	(1,025)	2,566	1,304	9,283
Void losses	(153)	(139)	(272)	-	(659)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Turnover, cost of sales, operating costs and operating surplus (continued)

Particulars of income and expenditure from social housing lettings	General needs housing		Supported housing & housing for older people		Key worker / Intermediate housing		Shared ownership		2015		2014	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	Total	Total	Total	Total
Rent receivable net of identifiable service charges	19,471	3,109	7,217	1,726	31,523	30,796						
Service charge income	1,504	1,638	301	365	3,808	3,113						
Net rental income	20,975	4,747	7,518	2,091	35,331	33,909						
Other income	529	1,564	-	53	2,146	354						
Turnover from social housing lettings	21,504	6,311	7,518	2,144	37,477	34,263						
Management	(2,802)	(2,249)	(1,057)	(140)	(6,248)	(5,709)						
Service charge costs	(1,420)	(1,113)	(1,425)	-	(3,958)	(4,311)						
Other cost	(2,930)	(1,953)	(547)	(429)	(5,859)	(5,604)						
Routine maintenance	(2,530)	(574)	(614)	-	(3,718)	(3,104)						
Planned maintenance	(1,929)	(469)	(410)	-	(2,808)	(2,044)						
Rent losses from bad debts	(307)	(71)	(20)	(9)	(407)	(254)						
Depreciation of housing properties	(2,480)	(817)	(765)	(211)	(4,273)	(4,058)						
Release of Impairment	493	-	-	-	493	(297)						
Operating costs on social housing lettings	(13,905)	(7,246)	(4,838)	(789)	(26,778)	(25,381)						
lettings	7,599	(935)	2,680	1,355	10,699	8,882						
Void losses	(136)	(138)	(272)	-	(546)	(656)						

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Turnover, cost of sales, operating costs and operating surplus on lettings (continued)

Particulars of income and expenditure from commercial property lettings

	Group		Association	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Rent receivable net of identifiable service charges	2,021	1,902	1,661	1,647
Service charge income	205	208	172	180
Net rental income	2,226	2,110	1,833	1,827
Other income	1	10	12	15
Turnover from commercial activities	2,227	2,120	1,845	1,842
Management	(647)	(658)	(620)	(657)
Service charge costs	(273)	(336)	(255)	(334)
Other costs	(222)	(96)	(218)	(96)
Routine maintenance	(45)	(131)	-	(92)
Planned maintenance	(146)	(59)	(146)	(32)
Bad debts	-	-	-	-
Depreciation of commercial properties	(295)	(294)	(256)	(264)
Release impairment of commercial properties	-	380	-	380
Total expenditure on commercial property lettings	(1,628)	(1,194)	(1,495)	(1,095)
Operating surplus on commercial property lettings	599	926	350	747
Void losses	(84)	(275)	(78)	(250)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 Accommodation in management

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

	Group		Association	
	2015 No.	2014 No.	2015 No.	2014 No.
Social housing				
General needs housing				
Social	3,244	3,286	2763	2,801
Affordable	239	171	220	156
Supported housing and housing for older people	990	649	981	640
Shared ownership	409	398	409	398
Keyworker housing	897	906	897	906
Rent to homebuy	23	28	23	28
Residential care homes	35	35	35	35
Total managed	5,837	5,473	5,328	4,964
Non-social housing				
Commercial/Right to buy/Leasehold/Market rented	598	540	578	520
Total owned and managed	6,435	6,013	5,906	5,484

The Group owns 57 supported housing units (2014: 57) that are managed on its behalf, under management agreements, by other bodies who contract with Supporting People Administering Authorities and carry the financial risk relating to the supported housing units.

4 Operating surplus

This is arrived at after charging:

	Group		Association	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Depreciation of housing properties	4,414	4,155	4,139	4,072
Depreciation of commercial properties	295	294	256	264
Depreciation of other tangible fixed assets	847	838	847	838
Impairment release	(493)	(83)	(493)	(83)
Operating lease rentals for office equipment and computers	69	69	69	69
Auditors' remuneration				
- for audit services	45	46	36	36
- for non-audit services	14	14	14	14

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 Surplus on sale of fixed assets – housing properties

	Group		Association	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Disposal proceeds	6,400	3,548	6,400	19,341
Carrying value of fixed assets	(3,242)	(1,081)	(3,242)	(13,191)
	<u>3,158</u>	<u>2,467</u>	<u>3,158</u>	<u>6,150</u>

6 Interest receivable and other income

	Group		Association	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Bank interest receivable	79	66	54	64
Other interest receivable	-	-	591	627
	<u>79</u>	<u>66</u>	<u>645</u>	<u>691</u>

7 Interest payable and similar charges

	Group		Association	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Loans and bank overdrafts	13,576	11,180	11,702	10,617
RCGF interest	3	2	3	2
Amortisation of financing costs	176	140	136	128
	<u>13,755</u>	<u>11,322</u>	<u>11,841</u>	<u>10,747</u>
Interest capitalised on housing properties under construction	(2,863)	(1,342)	(1,272)	(427)
	<u>10,892</u>	<u>9,980</u>	<u>10,569</u>	<u>10,320</u>
Capitalisation rate used to determine the finance costs capitalised during the period	<u>4.69%</u>	<u>4.28%</u>	<u>4.69%</u>	<u>4.28%</u>

Due to housing property development dating back many years, it has not been possible to determine the aggregate amount of capitalised interest included in the cost of fixed asset housing properties.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 Employees

Average monthly number of employees expressed in full time equivalents:

	<u>Group and Association</u>	
	2015 No.	2014 No.
Administration	45	51
Development	15	10
Housing, support and care	184	166
	<u>244</u>	<u>227</u>

Full time equivalents are calculated based on a standard working week of 37 hours.

Employee costs:

	<u>Group and Association</u>	
	2015 £'000	2014 £'000
Wages and salaries	8,148	7,445
Social security costs	727	655
Other pension costs	732	579
	<u>9,607</u>	<u>8,679</u>

The Association participates in the Social Housing Pension Scheme (SHPS). The Scheme is funded and is contracted out of the state scheme.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the scheme is a multi employer scheme where the scheme assets are co-mingled for investment purposes, and benefits are paid from total scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the year ended 31 March 2015 under FRS17 represents the employer contributions payable. The Group operates a salary sacrifice scheme by which employees forego remuneration equivalent to the value of the pension contributions attributable to the employee. The Group then pays these contributions on behalf of the employee. Thus, the charge for the year ended 31 March 2015 under FRS 17 represents the total contributions payable.

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 so that the Scheme can meet its pension obligations as they fall due.

The last formal valuation of the Scheme was performed as at 30 September 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%.

The Scheme Actuary is currently finalising the 2014 valuation but key provisional results have been confirmed. As at 30 September 2014, the market value of the Scheme's assets was £3,123 million. There was a shortfall of assets compared with the value of liabilities of £1,323 million, equivalent to a past service funding level of 70%.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 Employees (continued)

As a result of this past service deficit the existing contribution basis will remain in place and it will be necessary to increase deficit contributions from April 2016, to manage the newly emerging deficit.

The Association paid £387,458 during the year in additional contributions:

- £134,297 increasing at 4.7% per annum until 2021 in respect of the 2005 Recovery Plan
- £94,619 increasing at 4.7% per annum until 2024 in respect of the 2008 Recovery Plan
- £158,542 increasing at 3% per annum until March 2026 in respect of the 2011 Recovery Plan

The Association also participates in The Pension's Trust Growth Plan. The Trustee commissioned an actuarial valuation of the Growth Plan as at 30th September 2011 by a professionally qualified actuary using the Projected Unit Method. The market value of the schemes assets at the valuation date was £780.3m. The valuation revealed a shortfall of assets compared with the value of liabilities of £147.6m equivalent to a past funding level of 84.1%.

As a result of this deficit the Association has agreed to pay additional amounts of £9,404 per annum for 10 years from 1 April 2013. The additional 'deficit contributions' payable will increase by 3% each year in April.

9 Board members, executive directors and senior staff emoluments

Group and Association	Basic salary £ '000	Benefits in kind £ '000	Pension contr'n's £ '000	2015 Total £ '000	2014 Total £ '000
Aggregate emoluments	534	25	102	661	599

Non-executive Board Members received emoluments of £24,902 cumulatively, including £10,000 (2014: £10,000) received by the Chair. This excludes the Chief Executive aggregate emoluments as the highest paid director, which is detailed below. Expenses paid during the year to board members amount to £435 (2014: £0).

	Basic salary £	Benefits in kind £	Pension contr'n's £	2015 Total £	2014 Total £
Colin Sherriff	10,000	-	-	10,000	-
Anne Bowers	2,250	-	-	2,250	-
Dayna Byfield	2,250	-	-	2,250	-
Suzanne Davies	2,250	-	-	2,250	-
Mash Halai	2,250	-	-	2,250	-
Jolyon Griffiths	2,250	-	-	2,250	-
Nicky Wilden	2,250	-	-	2,250	-
Mary Gibbons (appointed December 2014)	1,402	-	-	1,402	-
Alison Lowton (resigned April 2015)	-	-	-	-	-
Philip Dawson (resigned August 2014)	-	-	-	-	-
Aggregate emoluments of Board Members (excluding Chief Executive)	24,902	-	-	24,902	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 Board members, executive directors and senior staff emoluments (continued)

The emoluments of the highest paid director, the Chief Executive, excluding pension contributions, were £129,295 (2014: £123,506). The Chief Executive is a member of the Social Housing Pension Scheme. She is an ordinary member of the pension scheme and no enhanced or special terms apply. The Association does not make any further contribution to an individual pension arrangement for the Chief Executive.

Group and Association	Basic salary £ '000	Benefits in kind £ '000	Pension contr'n's £ '000	2015 Total £ '000	2014 Total £ '000
Aggregate emoluments of highest paid director	129		28	157	151

The full time equivalent number of staff whose remuneration, excluding pension contributions, was greater than £60,000 in bands of £10,000 is below:

	Group and Association	
	2015 No.	2014 No.
£60,000 to £70,000	7	5
£70,001 to £80,000	1	-
£80,001 to £90,000	-	1
£90,001 to £100,000	1	-
£100,001 to £110,000	2	2
£120,001 to £130,000	-	1
	11	9

10 Tax on surplus on ordinary activities

Origin Properties Limited, Origin Finance Limited, Origin Finance 2 Plc, and Origin Housing Developments Limited are subject to corporation tax. Origin Housing Limited has Charitable Objects and is exempt from corporation tax on its charitable activities. However, during 2014, the Association incurred corporation tax on profits made from the sale of properties.

	Group		Association	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
United Kingdom Corporation Tax				
Current tax on income for the year	75	33	-	33
Adjustments in respect of prior periods	32	-	-	-
Current tax charge for the period	107	33	-	33
Deferred tax				
Origination and reversal of timing differences	-	-	-	-
	107	33	-	33

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 Tax on surplus on ordinary activities (continued)

Factors affecting the tax charge for the period

	Group		Association	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Surplus for the year before taxation	11,724	4,969	10,759	7,924
Corporation tax at 21% (2014: 23%)	2,411	1,143	2,206	1,823
<i>Effects of:</i>				
Expenditure not deductible for tax purposes	-	853	-	-
Income from exempt activities	(2,469)	(1,822)	(2,206)	(1,789)
Depreciation in excess of capital allowances	6	-	-	-
Accelerated capital allowances	-	-	-	-
Utilisation of losses	-	-	-	-
Adjustments in respect of prior years	32	-	-	-
Qualifying charitable donations	-	(140)	-	-
Losses carried forward	-	-	-	-
Marginal relief	-	(1)	-	(1)
Other movements	127	-	-	-
	107	33	-	33

The Group had a deferred tax asset of £nil as at 31 March 2015 (2014: £nil) in relation to tax losses and accelerated capital allowances.

11 Tangible fixed assets – housing properties

Group	Social housing held for letting £'000	Non-social housing held for letting £'000	Social housing to let under construction £'000	Shared ownership completed £'000	Shared ownership under construction £'000	Total £'000
Cost						
At 1 April 2014	494,926	2,182	15,378	50,773	7,027	570,286
Reclassification	276	-	-	(276)	-	-
Additions – new properties/ construction	-	-	12,836	84	11,015	23,935
Additions – works to existing properties	8,675	-	-	-	-	8,675
Schemes completed	7,489	-	(7,489)	1,453	(1,453)	-
Transfer from/(to) current assets	-	-	-	(536)	-	(536)
Transfer of engagement from Lee Housing	9,990	-	-	-	-	9,990
Disposals	(288)	-	-	(1,342)	-	(1,630)
At 31 March 2015	<u>521,068</u>	<u>2,182</u>	<u>20,725</u>	<u>50,156</u>	<u>16,589</u>	<u>610,720</u>
Accumulated depreciation and impairment						
At 1 April 2014	29,906	176	-	982	-	31,064
Depreciation charge	4,189	14	-	211	-	4,414
Impairment released in the year	(493)	-	-	-	-	(493)
Disposals	(31)	-	-	-	-	(31)
At 31 March 2015	<u>33,571</u>	<u>190</u>	<u>-</u>	<u>1,193</u>	<u>-</u>	<u>34,954</u>
Depreciated cost						
At 1 April 2014	<u>465,020</u>	<u>2,006</u>	<u>15,378</u>	<u>49,791</u>	<u>7,027</u>	<u>539,222</u>
At 31 March 2015	<u>487,497</u>	<u>1,992</u>	<u>20,725</u>	<u>48,963</u>	<u>16,589</u>	<u>575,766</u>
Social Housing Grant						
At 1 April 2014	212,695	-	1,758	17,011	576	232,040
Reclassification	-	-	(420)	-	420	-
Grant received	-	-	1,828	-	488	2,316
Recycled during the year	-	-	71	(454)	-	(383)
Transfer of engagement from Lee Housing	4,410	-	-	-	-	4,410
Schemes completed	965	-	(965)	180	(180)	-
Disposals	-	-	-	-	-	-
At 31 March 2015	<u>218,070</u>	<u>-</u>	<u>2,272</u>	<u>16,737</u>	<u>1,304</u>	<u>238,383</u>
Other Grants						
At 1 April 2014	3,453	-	-	-	-	3,453
Grant received	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
At 31 March 2015	<u>3,453</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,453</u>
Net book value						
At 1 April 2014	<u>248,872</u>	<u>2,006</u>	<u>13,620</u>	<u>32,780</u>	<u>6,451</u>	<u>303,729</u>
At 31 March 2015	<u>265,974</u>	<u>1,992</u>	<u>18,453</u>	<u>32,226</u>	<u>15,285</u>	<u>333,930</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 Tangible fixed assets – housing properties (continued)

Association	Social housing held for letting £'000	Non-social housing held for letting £'000	Social housing to let under construction £'000	Shared ownership completed £'000	Shared ownership under construction £'000	Total £'000
Cost						
At 1 April 2014	478,577	2,182	9,753	50,773	1,606	542,891
Reclassification	276	-	-	(276)	-	-
Additions – new properties/ construction	-	-	10,238	84	3,231	13,553
Additions – works to existing properties	7,802	-	-	-	-	7,802
Schemes completed	7,489	-	(7,489)	1,453	(1,453)	-
Transfer from/(to) current assets	-	-	-	(536)	-	(536)
Transfer of engagement from Lee Housing	9,990	-	-	-	-	9,990
Disposals	(288)	-	-	(1,342)	-	(1,630)
At 31 March 2015	<u>503,846</u>	<u>2,182</u>	<u>12,502</u>	<u>50,156</u>	<u>3,384</u>	<u>572,070</u>
Accumulated depreciation and impairment						
At 1 April 2014	27,876	176	-	982	-	29,034
Depreciation charge	3,914	14	-	211	-	4,139
Impairment released in the year	(493)	-	-	-	-	(493)
Disposals	(31)	-	-	-	-	(31)
At 31 March 2015	<u>31,266</u>	<u>190</u>	<u>-</u>	<u>1,193</u>	<u>-</u>	<u>32,649</u>
Depreciated cost						
At 1 April 2014	<u>450,701</u>	<u>2,006</u>	<u>9,753</u>	<u>49,791</u>	<u>1,606</u>	<u>513,857</u>
At 31 March 2015	<u>472,580</u>	<u>1,992</u>	<u>12,502</u>	<u>48,963</u>	<u>3,384</u>	<u>539,421</u>
Social Housing Grant						
At 1 April 2014	209,218	-	1,626	17,011	576	228,431
Reclassification	-	-	(420)	-	420	-
Grant received	-	-	1,828	-	488	2,316
Recycled during the year	-	-	71	(454)	-	(383)
Transfer of engagement from Lee Housing	4,410	-	-	-	-	4,410
Schemes completed	965	-	(965)	180	(180)	-
Disposals	-	-	-	-	-	-
At 31 March 2015	<u>214,593</u>	<u>-</u>	<u>2,140</u>	<u>16,737</u>	<u>1,304</u>	<u>234,774</u>
Other Grants						
At 1 April 2014	3,453	-	-	-	-	3,453
Grant received	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
At 31 March 2015	<u>3,453</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,453</u>
Net book value						
At 1 April 2014	<u>238,030</u>	<u>2,006</u>	<u>8,127</u>	<u>32,780</u>	<u>1,030</u>	<u>281,973</u>
At 31 March 2015	<u>254,534</u>	<u>1,992</u>	<u>10,362</u>	<u>32,226</u>	<u>2,080</u>	<u>301,194</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 Tangible fixed assets – housing properties (continued)

The Association conducted a review of its properties in March 2015 to identify any which had suffered a permanent diminution in value to the extent that a provision for impairment was required. Impairment of £nil was charged in the year and £493k was released from prior year provisions.

Expenditure on works to existing properties:

	Group		Association	
	2015 £ '000	2014 £ '000	2015 £ '000	2014 £ '000
Amounts capitalised	8,951	8,141	8,078	7,582
Amounts charged to income and expenditure account	3,035	2,170	2,808	2,044
Total expenditure on works to existing properties	<u>11,986</u>	<u>10,311</u>	<u>10,886</u>	<u>9,626</u>

Social housing and other grants

	Group		Association	
	2015 £ '000	2014 £ '000	2015 £ '000	2014 £ '000
Total accumulated grants receivable at 31 March were:				
Social Housing Grant	238,383	232,040	234,774	228,431
Other grants	3,453	3,453	3,453	3,453
	<u>241,836</u>	<u>235,493</u>	<u>238,227</u>	<u>231,884</u>

No accumulated Social Housing Grant has been accounted for as revenue grant during this or the prior financial year.

The information required providing an analysis of NBV of housing properties between freehold, long leasehold and short leasehold (Accounting Direction requirement) was not readily available.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12 Tangible fixed assets – commercial properties

	Group		Association	
	2015 £ '000	2014 £ '000	2015 £ '000	2014 £ '000
Cost or valuation				
At 1 April	37,720	36,618	32,552	33,199
Additions	41	-	41	-
Transfer of engagement from Lee Housing	630	-	630	-
Intra group transfers	-	-	-	(1,749)
Disposals	(1,801)	-	(1,801)	-
Revaluation	4,805	1,102	4,619	1,102
At 31 March	<u>41,395</u>	<u>37,720</u>	<u>36,041</u>	<u>32,552</u>
Accumulated depreciation and impairment				
At 1 April	1,968	2,054	1,798	1,989
Depreciation charged in the year	295	294	256	264
Depreciation released on Disposal	(342)	-	(342)	(75)
Impairment released in the year	-	(380)	-	(380)
Depreciation reversed on revaluation	(1,580)	-	(1,371)	-
At 31 March	<u>341</u>	<u>1,968</u>	<u>341</u>	<u>1,798</u>
Net book value				
At 1 April	<u>35,752</u>	<u>34,564</u>	<u>30,754</u>	<u>31,210</u>
At 31 March	<u>41,054</u>	<u>35,752</u>	<u>35,700</u>	<u>30,754</u>

A valuation was carried out by external valuers Jones Lang LaSalle Ltd in accordance with RICS appraisal and valuation standards (PS 5.1) and on an open market basis as at 31 March 2015.

The Association conducted a review of its properties in March 2015 for impairment. No impairment was released (2014: £380k) during the year. The historic cost of these properties is £9.2m.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 Tangible fixed assets - other

Group and Association	Furniture, fixtures & fittings £'000	Computers & office equipm't £'000	Total £'000
Cost			
At 1 April 2014	3,002	7,887	10,889
Additions	21	1,088	1,109
Disposals	-	-	-
At 31 March 2015	<u>3,023</u>	<u>8,975</u>	<u>11,998</u>
Accumulated depreciation			
At 1 April 2014	2,173	6,374	8,547
Charged in year	143	704	847
Disposals	-	-	-
At 31 March 2015	<u>2,316</u>	<u>7,078</u>	<u>9,394</u>
Net book value			
At 1 April 2014	<u>829</u>	<u>1,513</u>	<u>2,342</u>
At 31 March 2015	<u>707</u>	<u>1,897</u>	<u>2,604</u>

14 Investment in subsidiaries

Association

	2015 £ '000	2014 £ '000
Investment in Origin Properties Limited	17,097	2,482
Investment in other subsidiaries	50	50
	<u>17,147</u>	<u>2,532</u>

The Association owns the following shares:

Number of Shares	Company	Percentage of issued share capital
1 ordinary £1 share	Origin Finance Limited	100%
4 ordinary £1 shares	Origin Properties Limited	100%
1 ordinary £1 share	Origin Housing Developments Limited	100%
1 ordinary £1 share	Origin Housing 2 Limited	100%
50,000 ordinary £1 share	Origin Finance 2 Plc	100%

The country of incorporation for all these companies was England.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 Investment in subsidiaries (continued)

As required by statute, the financial statements consolidate the results of Origin Finance Limited, Origin Properties Limited, Origin Housing Developments Limited, Origin Housing 2 Limited, and Origin Finance 2 Plc which were members of the Group for the whole of the year. The Association has the right to appoint members to the boards of the Group members and thereby exercises control over them. Origin Housing Limited is the ultimate parent undertaking.

During the year the Association provided management services for Origin Properties Limited and Origin Housing 2 Limited. It also provided loans to Origin Properties Limited in the year bringing the total advanced to £17,097k (2014: £2,482k).

15 Properties for sale

	Group		Association	
	2015 £ '000	2014 £ '000	2015 £ '000	2014 £ '000
Properties under construction	27,687	6,843	2,178	936
Capitalised interest (properties under construction)	2,114	1,017	49	106
Completed properties	1,494	8,104	1,494	1,723
	<u>31,295</u>	<u>15,964</u>	<u>3,721</u>	<u>2,765</u>

16 Debtors

	Group		Association	
	2015 £ '000	2014 £ '000	2015 £ '000	2014 £ '000
Rent and service charges receivable	4,197	4,079	3,984	3,903
Provision for bad and doubtful debts	(1,786)	(1,572)	(1,672)	(1,572)
	<u>2,411</u>	<u>2,507</u>	<u>2,312</u>	<u>2,331</u>
Social Housing Grant receivable	238	626	238	626
Commercial rent and service charge arrears	1,422	1,068	1,392	1,068
Amounts due from group companies	-	-	12,690	1,098
Prepayments and accrued income	1,479	842	864	842
Other debtors	1,016	2,225	846	731
	<u>6,566</u>	<u>7,268</u>	<u>18,342</u>	<u>6,696</u>

17 Current asset investments

Group and Association	2015 £ '000	2014 £ '000
Money market	<u>-</u>	<u>5,000</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18 Creditors: amounts falling due within one year

	Group		Association	
	2015 £ '000	2014 £ '000	2015 £ '000	2014 £ '000
Debt (note 20)	3,726	3,186	3,817	3,283
Trade creditors	2,538	2,057	1,794	1,673
Grants received in advance	228	-	172	-
Amounts owed to group companies	-	-	11	849
Recycled capital grant fund (note 21)	54	71	54	71
Corporation tax	56	33	-	33
Other taxation and social security	254	205	224	205
Leaseholder sinking funds	826	717	826	717
Accrued interest	2,876	2,527	2,297	1,963
Capital accrual	2,472	5,839	2,472	2,185
Deferred income	892	470	892	470
Other creditors and accruals	4,836	3,480	3,673	3,380
	<u>18,758</u>	<u>18,585</u>	<u>16,232</u>	<u>14,829</u>

19 Creditors: amounts falling due after more than one year

	Group		Association	
	2015 £ '000	2014 £ '000	2015 £ '000	2014 £ '000
Loans (note 20)	292,868	266,739	252,868	226,739
Deferred financing costs (note 20)	(1,736)	(1,762)	(859)	(711)
Recycled capital grant fund (note 21)	885	298	885	298
	<u>292,017</u>	<u>265,275</u>	<u>252,894</u>	<u>226,326</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 Debt

	Group		Association	
	2015 £ '000	2014 £ '000	2015 £ '000	2014 £ '000
Due within one year				
Bank overdraft	-	-	-	-
Bank loans	3,873	3,403	3,873	3,403
	<u>3,873</u>	<u>3,403</u>	<u>3,873</u>	<u>3,403</u>
Deferred financing costs	(147)	(217)	(56)	(120)
	<u>3,726</u>	<u>3,186</u>	<u>3,817</u>	<u>3,283</u>
Due after more than one year				
Bank loans	242,825	216,696	125,825	103,696
Other loans	43	43	43	43
Bond Issue	50,000	50,000	-	-
Loans from subsidiaries	-	-	127,000	123,000
	<u>292,868</u>	<u>266,739</u>	<u>252,868</u>	<u>226,739</u>
Deferred financing costs	(1,736)	(1,762)	(859)	(711)
	<u>291,132</u>	<u>264,977</u>	<u>252,009</u>	<u>226,028</u>
Between one and two years	3,888	3,506	3,888	3,506
Between two and five years	55,426	45,996	55,426	45,996
In five or more years	233,554	217,237	193,554	177,237
	<u>292,868</u>	<u>266,739</u>	<u>252,868</u>	<u>226,739</u>
Deferred financing costs	(1,736)	(1,762)	(859)	(711)
	<u>291,132</u>	<u>264,977</u>	<u>252,009</u>	<u>226,028</u>
Total debt				
Loans	296,741	270,142	256,741	230,142
Deferred financing costs	(1,883)	(1,979)	(915)	(831)
	<u>294,858</u>	<u>268,163</u>	<u>255,826</u>	<u>229,311</u>

The bank loans are secured by fixed charges on individual properties.

The bank and other loans are repaid at various times of the year. The interest rates are a mixture of fixed and variable rates, and range from 0.89% to 12.46% (2014: 0.88% to 12.46%).

The interest of 12.46% relates to £1.7m which is repayable in March 2039.

At 31 March 2015 the Group had undrawn loan facilities of £58.0m (2014: £80.0m) of which £50.7m (2014: £54.2m) has security in place.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21 Recycled capital grant fund

Group and Association	2015 £ '000	2014 £ '000
At 1 April	369	677
Grants recycled	638	242
Interest accrued	3	2
Purchase/ development of properties	(71)	(552)
At 31 March	<u>939</u>	<u>369</u>
Disclosed as:		
Amounts falling due within one year (note 18)	54	71
Amounts falling due after more than one year (note 19)	885	298
	<u>939</u>	<u>369</u>
Amount due for repayment to the Homes and Communities Agency and Greater London Authority	<u>-</u>	<u>-</u>

22 Provisions for liabilities and charges

The group had no provisions for liabilities and charges at the balance sheet date (2014: £nil)

23 Non-equity share capital

The shares provide members with the right to vote at general meetings, but do not provide any rights to dividends or distributions on a winding up.

Association	2015 £	2014 £
Shares of £1 each issued and fully paid		
At 1 April	40	45
Shares issued during the year	1	3
Shares surrendered during the year	(4)	(8)
At 31 March	<u>37</u>	<u>40</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24 Reserves

Group	Revaluation reserve £ '000	Revenue reserve £ '000	Designated reserves £ '000	Total £ '000
At 1 April 2014	24,325	69,848	976	95,149
Surplus for the financial year	-	11,617	-	11,617
Transfers (from)/ to revenue reserve	-	(22)	22	-
Unrealised surplus on commercial properties	6,385	-	-	6,385
Realised deficit on commercial properties	-	-	-	-
At 31 March 2015	<u>30,710</u>	<u>81,443</u>	<u>998</u>	<u>113,151</u>

Association	Revaluation reserve £ '000	Revenue reserve £ '000	Designated reserves £ '000	Total £ '000
At 1 April 2014	22,576	74,541	976	98,093
Surplus for the financial year	-	10,759	-	10,759
Transfers (from)/ to revenue reserve	-	(22)	22	-
Unrealised surplus on commercial properties	5,990	-	-	5,990
Realised deficit on commercial properties	-	-	-	-
At 31 March 2015	<u>28,566</u>	<u>85,279</u>	<u>998</u>	<u>114,843</u>

There are three designated reserves; one maintained for sheltered scheme commitments; one community fund (the John Toomey Heritage Fund) dedicated to supporting initiatives which promote the heritage of the organisation; and one gardening fund (Irene Barclay Garden Fund) for community gardening projects.

25 Financial commitments

Capital expenditure commitments were as follows:

	Group		Association	
	2015 £ '000	2014 £ '000	2015 £ '000	2014 £ '000
Expenditure contracted for but not provided in the accounts	4,759	16,228	1,120	450
Expenditure authorised by the Board, but not contracted	102,675	36,399	9,503	3,135
	<u>107,434</u>	<u>52,627</u>	<u>10,623</u>	<u>3,585</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25 Financial commitments (continued)

The above commitments will be financed primarily through borrowings and Social Housing Grant.

Commitments under operating leases were as follows:

Office equipment and computers

Group and Association	2015	2014
	£ '000	£ '000
Operating leases which expire:		
- Within one year	15	10
- One to five years	5	211
	<u>19</u>	<u>221</u>

26 Contingent liabilities

The Group (and Association) had contingent liabilities of £35k in relation to on-going disputes (2014: £41k).

27 Reconciliation of operating surplus to net cash flow from operating activities

Group	2015	2014
	£ '000	£ '000
Operating surplus	19,379	12,416
Depreciation of housing and commercial properties	4,709	4,449
Depreciation of other fixed assets	847	838
Impairment of housing properties	(493)	(83)
Revaluation of investments	-	-
	<u>24,442</u>	<u>17,620</u>
Working capital movements		
Properties for sale	(15,331)	(4,512)
Debtors	314	(1,711)
Creditors	2,766	94
Net cash inflow from operating activities	<u>12,191</u>	<u>11,491</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28 Reconciliation of net cash flow to movement in net debt

	2015 £ '000	2014 £ '000
(Decrease) in cash	(477)	(6,488)
Cash inflow from increase in debt	(26,695)	(29,306)
Increase in net debt from cash flows	<u>(27,172)</u>	<u>(35,794)</u>
Cash inflow from disposal of investments	-	-
Cash (inflow) outflow on Money Market investment	(5,000)	5,000
Change in market value of investments	-	-
Total changes in net debt for the period	<u>(32,172)</u>	<u>(30,794)</u>
Net debt at 1 April 2014	(254,209)	(223,415)
Net debt at 31 March 2015	<u><u>(286,381)</u></u>	<u><u>(254,209)</u></u>

29 Analysis of net debt

	1 April 2014 £ '000	Cash flow £ '000	Non-cash movement £ '000	31 March 2015 £ '000
Cash at bank and in hand	8,954	(477)	-	8,477
Bank Overdraft	-	-	-	-
Changes in cash	<u>8,954</u>	<u>(477)</u>	<u>-</u>	<u>8,477</u>
Current asset investment	5,000	(5,000)	-	-
Loans	(268,163)	(26,695)	-	(294,858)
Changes in net debt	<u><u>(254,209)</u></u>	<u><u>(32,172)</u></u>	<u><u>-</u></u>	<u><u>(286,381)</u></u>

30 Financial assets and liabilities

Financial assets

Other than short-term debtors, financial assets held are cash deposits placed on money markets at call.

Group and Association	2015 £ '000	2014 £ '000
Money Market Investment	<u><u>-</u></u>	<u><u>5,000</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 Financial assets and liabilities (continued)

Financial liabilities excluding trade creditors – interest rate risk profile

	Group		Association	
	2015 £ '000	2014 £ '000	2015 £ '000	2014 £ '000
Floating rate	33,198	72,406	33,198	34,681
Fixed rate	263,500	167,406	266,500	195,463
Total	<u>296,698</u>	<u>239,812</u>	<u>299,698</u>	<u>230,144</u>

The Association's financial liabilities are sterling denominated. After taking into account various interest rate swaps, the interest rate profile of the Group's financial liabilities at 31 March were:

The fixed rate financial liabilities have a weighted average interest rate of 5.46% (2014 5.18%) and the average period for which it is fixed is 18 years (2014: 16 years).

The floating rate financial liabilities comprise bank loans and overdrafts that bear interest at rates based on the three-month LIBOR.

The debt maturity profile is shown in note 20.

Borrowing facilities

The Group has undrawn committed borrowing facilities. The undrawn facilities available at 31 March in respect of which all conditions precedent had been met were as follows:

	2015 £ '000	2014 £ '000
Expiring in more than two years	<u>58,000</u>	<u>80,000</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 Related parties

The Association has taken advantage of the exemption conferred by Financial Reporting Standard 8, *Related Party Disclosures* that allows it not to disclose transactions with Group undertakings that are eliminated on consolidation.

There were two tenant members of the Board during the year, Paulette Rose and Dayna Byfield. These tenancies are on normal commercial terms and they are not able to use their position to their advantage.

During the year the following significant transactions took place between group members

From: Company *	To: Company *	Amount £	Date	Reason for Payment
OHL	OPL	4,460,710.00	04/04/2014	OHL investment in OPL
OPL	OHD	4,460,710.00	04/04/2014	OPL investment in OHD
OHL	OFL	1,068,965.77	14/04/2014	Transfer of Interest from OHL to OFL
OHL	OPL	4,765,110.00	08/05/2014	OHL investment in OPL
OPL	OHD	4,765,110.00	08/05/2014	OPL investment in OHD
OHL	OPL	4,052,800.00	28/05/2014	OHL investment in OPL
OH2	OF2	951,880.00	09/06/2014	Transfer of Interest from OH2 to OF2
OHL	OPL	1,290,189.60	09/07/2014	OHL investment in OPL
OPL	OHD	1,290,189.60	09/07/2014	OPL investment in OHD
OHL	OFL	1,097,671.92	15/07/2014	Transfer of Interest from OHL to OFL
OHL	OPL	4,019,410.00	15/07/2014	OHL investment in OPL
OPL	OHD	4,019,410.00	15/07/2014	OPL investment in OHD
OHL	OFL	1,092,720.55	14/10/2014	Transfer of Interest from OHL to OFL
OHL	OPL	3,007,000.00	06/11/2014	OHL investment in OPL
OPL	OHD	3,007,000.00	06/11/2014	OPL investment in OHD
OHL	OPL	1,000,000.00	26/11/2014	OHL investment in OPL
OPL	OHD	1,000,000.00	26/11/2014	OPL investment in OHD
OH2	OF2	951,880.00	09/12/2014	Transfer of Interest from OH2 to OF2
OHL	OPL	2,200,000.00	19/12/2014	OHL investment in OPL
OPL	OHD	2,200,000.00	19/12/2014	OPL investment in OHD
OHL	OFL	1,104,343.17	14/01/2015	Transfer of Interest from OHL to OFL
OHL	OH2	1,694,919.60	30/03/2015	Clearing down of inter company balances

*Subsidiary company details are in Note 14 Investment in subsidiaries.

32 Post balance sheet events

Non- adjusting event after the balance sheet date

In the Government's budget statement of 8 July 2015, the Government stated its intention to mandate:

- a reduction in social housing rents (including affordable rents and social rents) by 1% each year for the next four years, from April 2016; and
- tenants living in social housing and earning more than £30,000pa (£40,000pa in London) will be required to pay market rent.

This event occurred after the balance sheet date and does not provide additional information about, nor represent a change in conditions that existed at that date. Therefore, in accordance with Financial Reporting Standard 21 "Events after the balance sheet date", the Government's budget statement is a non-adjusting post balance sheet event. The financial statements do not reflect the possible financial consequences of the matters described below (except where they affect the going concern basis of preparation).

As per accounting policy, "Housing properties", the Group carries its social housing properties at cost net of Social Housing Grant, depreciation and impairment. Where we determine that government intentions represent an

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32 Post balance sheet events (continued)

indicator of impairment according to the underlying accounting framework (whether of specific classes of housing property or across the portfolio) we will be required to perform a review for impairment on assets or appropriate cash generating units affected in the financial year to 31 March 2016. We will record an impairment charge in the financial statements to 31 March 2016 where we identify assets or cash generating units subject to impairment review that are carried at an amount greater than their recoverable amount. However, until further details of the intentions are made available the Group has been unable to determine specific details of the financial impact.

Government intentions may also have the following material effect:

- Borrowings: The Group borrows against future rental income. A reduction in rental income may mean that the Group cannot borrow as easily in the future or that borrowings will only be available at a higher cost.
- Development plans: The current capital commitments presented within note 25 (both authorised and contracted and authorised but not yet contracted) have been determined on the basis of a predictable sustainable increase in rents for the foreseeable future. Government's intentions will require the board to reconsider the plans and may result in the Group scaling back certain developments so as to operate within revised rental income forecasts. This work is not complete as at the date of signing these financial statements.
- Going concern: Group's financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. Government's announced intentions have led to an ongoing reassessment of the Group's 30-year plan as well as an assessment of any imminent or likely breach in borrowing covenants. Although the Government's intentions create a significant requirement to reduce the group's cost base over the next four years, covenant breaches are not anticipated and the savings required are achievable. Consequently, we consider it appropriate to continue to prepare the financial statements on a going concern basis.

33 Legislative provisions

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is a Registered Provider of Social Housing registered with the Homes and Communities Agency under the Housing and Regeneration Act 2008.

34 Acquisition of Lee Housing Association

During the year, there was a Transfer of Engagements from Lee Housing Association Limited. In accordance with the special resolution registered on 30 September 2014 under the Cooperative and Community Benefit Societies Act 2014, Lee Housing Association transferred the whole of its stock, property, asset, liabilities and all engagements to Origin Housing Limited. No share in Origin Housing Limited was issued to any shareholder of Lee Housing Association Limited as a result of the transfer of engagement.

The effect of these transactions is summarised in Note 2 on the line "Transfer of engagement: Lee Housing Association" and is detailed below:

	£000
Housing properties	9,990
Social Housing Grant & Other Funding	(4,410)
Commercial Properties	630
Other fixed assets	1
Net Current Assets	<u>1,020</u>
	7,231
Loans	(1,250)
Acquisition costs	<u>(282)</u>
Net Assets	<u>5,699</u>