Annual Report & Accounts 2015

a2dominion

Our vision is simple...

...to improve people's lives through high quality homes and services.

The Wharf, London Borough of Waltham Forest

HIGHLIGHTS

OPERATING AND FINANCIAL REVIEW

REPORT OF THE BOARD

FINANCIAL STATEMENTS

A2Dominion's regional office at 113 Uxbridge Road, London Borough of Ealing

About us

A2Dominion is a leading housing provider and property developer, managing over 35,000 homes and building thousands more across London and the South East.

We offer high quality sustainable homes for sale, shared ownership and private rent, with many available through our FABRICA by A2Dominion brand.

We also provide affordable and social rented homes, student, key worker and temporary accommodation, as well as supported and sheltered housing.

With a unique approach to housebuilding, all of the profits we generate are reinvested into supporting our social purpose, helping us to deliver more affordable homes and services to our customers.

THE SUNDAY TIMES 100 BEST NOT-FOR-PROFIT ORGANISATIONS TO WORK FOR 2015

INVESTORS IN PEOPLE | Gold

RESI Landlord of the Year *Winner 2015*

FABRICA by A2Dominion is our brand for marketing many of our new homes which are available for sale, shared ownership and private rent.

Launched in early 2015, FABRICA was developed in response to our growing emphasis on private development and aims to appeal to a broader customer base.

Taken from Latin, meaning 'skilfully produced', the name FABRICA was chosen to convey our commitment to providing thoughtfully designed homes in carefully considered locations.

www.fabrica.co.uk

The Chroma Buildings, London Borough of Southwark

Pyramid Plus is our brand for two companies that provide asset management services to the private, public and not-for-profit sectors.

Formed in 2013, Pyramid Plus London LLP is a joint venture company with Mitie and Pyramid Plus South LLP is a joint venture company with Breyer.

Services include general maintenance, responsive repairs, voids and facilities management and a 24-hour customer services centre.

www.pyramidplus.co.uk

Pyramid Plus staff

Chair's report

Welcome to A2Dominion's Annual Report & Accounts 2015.

The strength of the residential property market, particularly in London, has enabled profits from our private sales to cross-subsidise new affordable housing, replacing the shortfall in capital grants.

Low interest rates and inflation have also given the Group both financial stability and the resources to support debt and community investment.

In turn, I am pleased to report that the Group made a surplus of £43.8m, 80% of which will be reinvested into new homes.

Other highlights include:

- 579 new homes completed
- £94.5m invested in new affordable housing, both rent and shared ownership
- £1.4m used to improve the life chances of our residents through community investment initiatives
- 578 homes in management within our growing private rent portfolio
- an average cost of debt across the Group of 4.98% per annum.

It was also a year in which we streamlined our administration and services through completing a number of planned initiatives.

We moved our head office to a more suitable and longer-term location at The Point in Paddington, whilst our regional operations were relocated to a new purpose-built office in Ealing.

Looking ahead, we are moving into a period of uncertainty. Political change may herald a different regulatory and economic climate.

The European financial environment may re-open old problems of defaulting countries and, to many observers, the UK residential property market may be less buoyant.

All this means that the Group will need to balance caution with achieving its objectives.

The success of A2Dominion is the result of our team effort. From the Board, committees and the Executive Management Team, through to every member of staff and those working for our partners and contractors, all have contributed, many beyond what can be reasonably expected.

The strength and dedication of this team has helped us to achieve many successes during the year and provides us with confidence for the future, whatever changes we may encounter.

Derek Joseph
Chair

Gunmakers Wharf, London Borough of Tower Hamlets

Providing new high quality homes and places

We deliver a wide range of high quality, sustainable homes to meet a range of needs and aspirations.

4,428

Homes in our development pipeline

579

New homes built

£88.2m

Sales receipts

Delivering new homes

We have completed 579 homes in the past year including properties for sale, private rent, shared ownership and affordable rent. Major schemes in the pipeline include City Wharf, offering 327 canal-side apartments in London's Old Street district, and traditionally built houses at Marringdean Acres in Billingshurst, West Sussex.

Reinvesting profit for social purpose

Sales of our new homes have generated surpluses of £19.2m, which we are reinvesting back into our organisation. This will help us to provide more affordable homes, services and support for local communities.

Future development plans

We have acquired a number of new sites with the potential to provide almost 2,000 new homes. Outline planning consent has also been secured for the second phase of 2,600 homes at the UK's first eco town, North West Bicester in Oxfordshire. We are also growing our private rented sector portfolio, gaining approval for 770 new homes.

North West Bicester eco town, Oxfordshire

A2Dominion staff at our customer services centre

Delivering customer-led services

We are committed to delivering services which cater for our customers' diverse needs and expectations.

95.9%

Satisfaction with our customer services centre

35,399

Homes in management

£3.7m

Leveraged to support residents affected by welfare reform

Customer satisfaction

Our customer services centre achieved an impressive 95.9% satisfaction rating. The Group is also developing new strategies to improve customer services and increase online transactions.

Dedicated repairs service

We have launched a dedicated Property Services Operations Centre to help us improve our repairs services. To help us deliver this, we will continue to work closely with our joint venture repairs companies, Pyramid Plus, with partners Breyer and Mitie.

Supporting tenancy sustainment

Our Tenancy Sustainment Team has successfully dealt with more than 2,000 referrals for support from residents, a 14% increase from the previous year, to help minimise the impact of welfare reform. The team leveraged £3.7m of funding for residents through benefits, grants and improved joint working with our partners.

Investing in homes and local communities

We work with customers to develop safe, sustainable communities and continue to invest and upgrade the homes we own and manage.

500

Young people participated in our Be Inspired enterprise scheme

£46.4m

Invested in improving and upgrading existing homes

£50,145

Donations made to charities and community groups

Training and employment opportunities

We have increased training and employment opportunities for residents, with over 500 young people participating in our youth enterprise scheme, Be Inspired, and six residents completing business administration apprenticeships at A2Dominion.

Upgrading existing homes

Around £46.4m has been invested into our existing homes, with over 8,200 improvements made in the past year. This includes hundreds of new bathrooms, kitchens, doors and windows, as well as over 200 refurbishments.

Giving something back

Through our Corporate Social Responsibility programme we have donated over £50,000 to communities and charity groups, including £25,000 to foodbank charity The Trussell Trust, to assist people in crisis.

Vongai Ruzive, a young entrepreneur supported by A2Dominion's activities

Keybridge House, London Borough of Lambeth

Strengthening our business

We seek new partnerships and joint venture opportunities as we continue to grow our business.

£150m

Funds raised via our second retail bond

£43.8m

Our highest ever surplus

£2.3m

Efficiency savings made across the business

Record-breaking retail bond

Our second retail bond raised £150m funding to support our development programme and delivery of housing services. The bond sold out in record time following unprecedented demand from investors. It also broke new ground in terms of its 12-year maturity, the longest ever in the retail bond market.

Highest ever surplus

We have achieved our largest ever surplus of £43.8m, a £5.7m increase on the previous year. We also made efficiency savings of £2.3m by improving the way we work, streamlining systems and processes, and reviewing procurements and contracts.

Joint venture partnerships

We have agreed a number of new joint venture partnerships. With Mount Anvil, we are creating the UK's tallest brick-built residential tower in Vauxhall and the iconic Queen's Wharf development in Hammersmith. In Horley, West Sussex, we are working with Crest Nicholson to deliver a major new community of over 1,500 homes.

Stock profile and areas of operation

Stock profile

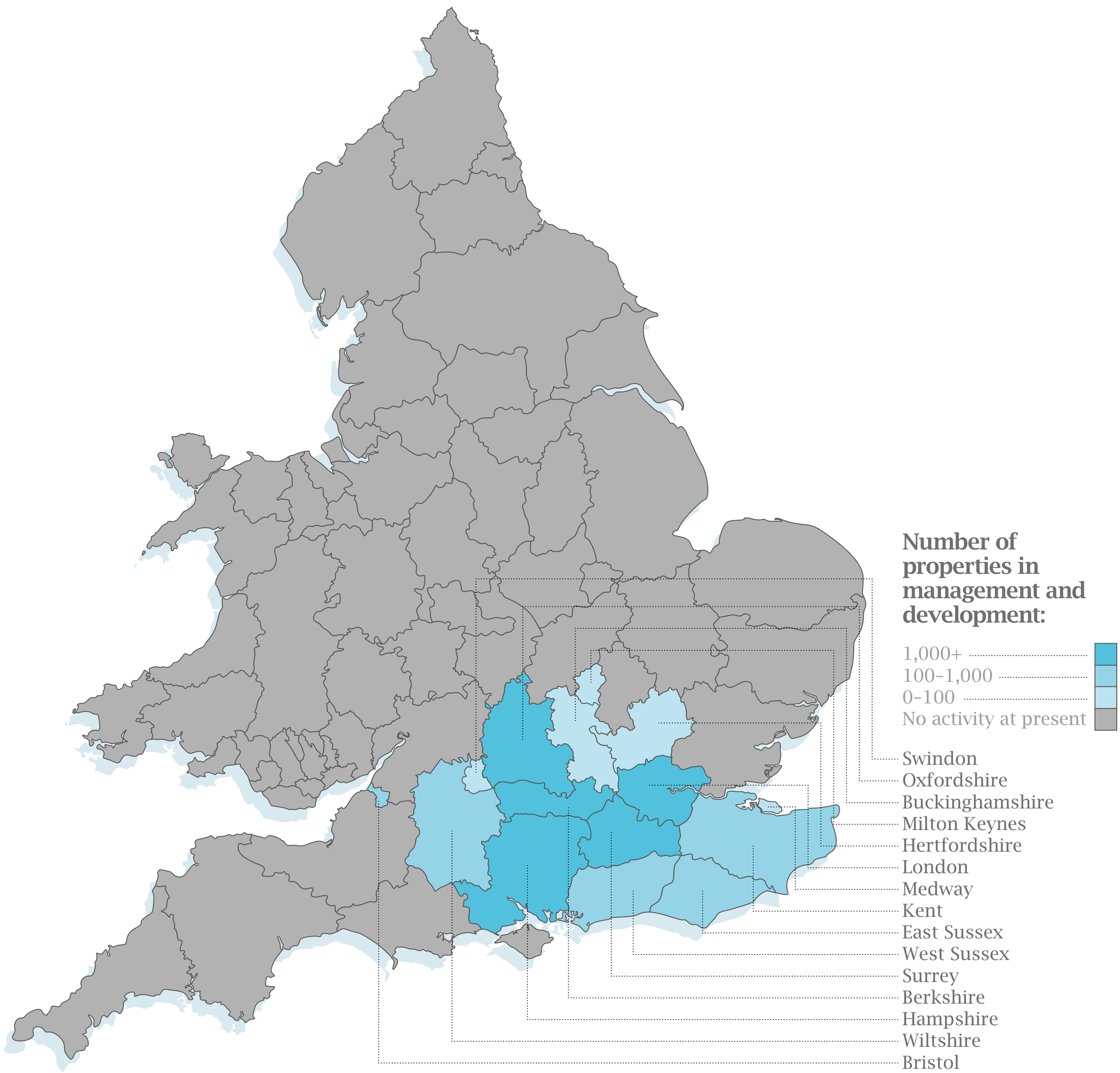
as at 31 March 2015

Local authority	Properties in management	Properties in development	Total
Bristol	622	101	723
Bromley	1,226	1	1,227
Camden	115	311	426
Cherwell	297	393	690
Chichester	539	20	559
Ealing	3,462	415	3,877
Elmbridge	385	297	682
Guildford	491	14	505
Hackney	79	336	415
Hammersmith & Fulham	1,293	0	1,293
Harrow	984	0	984
Hillingdon	2,092	0	2,092
Horsham	100	275	375
Hounslow	2,490	548	3,038
Oxford City	2,566	66	2,632
Reading	536	44	580
Reigate & Banstead	242	87	329
Runnymede	617	74	691
Rushmoor	368	0	368
Slough	976	0	976
South Oxfordshire	241	78	319
Spelthorne	7,504	258	7,762
Sutton	350	0	350
Tower Hamlets	493	20	513
Wandsworth	267	293	560
West Berkshire	632	0	632
Westminster	1,293	44	1,337
Wiltshire	304	0	304
Winchester	1,147	0	1,147
Windsor & Maidenhead	388	0	388
Other*	3,300	753	4,053
Total	**35,399**	**4,428****	**39,827**

* Indicates local authorities where we have fewer than 300 properties in management and development.

** A further 507 units are being developed as part of current joint venture projects including Green Man Lane, Ealing (90), Keybridge House, Lambeth (252) and Queen's Wharf, Hammersmith (165).

Areas of operation



Operating and financial review

Overview of the business

The A2Dominion Group is one of the largest housing organisations in southern England, operating in London and throughout the South East with its head office in central London. Other key office locations are Ealing, Bromley and Oxford from where A2Dominion Homes operates, and Staines-upon-Thames and Winchester from where A2Dominion South operates. The headquarters of the commercial division is in Staines-upon-Thames.

A2Dominion Housing Group Limited, as the parent company, provides strategic direction as well as central and development services. During the year ended 31 March 2015 the Group consisted of three social landlords:

A2Dominion Homes and **A2Dominion South** are exempt charitable organisations operating within these main business areas:

- Long-term rented housing for people who are unable to afford to rent or buy in the open market.
- Sheltered and supported housing and care for those who need additional support.
- Temporary housing for those who would otherwise be homeless.
- Low-cost home ownership housing, particularly shared ownership.
- Student accommodation, key worker accommodation and private rented homes.

A2Dominion Housing Options, a non-charitable organisation providing low-cost home ownership housing, particularly shared ownership.

The commercial division consists of **A2Dominion Developments Limited**. It operates in these two business areas:

- Development of homes for open market sale, normally on sites shared with the Group's social landlords.
- Development of homes for private rent.

These activities generate profits which are reinvested in the provision of affordable housing, enabling the Group to grow organically through the development of mixed tenure schemes. Many of the Group's new homes for sale, shared ownership and private rent are marketed under its FABRICA by A2Dominion brand.

The Group has established **A2Dominion Residential Limited** to provide private rental homes to the open market alongside an ongoing management service for the occupants.

The Group looks after 35,399 homes. This is a net increase of 581 homes from 2014. Organic growth through the Group's own development programme resulted in 716 new homes coming into management during the year which were offset by the disposal of properties under the Group's asset management strategy.

	2015 No.	2014 No.	2013 No.	2012 No.	2011 No.
Homes owned and in management	**35,399**	34,818	34,343	34,931	34,557
Homes in development	**4,428**	4,641	3,509	3,549	3,942

The Grove
Broadbridge Heath

The Grove offers a collection of two, three and four-bedroom homes in one of Horsham's most sought-after areas. Set in charming Broadbridge Heath, the development is ideally located within close proximity to picturesque countryside whilst retaining excellent city connections.

Comprising 21 homes for sale, eight for affordable rent and five for shared ownership, The Grove has been designed to meet the modern needs of customers looking for high specification homes and a relaxed community atmosphere.

Regulation, governance and investment

Regulation and governance

The social housing provider entities are registered with and regulated by the Homes and Communities Agency. Regulation takes the form of ensuring that the Group complies with the authority's regulatory framework which assesses performance under two headings: Governance and Viability. The Homes and Communities Agency summarises its judgements in a Regulatory Judgement which is updated as part of the ongoing regulation process. The Group was last assessed in June 2013 and received the highest rating in respect of both Governance and Viability.

The Homes and Communities Agency has recently reviewed the regulatory framework for Registered Providers. In addition, a revised Governance and Viability Standard and supporting Code of Practice came into effect from 1 April 2015. In the future, the Group Board will be expected to assess and certify the extent of compliance by the Group against the Standard on at least an annual basis. The Group has carried out an assessment against the new Standard and Code in preparation for making a statement of compliance in the future.

A2Dominion is a major developer of new social housing and is one of the Homes and Communities Agency's investment partners.

The Group encourages customer participation at all levels of decision-making, from local residents' forums to Group committee participation. One of the Group's major committees is the Customer Services Committee, which largely consists of residents and is currently chaired by a resident.

The chair of the Customer Services Committee also sits on the Group Board. This committee is assisted by regional resident executives and residents are also involved in A2Dominion's Service Improvement Groups.

The Group operates a virtual board structure, which streamlines the governance process. This allows the Board to oversee all areas of performance whilst delegating roles to its committees, namely:

- Audit & Risk Committee
- Customer Services Committee
- Development Committee
- Finance Committee
- Governance & Remuneration Committee.

Within the virtual board structure the Board acts on behalf of its subsidiaries, A2Dominion Homes Limited, A2Dominion South Limited and A2Dominion Housing Options Limited. The committees listed above oversee the activities of these subsidiaries through their delegated roles.

Investment

A2Dominion continues to invest in maintaining and upgrading its homes. In April 2013 it launched two repairs partnerships, Pyramid Plus London LLP and Pyramid Plus South LLP, to provide responsive repairs and facilities management services to its properties. A £130.9m planned and cyclical maintenance programme over the next three years will increase A2Dominion's environmental performance with a goal of maintaining its SHIFT (Sustainable Homes Index For Tomorrow) Silver status.

To improve the quality and effectiveness of local services, the Group is consolidating its areas of operation and using local asset management plans that are specific to the local authority areas in which it works. This enables the Group to dispose of properties that are outside its priority areas to other registered providers more local to them, and to dispose of properties deemed uneconomical to repair. This helps generate sales proceeds that assist with funding major repairs on the Group's remaining properties.

The priority neighbourhood strategy delivers a range of projects and programmes with the aim of improving the lives of residents, working with over 3,500 people in nine of the Group's key neighbourhoods this year. A2Dominion's youth enterprise initiative, Be Inspired, continued to expand volunteering, employment and enterprise initiatives for residents including delivering a minimum of 30 work placements, six enterprise schemes and 30 bursaries in 2015/16.

A2Dominion's service improvement programme, Lean, has seen the business increase productivity, reduce rent loss and other costs, improve communications, deliver more services 'right first time' and increase customer satisfaction. Investment in staff through training and development has seen an increase in staff satisfaction and helped A2Dominion to remain as one of The Sunday Times 100 Best Not-For-Profit Organisations to Work For 2015.

The Group continues to seek new sources of funding.

Development and the future

A2Dominion was hugely successful in raising funds of £150m from investors after issuing a second retail bond in October 2014. This formed part of the Group's strategy to maximise long term funding opportunities that complement its existing funding arrangements. The funding will be used by the Group to strengthen its financial position and create more opportunities to develop new homes.

Development

The Group continues to increase the number of new homes it owns and manages through its development programme, with a target to build 4,500 homes over the next five years. To enable this growth, the Group develops schemes with multiple tenures allowing the outright sale homes to generate surpluses to support the development of the affordable homes.

The Group entered into two major joint ventures during the year to develop 606 homes with Mount Anvil. This brings the Group's total development joint ventures to four.

These arrangements create opportunities to marry resources from both partners to maximise the outcomes from the developments.

The future

Changes in the economic environment, regulation, funding, legislation and the impact of welfare reform have had and are having a major effect on A2Dominion's business, development programme and services.

On 8 July 2015 the government set out its new Budget. This Budget brought announcements that impact heavily on the housing sector, which in turn affect A2Dominion.

The Group's future anticipated rental stream has been based on the criteria set out in the rent standard which is imbedded within the HCA's Governance and Financial Viability Standard. This provided an extended period of certainty allowing social and affordable rents to increase at CPI plus 1% for 10 years from 2015. The Budget reverses this and sets out that those social and affordable rents will be cut by 1% in nominal terms for four years from 2016 instead.

The Group's financial statements have not been adjusted to reflect the impact of these changes. Following the budget announcement the proposed changes will need to be passed into statute within the Welfare Reform and Work Bill. The Board and the Group's auditors have therefore agreed to report on the basis of compliance with the existing rent standard.

The two aspects of the Group's financial statements that would vary once the proposal becomes statute are:

- Property valuation disclosure: although the Group reports its housing properties at cost it discloses the current value of these properties within its fixed asset note (note 12). The basis of this valuation for social and affordable properties takes account of the property's future rental streams which have been calculated using the rental guarantee inflator of CPI plus 1%. This inflator will change to a 1% nominal decrease over the next four years. The impact of this change will be disclosed within the Group's financial statements for the year ended 31 March 2016.
- Future projections: the Group's future projections have been established on the basis of following the HCA's rent standard. This means that some of the Group's financial projections set out in its value for money self-assessment, contained within the Group's operating and financial review, will need to be revised.

Despite the improving economy, our customers are still experiencing pressures as a result of the reduction in public spending. The Group has continued to strengthen its development programme and expand its services. By reinvesting even more of the Group's reserves to subsidise future provision of affordable homes, A2Dominion has managed to lessen the impact of reduced government development grant. This has to be done in a measured way to ensure the Group's underlying financial strength is not compromised and the Board has agreed levels to work within. To date the Group has set aside £140.7m of its cash surpluses for use as internal subsidy to support the development of new homes.

A2Dominion has a strong presence in London, Surrey, Berkshire, Oxfordshire and Hampshire, owning four per cent of total Registered Provider stock in London and the South East. As a member of the g15 group of London's largest housing associations, A2Dominion continues to engage with the Greater London Authority, central government and others in discussions on emerging housing policy, particularly in relation to the future funding of housing and its design.

Key risks

New technology is transforming how customers access services, engage with the business and how A2Dominion works. The Group has updated its IT Strategy to incorporate significant system and process changes to support the way residents communicate with us.

There is a continuing drive for efficiency, savings and transparency. Strengthening the Group's financial viability will ensure it remains attractive to investors and lenders.

A2Dominion has launched a new brand, FABRICA, which was created to market the Group's growing volume of private sale, shared ownership and private rent homes. This new brand will help A2Dominion to compete with private housebuilders more effectively, expanding the Group's marketing to a wider customer base.

Key risks

The Group has a strategy in place which provides a framework for the Board and managers on A2Dominion's approach to risk management, and a Group Risk Map is maintained. The definition of risk for this purpose is an event that could prevent the Group Business Plan from being achieved if the risk were to materialise.

A risk register is maintained and records key controls to manage each risk, who is responsible for the control and how the control effectiveness is monitored. Risks are analysed according to their potential impact and probability, i.e. critical, high, medium and low, given the current control environment.

Through the process of regular review, risks which present a significant threat to the Group are reviewed at the Group Audit & Risk Committee and reported to all other committees and to the Group Board. These risks are also reviewed and updated by senior management on a quarterly basis.

Action plans are regularly updated to mitigate any risks with both high impact and probability, in order to reduce the net future risk profile.

Risk management supports the achievement of business objectives by:

- enhancing the quality of decision-making, planning and prioritisation
- contributing to effective allocation of resources
- protecting and enhancing the Group's financial viability, assets and reputation.

Effective management of risk is a high priority within the Group because of its growth plans and the rapidly changing environment in which it operates. In order to grow and improve services, the Group needs to take risks whilst ensuring that these are well-managed and that appropriate controls and contingencies are in place. The Group has a statement of risk appetite in place. This identifies the main risk areas for the Group and provides clarity on how much risk A2Dominion is willing to take.

The Group is affected by changes in government policy and the associated consequences that follow. As and when these are known the assessment of the risk and controls required are updated within the Group Risk Map. The Group has identified the potential risks resulting from the welfare benefit reforms and the reduction in public funding for new homes, and established appropriate actions to help mitigate their impact.

A2Dominion strives to maximise its surpluses so that it can invest in the provision of new homes and its existing portfolio, whilst continuing to support its customers.

Risks identified as critical or high

The table below shows risks which have been identified as critical or high to the Group and which pose a threat even after mitigating action has been taken.

Strategic objective	Risk area
Provide new high quality homes and places	Uncertainty in the housing market could impact on sustaining a large, viable residential development programme across all tenures, including: · Land availability and price; · Planning delays and planning conditions; · Construction cost fluctuations and material availability; · Shortage of skilled labour; · Sales prices, mortgage rates and mortgage availability; and · Grant and funding conditions.
Deliver customer-led services	Failure to improve and maintain satisfaction and core housing performance could lead to a loss of confidence by customers and key stakeholders. Failure to improve and maintain the quality of Leasehold Services could lead to financial loss and a loss of confidence by customers and stakeholders.
Invest in homes and local communities	Failure to have accurate stock condition information and programme planning could result in incorrect assessment of the long-term repairs costs. Failure to achieve compliance with health and safety regulations could lead to death or injury of residents. Inadequately managed joint ventures for repairs could lead to increased costs, failure to improve service delivery and reduced profitability. Reductions in Supporting People funding and failure to retain existing contracts and win new care and support contracts could lead to financial and service pressures.
Strengthen our business	Changes in the government's policy on rents and/or welfare reform could result in a reduction in rental income which could have an adverse effect on customers and the Group's long term financial forecast, risk profile and ability to develop certain types of homes. Changes in the economic environment such as interest rates, inflation and house prices could lead to decreased profitability. Failure to deliver the IT Strategy and associated organisational change successfully could result in non-delivery of significant service improvements and cause service disruption. An increase in contributions to cover deficits on A2Dominion pension schemes could result in increased costs to the Group. Third party failure could lead to a significant loss of services to customers or a threat to the delivery of projects. Failure to raise loan finance and maintain sufficient loan security would have an adverse effect on the funding of the development programme and the future growth of the Group. Expansion of non-core commercial activity results in a more complex company and tax structure.

Performance summary

Performance summary

Group income and expenditure

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Turnover	**297.2**	272.1	258.6	249.2	201.9
Cost of sales	**(67.2)**	(56.4)	(58.1)	(60.8)	(26.9)
Operating costs	**(147.1)**	(138.0)	(145.6)	(147.2)	(126.8)
Operating surplus	**82.9**	77.7	54.9	41.2	48.2
Operating margin	**27.9%**	28.6%	21.2%	16.5%	23.9%
Share of joint venture operating surplus	**2.9**	0.3	–	–	–
Surplus on sale of fixed assets	**6.7**	8.8	15.8	17.6	0.9
Net interest charges	**(47.7)**	(47.9)	(42.7)	(41.7)	(37.2)
Taxation	**–**	–	–	–	–
Minority interest	**(1.0)**	(0.8)	–	–	–
Net surplus for the year	**43.8**	38.1	28.0	17.1	11.9

The Group's net surplus of £43.8m (2014: £38.1m) included £6.7m (2014: £8.8m) of surplus from the sale of fixed assets. The sale of fixed assets result largely from the asset management programme and staircasing receipts from shared ownership homes.

The Group has achieved a 6.7% increase in its operating surplus from 2014, driven by improved surpluses on its outright sales. This has resulted in an increase of £5.7m from last year in the Group's net surplus which will be set aside to provide internal subsidy for the future provision of new homes. The Group's operating margin will be more volatile over the forthcoming years as it is largely impacted by the flow of the Group's outright sales programme and its mix of developments, which in turn is affected by economic conditions.

Group balance sheet

	2015 £m	2014 restated[1] £m	2013 £m	2012 £m	2011 £m
Tangible fixed assets and investments	**1,783.2**	1,653.0	1,600.9	1,574.2	1,581.8
Current assets	**374.4**	234.5	233.7	259.9	234.7
Total creditors including loans and borrowings	**(1,466.4)**	(1,250.2)	(1,237.5)	(1,266.2)	(1,262.8)
Minority interest	**(1.0)**	(0.8)	–	–	–
Total reserves	**690.2**	636.5	597.1	567.9	553.7

[1] Prior period adjustment (note 27).

Operational performance

Operational performance

One of the mechanisms in place to ensure the Group delivers its strategic objectives is A2Dominion's performance management framework. A number of key performance indicators are used to monitor the achievement of the Group's strategic objectives.

These are reported and reviewed on a quarterly basis by senior management and the Board and aligned to the four business objectives:

Operational key performance indicators

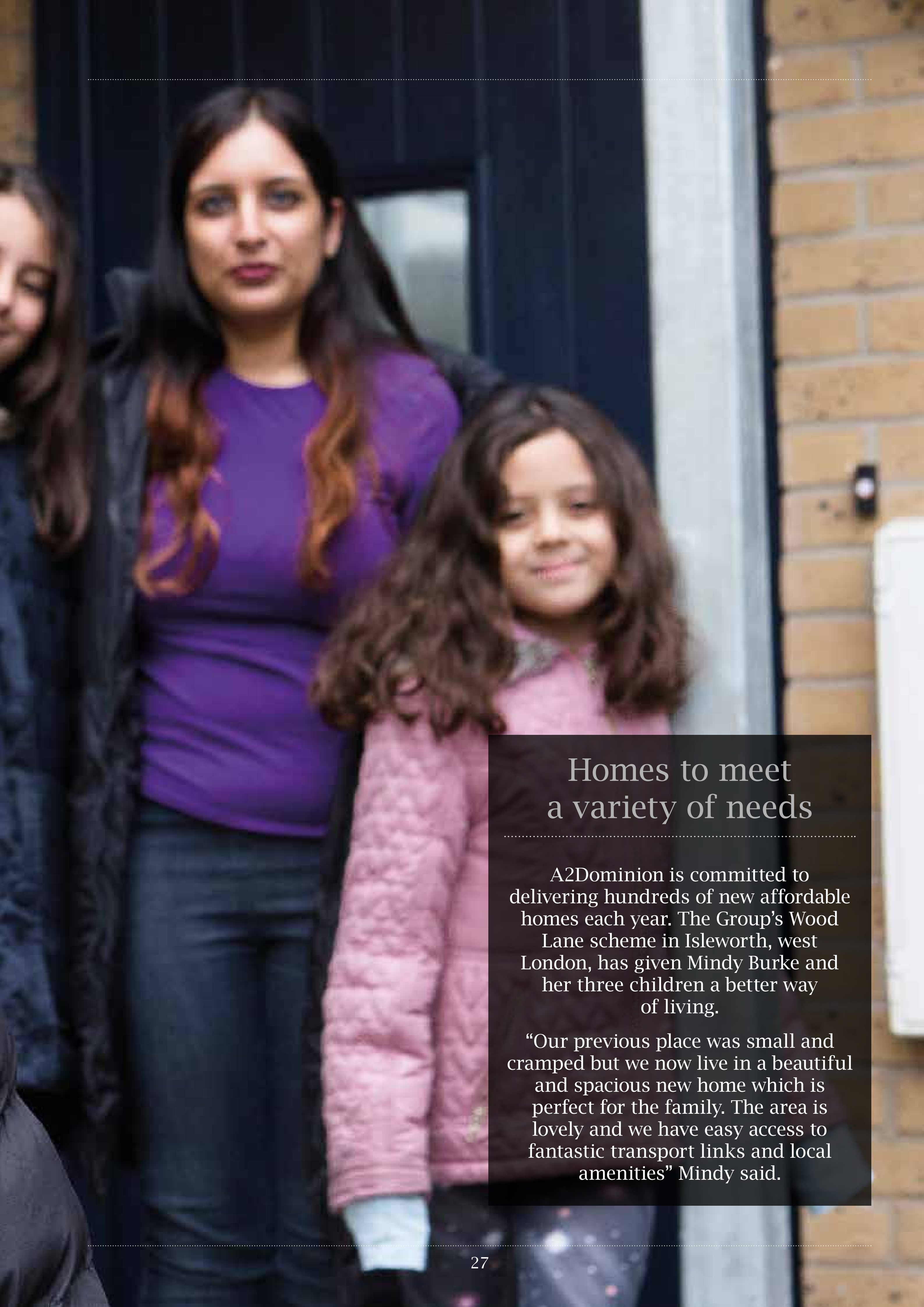
Operational performance area	Performance indicator	Target performance 2015	**Actual performance 2015**	Actual performance 2014
Provide new high quality homes and places	Sales receipts against projection	£55.7m	**£88.2m**	£74.8m
	Sales achieved from property availability	<18 Weeks	**6 weeks**	15 weeks
	New homes completed	520	**579**	695
Customer-led services	Overall satisfaction with service received from the Customer Services Centre	>90.0%	**95.9%**	95.0%
	Overall satisfaction with responsive repairs service	>85.0%	**82.1%**	83.4%
	Repair chaser calls	<25.0%	**22.0%**	20.0%
	Rental arrears – general needs homes	<4.54%	**3.84%**	4.14%
	Re-let turnaround times	<19 days	**18 days**	18 days
Invest in homes and local communities	No. of homes refurbished (planned works)	865	**995**	975
	Decent Homes Standard compliance	100.0%	**99.0%**	99.1%
	No. of homes with a valid gas safety record	100.0%	**99.5%**	99.9%
Strengthen our business	Gearing	<80.0%	**50.8%**	48.5%
	Interest cover (excluding 1st tranche sales)	>110.0%	**254.9%**	207.5%
	Results vs. budget – net surplus	>= Budget	**Yes**	Yes
	Staff turnover	<9.0%	**10.8%**	10.5%
	Staff sickness levels	<6.5 days	**6.0 days**	6.6 days

The Group has exceeded 12 out of its 16 key performance indicator targets. Its sales performance and income management, through arrears collection and void management, remain strong.

The focus for A2Dominion in the forthcoming year is to improve satisfaction levels with its responsive repair service and resources and plans are in place to achieve this.

The Group's performance on its Decent Homes Standard compliance and gas safety targets is reliant on gaining access to its properties. The Group has a comprehensive access policy that it follows to ensure it can maximise the chances of gaining access to fulfil health and safety responsibilities. Despite being below target for homes with a valid gas safety record, this only represented 0.48% of homes (79) with an average of 21.5 days of non-compliance.

Staff turnover is average for the sector but is being closely managed because of the slight upward trend. The Group tends to see the level increase as the economy improves.



Homes to meet a variety of needs

A2Dominion is committed to delivering hundreds of new affordable homes each year. The Group's Wood Lane scheme in Isleworth, west London, has given Mindy Burke and her three children a better way of living.

"Our previous place was small and cramped but we now live in a beautiful and spacious new home which is perfect for the family. The area is lovely and we have easy access to fantastic transport links and local amenities" Mindy said.

Value for money self assessment

(year ended 31 March 2015)

Introduction

The Value for Money (VFM) Strategy and Action Plan contributes to the delivery of the Group's vision by providing a framework to generate efficiencies and savings, with the aim of maximising surpluses to subsidise new and existing homes and services.

VFM is not just about reducing costs but achieving more from business activities and investments. We aim to maximise the use of the Group's assets to deliver social, environmental and economic returns and our approach is shaped by five strategic objectives:

- Maximising income and the use of the Group's assets.
- Maximising VFM through a range of procurement and joint venture approaches.
- Ensuring efficiency and simplicity across all business activity.
- Working with customers to prioritise investment in services and communities.
- Ensuring managers understand and are accountable for delivering return on investment and that the Group has a well-developed culture for achieving and demonstrating VFM.

The Group's annual VFM self assessment evaluates our financial, social and environmental performance. The results help influence our investment decisions and provide our regulators, partners and customers with information about our progress. It also helps ensure that we comply with the regulatory VFM Standard. In an internal audit in 2014/15, KPMG rated our approach to VFM as having High Assurance, the highest possible rating.

The Group is presenting its VFM self assessment within its Operating and Financial Review, as recommended by the Homes and Communities Agency.

Further information can be found on A2Dominion's website including on its dedicated VFM section (www.a2dominion.co.uk/vfm) and in its Customer Annual Report (www.a2dominion.co.uk/customerpublications).

Ensuring VFM delivery

VFM is overseen by A2Dominion's Executive Management Team and Group Board which determine strategy and investment priorities and monitor progress against published plans and targets. Their governance of VFM is supported by the Audit & Risk Committee which oversees the internal audit programme and the Group Risk Map.

The annual business planning process ensures that proposals are matched by the appropriate level of resources and that all significant A2Dominion proposals undergo a business case or options appraisal. VFM is a standard consideration for every Board and committee decision.

A2Dominion engages its customers on VFM through survey and quality accreditation programmes, as well as through the Customer Services Committee and customer-led Service Improvement Groups, which help determine priorities for expenditure, procurement specifications and contractor selection.

More than 25,000 customers gave us feedback on services they received during 2014/15, with over 8,000 being contacted by telephone as part of our after-care service. An increasing number of customers use our new text messaging feedback service.

We evaluate return on investment from major projects and all teams within A2Dominion review their performance results weekly.

Overall results

Our judgement, based on a range of performance and cost information, is that we comply with the regulatory requirements as set out in the VFM Standard. Surplus was above target, enabling greater reinvestment in homes and services and we are delivering a wide range of other social returns.

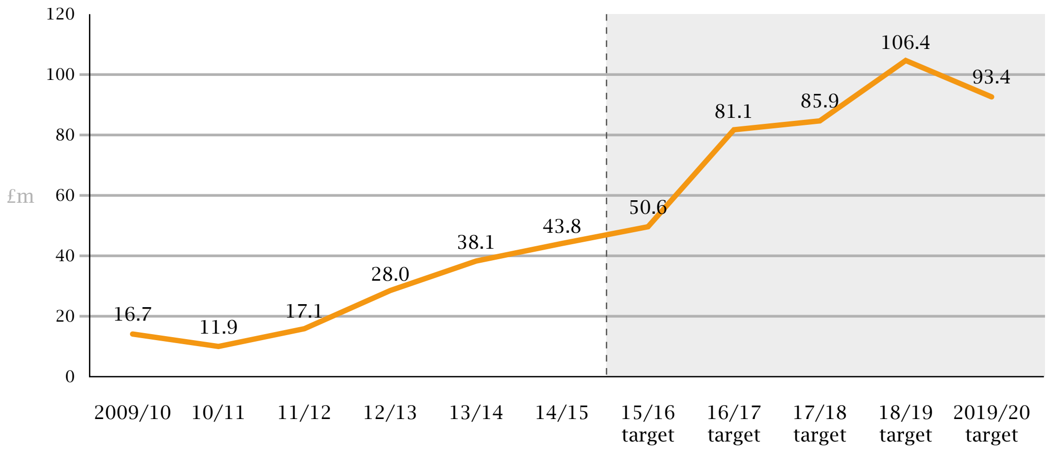
Of the 18 VFM Action Plan targets set for 2014/15, 16 were met and two underperformed. A further nine targets set for the forthcoming period are progressing to timescale.

Generally performance has been strong and improving, but with some areas average and stable.

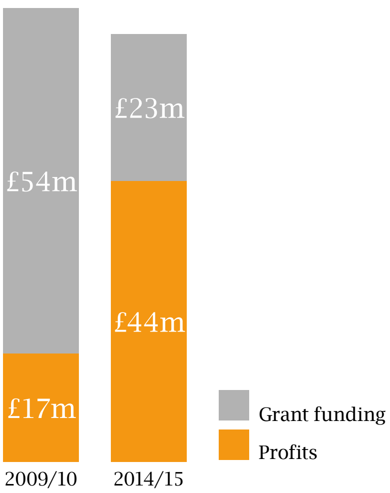
Financial results and return on investment

The 2014/15 surplus of £43.8m was £18.2m above target, which brings the total accumulated surplus to £138.9m since 2011. This has been achieved by diversifying our commercial activities, reducing our geographical area of operation and becoming more efficient.

Surplus



Our focus on increasing the Group's surplus is essential as this generates the cash needed to fund the future development of affordable housing. The impact of the change in the government's funding regime, shown here, has meant the Group has had to find alternative ways to generate this profit to replace the lost grant funding.



The Group seeks to maximise its surpluses so that it can increase the amount available to be used as a subsidy for providing new homes. In total, 80% of our cash surpluses are invested in new rented homes and 20% into existing homes, care and support provision and help for priority local communities.

Page 41 shows how we are using our surpluses.

Financial return on investment is also improving, at 4-6% across our business portfolios.

	Book value £m	Annual rental turnover £m	Annual operating surplus £m	**2014/15 operating return**	2013/14 operating return
Portfolio					
Social housing rented	1,238	165	52	**4%**	4%
Shared ownership	180	23	7	**4%**	4%
Non-social rented	83	14	5	**6%**	3%

We have made savings of £15.8m in total since the Group's formation in 2008, through rationalisation, technology, our Lean business transformation programme and testing the market in all major areas of expenditure. In 2014/15 this included £1m savings on repairs as a result of our joint venture arrangements and £0.2m through a number of small changes to improve overheads.

These savings have enabled us to invest in resources to help support our service provision improvements, maintain our Decent Homes Standard and assist residents impacted by welfare reform. Our aim is to save a further £5.4m over the next three years.

A significant review with the aim of increasing future efficiency savings will take place during 2015/16.

As well as generating this level of efficiency savings, income collection improvements of £2.7m over the last three years have been achieved, increasing the cash available for reinvestment.

The pages that follow assess A2Dominion's VFM progress against its four key business objectives and summarise future VFM plans.

	2009/10 actual savings £m	2010/11 actual savings £m	2011/12 actual savings £m	2012/13 actual savings £m	2013/14 actual savings £m	2014/15 actual savings £m	**Total savings £m**	2015/16 forecast savings £m	2016/17 forecast savings £m	2017/18 forecast savings £m	**Three-year target savings £m**
Lean business improvement reviews	–	–	0.1	0.5	0.2	–	**0.8**	–	–	–	**–**
Procurement & contract savings	–	1.6	0.1	0.2	1.4	1.0	**4.3**	1.0	1.0	1.0	**3.0**
Overhead savings	3.1	0.9	1.2	1.7	0.2	0.2	**7.3**	0.5	0.5	0.5	**1.5**
Income collection improvements	–	–	0.7	1.0	0.6	1.1	**3.4**	0.3	0.3	0.3	**0.9**
Total	**3.1**	**2.5**	**2.1**	**3.4**	**2.4**	**2.3**	**15.8**	**1.8**	**1.8**	**1.8**	**5.4**
Target	3.0	1.1	1.3	1.2	2.0	2.3	**10.9**				
Cash collection improvements – arrears reduction	**–**	**–**	**–**	**0.5**	**0.7**	**1.0**	**2.2**				

Key business objective one

Provide new high quality homes and places

Our key aims for this objective are to maximise grants and to generate surpluses through sales to support the delivery of affordable housing, and to increase our private rent portfolio in order to extend housing options and provide capital growth.

2014/15 targets

Procure land to support the development of 1,200 homes.	✓
Bid to the Homes and Communities Agency for new Affordable Homes Programme funding 2015–18 and complete 239 homes in the 2011–15 programme.	✓
Maximise cash receipts by selling 100% of homes for sale at 100% of approved value.	✓
Increase off-plan sales to minimise risk and reduce sales times.	✓
Pursue partnerships and joint ventures to be on track to deliver up to 750 private rent homes by March 2017.	✓
Build 393 homes to Code for Sustainable Homes Level 5 at North West Bicester eco town, with the first homes available for 2015/16.	✓

Self assessment – return on investment

Our judgement based on a range of performance and comparative data:

Financial
strong
and improving

Environmental
strong
and improving

Social
strong
and improving

Performance highlights

- Acquired sites with potential for 1,764 homes against a target of 1,200 for the year.
- Completed 102 private rent homes and on track to meet our 2017 target of 750 properties.
- Secured additional grant of £5.3m above our allotted programme during the year to deliver 290 homes (2015–18).
- Entered into joint ventures with Mount Anvil for Keybridge House in Vauxhall and Queen's Wharf in Hammersmith, to help deliver 606 new homes.
- Launched our new FABRICA by A2Dominion brand and website for marketing our growing range of private sale, shared ownership and private rent homes.
- Achieved twice our forecast sales income target and improved sales margins (excluding land sales) by 5.2% to 28.8%.
- Achieved outline planning for 2,600 homes for the next phase at the North West Bicester eco town.
- Updated our design brief and technical specification to further improve how we design for communities and increase environmental sustainability, including smart meter technology in homes and bio-diversity objectives for landscaping.
- Achieved high quality standards for sustainable homes and communities, recognised through various awards.

- Delivered 579 new homes against a target of 550. Of these, 334 homes were affordable, supported through grants and cross-subsidy from private sales.

	Affordable Rent	Shared Ownership	Private Rent	Private Sale
2014/15 actual	202	69	102	206
2015/16 forecast	180	180	180	360
2016/17 forecast	180	180	180	360
2017/18 forecast	180	180	180	360
2018/19 forecast	180	180	180	360
2019/20 forecast	180	180	180	360

Future plans

In 2015/16, we hope to achieve the following:

- Procure land to support the development of a minimum of 900 homes, sustaining a minimum two-year land supply for 1,800 units.
- Deliver a minimum of 900 new homes (40% shared ownership and affordable rent, 20% private rent and 40% private sale).
- Handover the first phase of homes at the North West Bicester eco town by March 2016.
- Complete a tender review and adopt an updated development contractor framework by April 2016.
- Implement a new IT system for Commercial Services in 2015/16 to save £80,000 per year and improve development reporting.

Key business objective two

Deliver customer-led services

Our key aims for this objective are to update our customer service model to increase digital self-services, whilst sustaining and improving service standards.

2014/15 targets

Improve our handling of repairs calls and emails within existing resources to achieve 65% completions on first visit.	✓
Increase online transactions by 30% per year.	✗*
Complete a pilot using Who's Home, a web-based service for identifying occupants of properties, and determine future strategy for tackling tenancy fraud.	✓
Implement phase two of our Welfare Reform Project to reduce under-occupation in our homes.	✓
Review major rent loss from void properties to identify scope for improvement.	✓

* on hold pending new investment

Self assessment – return on investment

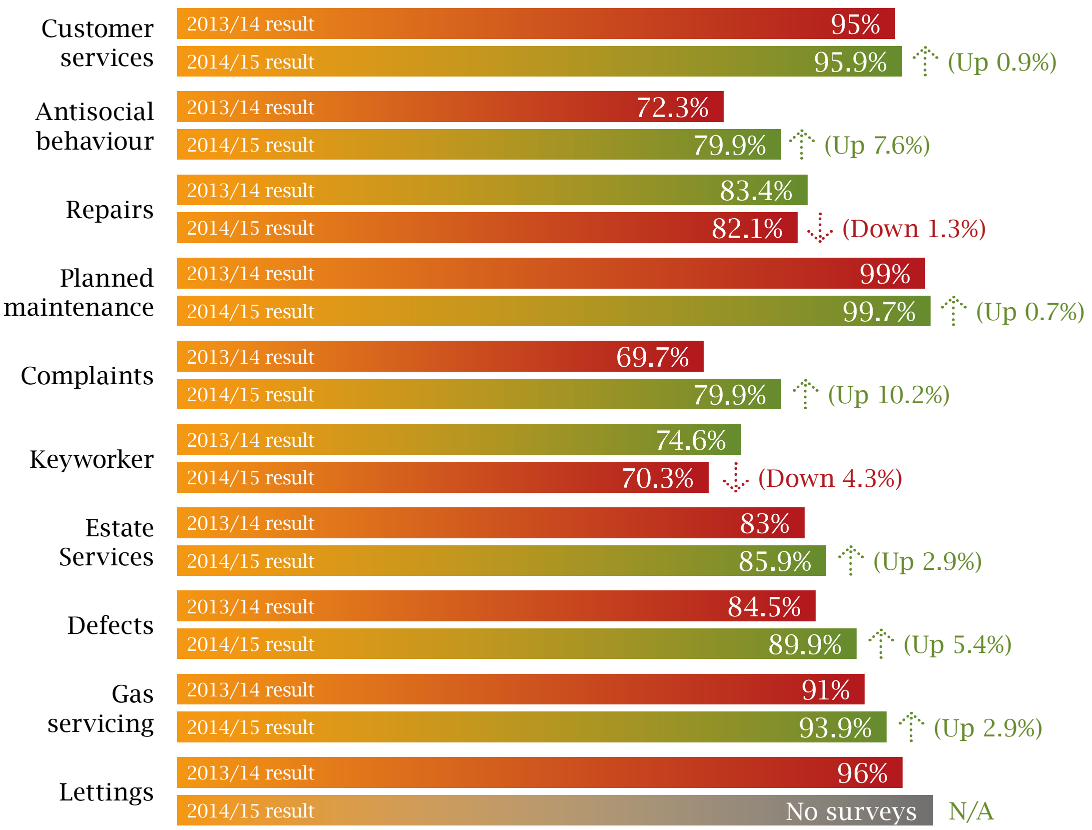
Our judgement based on a range of performance and comparative data:

Performance highlights

- Helped customers to secure an extra £3.7m in housing benefit, discretionary housing payments and other sources of financial support, compared with £1.5m in 2013/14.
- Facilitated 139 moves with customers who were under-occupying their homes, releasing 179 bedrooms and saving households an average of £1,560 rent per year (for two or more bedrooms) or £770 per year (for one bedroom). In total, 107 households avoided under-occupancy deductions from their benefits.
- Rolled out our new Microsoft Dynamics customer relationship management system to A2Dominion's repairs teams, supported by Lean process reviews. The percentage of repairs made safe within 24 hours and the median days to complete repairs outperformed targets. We are investing more in telephone and email handling to ensure we achieve our customer service commitments in 2015/16, whilst embedding recent structure, systems and process changes. Targets were not consistently met in 2014/15.

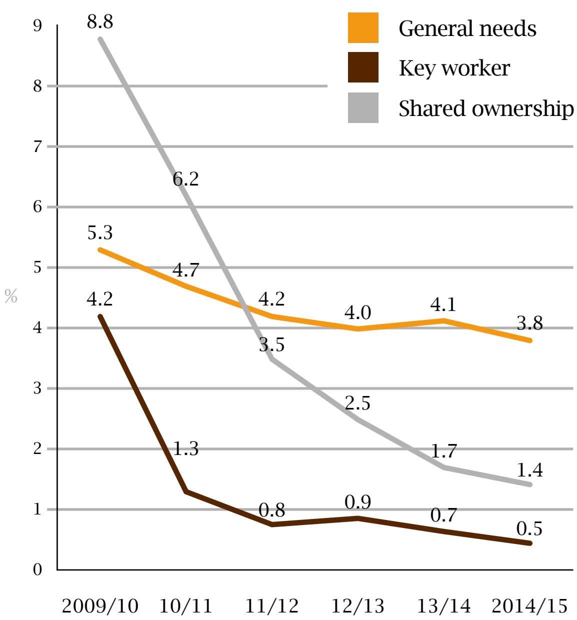
- Either met or outperformed customer satisfaction targets in a number of services, including within complaints handling where satisfaction increased by 10%. Repairs satisfaction returned to its monthly target by the end of the year, after below target performance. We also improved processing times for handling MP and Councillor enquiries.
- Agreed a Customer Services Strategy for 2015–20 with a vision to significantly expand online self-services and implement a new delivery model to improve services and free up capacity, including for outbound calls to customers.
- Pyramid Plus, our repairs joint venture companies, continued to invest in service improvements for customers. This delivery model continues to be cost effective allowing us to save £1m against our previous model.
- Improved re-let reporting and management in all tenures, to reduce rent loss from voids by 0.7% from its base year of measurement (2010/11) which has generated £1.1m more income for the Group this year.

A2Dominion customer satisfaction



- Reduced rent and service charge arrears to lowest ever levels, outperforming targets in eight out of 10 tenures. This was above average performance against similar London providers and followed investment in RentSense technology to improve our income management. Service charge debt was halved.
- Supported by high levels of customer involvement in scrutinising and developing our services.

Arrears (rent and service charge)



Future plans

In 2015/16, we hope to achieve the following:

- Start implementation of our new Customer Services Strategy to deliver online self-services, increased satisfaction in underperforming areas and other benefits over the next five years (targets to be confirmed).
- Embed changes in our repairs services to improve repairs response times, reduce chaser calls and consistently meet published service standards.
- Commission and undertake analysis by December 2015 to inform and improve customer contact and service design.
- Upgrade our online portal for customers, My Account, and prepare for a comprehensive upgrade of the A2Dominion website.
- Roll out our Microsoft Dynamics customer relationship management system to support the management of our expanding private rent portfolio of homes in 2015/16, and further extend adoption of the system in Property Services.

Key business objective three

Invest in our homes and local communities

Our key aims for this objective are to achieve best use of our property assets to meet local authority and other priorities, ensure cost-effective maintenance of homes, use our surpluses to support social enterprise and priority neighbourhood areas, and further consolidate our operational areas.

2014/15 targets

Implement 11 local authority asset management plans to target and address homes requiring the most work.	✓ partial
Undertake a £30m planned and cyclical repairs programme by April 2015.	✓
Stay on track to complete priority fire safety works by March 2016.	✓
Further expand our targeted employment and enterprise initiatives to offer a total of 127 opportunities and support programmes.	✓

Self assessment – return on investment

Our judgement based on a range of performance and comparative data:

Financial
average
and improving

Environmental
strong
and stable

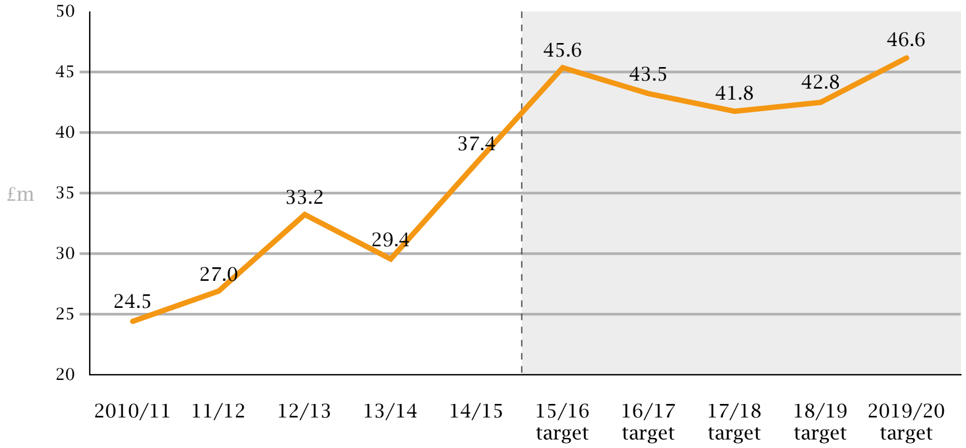
Social
strong
and improving

Performance highlights

- Completed robust appraisals of individual homes including through the Asset Management Panel to ensure best use of isolated, under-used, and other properties beyond economic repair.
- Better stock profile information is also helping us target high-spend properties for refurbishment or disposal: 22 units were disposed of in 2014/15.
- Changed tenure of 87 units, 47 of which were from general needs to affordable rents and 29 to temporary accommodation.
- Worked with partners to regenerate parts of Stanwell in Surrey and West Ealing in London to deliver 50 new homes. One property was demolished and eight customers were moved from properties in poor condition.
- Officially opened Chestnut Court in Stanwell, an ‘extra care’ housing scheme for older people, as part of the Stanwell New Start regeneration scheme providing over 300 new homes.
- Submitted planning applications for a further 138 residential homes, a school, three community halls and over 3,000sqm of public open space.
- Reduced fire risk rating of properties to ‘moderate’ by undertaking priority safety works.

- Undertook a significant number of improvements in our existing homes as part of our planned and cyclical maintenance programme.

Planned and major repairs investment 2011–2020



2014/15 programme	Cost	Number of orders
Planned kitchens and bathrooms	£6.4m	698
Planned windows and doors	£2.4m	297
Planned refurbishments	£3.3m	211
Cyclical works	£8.9m	2,868
Priority safety works:		
Fire	£1.0m	182
Electrical	£1.6m	169
Asbestos	£1.5m	149
Heating system work	£5.1m	1,784
Passenger lifts	£1.2m	10
Asset management refurbishments	£3.5m	50
Other planned works	£2.5m	–
Total planned and major repairs	**£37.4m**	**6,418**
Mechanical and electrical works	£9.0m	1,784
Total including mechanical and electrical works	**£46.4m**	**8,202**

- Successfully bid to provide and manage a new mixed-tenure care and support scheme in Reading.
- Further improved management of new and mixed-tenure developments with targeted and specialist resources.
- Worked with selected local authority partners to reduce fly-tipping on estates and the associated cost of bulky waste removal for residents.
- Worked with partners to deliver life skills, employment opportunities and additional support to engage over 4,000 residents in our Be Inspired youth enterprise programme, Priority Neighbourhoods project and other initiatives:
  - 80 customers completed our enterprise support programme including business development and support, project management skills and personal growth workshops.
  - Five young A2Dominion entrepreneurs were awarded a total of £15,000 for developing their own businesses via our 'Dragons' Den'-style initiative.
  - 11 residents secured permanent employment through our Pathways initiative, and four were appointed as two-year business administration apprentices.
  - Around 300 customers were given support to get online by taking part in our digital inclusion programmes (70% increase on 2013/14).
  - 30 customers trained as Digital Champions to help A2Dominion customers to get online.
  - Volunteers gave 2,354 hours of their time, with a community investment value of £33,000.
  - Attracted £396,000 in external funding for community initiatives.

Future plans

In 2015/16 and beyond, we hope to achieve the following:

- Planning permission for 92 homes, a new primary school and three new community facilities at Green Man Lane, Ealing.
- Engage with Green Man Lane residents and stakeholders to help inform the design and layout of the third phase of regeneration.
- Planning permission for 46 homes and 3,000sqm public open space in Stanwell, Surrey.
- A £3m social return on investment in 2015/16 (£2 for every £1 invested this year).
- Provision of employment and training opportunities to deliver 108 apprenticeships and 1,100 volunteering and work opportunities, and invest around £200,000 in 57 social enterprise ventures.
- Aim to support 95% of customers who are at risk of the impact of welfare reform to transact online.
- Transfer of up to 111 homes to other housing providers in seven local authority areas, as part of our stock rationalisation programme.
- A £45.6m planned, major and cyclical works programme, including the final year of priority safety works.
- A retrofit pilot of 650 properties to test the viability of increasing the minimum Standard Assessment Procedure (SAP) rating to 70 (SAP is an indicator of environmental performance).

Key business objective four

Strengthen our business

Our key aims for this objective are to reduce overheads, to simplify and integrate business processes and sustain environmental improvements in our offices.

2014/15 targets

Achieve £70.8m annual operating surplus for the year ended March 2015.	✓
Achieve £2.3m efficiencies in the same period.	✓
Complete office moves to save £0.8m per year and reduce carbon footprint from 2015/16.	✓
Support customer service improvement and new ways of working through a three-year roll-out of electronic document management, customer relationship management and mobile working technologies from 2015/16.	✓
Agree procurement of new back office systems.	✓ partial
Minimise the risk of financial volatility and prepare for the new regulatory Financial Reporting Standard 102 by completing a restructure of interest rate derivatives by March 2015.	✓
Sustain current rent and service charge collection rates and achieve 99.6% rent collection target for general needs housing.	✓
Retain the Group's Silver Sustainable Housing Index For Tomorrow accreditation.	✓

Self assessment – return on investment

Our judgement based on a range of performance and comparative data:

Financial
strong
and improving

Environmental
strong
and improving

Social
strong
and improving

Performance highlights

- We have used technology and Lean systems thinking to simplify back office processes, reduce storage, improve efficiency and statutory compliance, and support customer service objectives. 2014/15 examples include:
  - Increased satisfaction with complaints handling from 70% to 80%.
  - Stabilised repairs performance after significant change.
  - Halved the administration process for staff leavers.
  - Increased reporting for Compliance and Legal Notices by 88%.
  - Reduced outstanding repairs (3+ months) for temporary accommodation landlords by 75%.
  - Reclaimed £32,000 in Right to Acquire costs.
  - Reduced electronic file storage by 74%.
  - Reduced sales times for new homes by 61%.
  - Reduced customer queries relating to service charges by around 60%.
  - Increased rent and service charge direct debits by 27%.
  - Managed a 14% increase in referrals to our Tenancy Sustainment Team at no extra cost.
  - Reduced the year-end finance reporting time by two months.

- Reduced average recruitment times from 42 to 33 days.
- Cut the number of failed recruitment campaigns by two thirds.
- Reduced mechanical and electrical contractors' invoice processing times by 42%.
- Helped our local authority partner in Hounslow to improve re-letting of empty properties, saving an estimated £300,000 per year.

- Raised £150m via our second retail bond which sold out within 24 hours, providing greater capacity and flexibility to finance land acquisition and development.
- Relocated our Paddington head office. We also vacated two offices in Ealing to co-locate our customer services centre and regional staff in a new purpose-built office in Ealing. Along with the introduction of flexible office working, office rationalisation has enabled us to minimise our carbon footprint and save £0.8m per year.
- Maintained significant buffer funds and restricted any new finance that has Group-wide, rather than local, financial covenants as part of our risk management strategy.
- Improved the insurance claims position, with loss ratios reduced to lowest levels.
- Relocated server rooms to third party hosting sites to improve resilience and environmental impact.
- Reduced absence from work from an average 7.2 days to less than 6 days per staff member.
- Entered into two large joint ventures, with A2Dominion acting as both funder and partner to reduce risks, costs and time. We are lending on commercial rates whilst using relatively low-cost funding secured on the basis of our high credit rating and negating the need for third party banks.
- Introduced an environmental management system to improve the Group's environmental performance.

Future plans

In 2015/16, we hope to achieve the following:

- Assess the feasibility of relocating area offices in Oxford and Winchester.
- Deliver £1.8m savings from ongoing contracts and further improvements in income collection.
- Implement a new Purchase to Pay system to quicken purchase to payment cycles by March 2016.
- Introduce a category management framework to enhance spend visibility and inform future procurement opportunities.
- Update the Pyramid Plus Business Plan in 2015, with improvement targets to deliver longer-term efficiencies.
- Finalise the Group's IT Strategy to support a five-year programme of customer service improvements and business system upgrades.

	Number of staff at main offices	Office costs £m	Floor area sq ft
Before office moves	580	2.76	67,000
2015/16	675	1.96	55,500

How we are using our surpluses

We are reinvesting all of our cash surpluses to support our key VFM aims, with 80% for providing new homes and 20% towards the Group's investment in existing properties, care and support provision and help for priority local communities.

- A total of £140.7m, 80% of the cash surpluses generated in 2011–15, is funding approximately 1,200 extra homes for rent (affordable and private), helping to bridge the gap from reduced government grant levels. Growth in commercial activity is targeted to deliver another £121.7m surplus by 2017, to increase the number of new homes.
- Under our asset management programme, and in agreement with our local authority partners, we ring-fence monies raised from disposing of properties which are no longer economic to repair, for improving housing in the relevant borough.
- In 2014/15 A2Dominion surpluses helped subsidise an improvement programme comprising £37.4m of major works and cyclical maintenance, and a £9m mechanical and electrical modernisation programme.
- In 2013/14 we invested £0.4m per year to expand our Tenancy Sustainment and Under-Occupation teams, to help manage the impact of welfare reform. In 2014/15 the value of extra benefits and grants for customers and A2Dominion represented a 740% return on investment, twice the amount recorded in 2013/14.
- We also invested in RentSense technology to support better income management, and rent arrears have reduced to lowest ever levels.
- We invested £1.2m in community development and our youth social enterprise initiative, Be Inspired, in 2014/15, targeted at customers and communities most in need. In total, 8,104 A2Dominion customers benefited from employment, training and a range of community initiatives including 49 through work placements and apprenticeships.
- We are investing approximately £1.8m in a new customer relationship management system, mobile working technology and electronic document management which will improve customer service and deliver environmental improvements over the next three years and efficiencies in the medium term (targets to be set).

How we compare with our g15 peers

Using the most recent (2013/14) data available from the g15's benchmarking club, A2Dominion's costs are both above and below average across different cost indicators compared with the 14 other largest London-based housing providers (see overleaf).

Overheads increased in 2013/14 and were above average against our peers.

Office premises costs, which are part of overheads, have been high relative to other housing associations but are reducing by £800,000 per year from 2015/16 following rationalisation under our office premises strategy. Finance costs also contributed to the increase due to additional staffing and external costs related to our retail bond issue.

Major work and cyclical maintenance costs reduced in 2013/14 but remained above average. This reflects our decision to invest more in existing homes.

Responsive repair costs reduced with the launch of our joint venture Pyramid Plus companies, and are better than average. In 2014/15 we increased staffing to handle telephone and email enquiry handling but we expect to make further efficiencies in time.

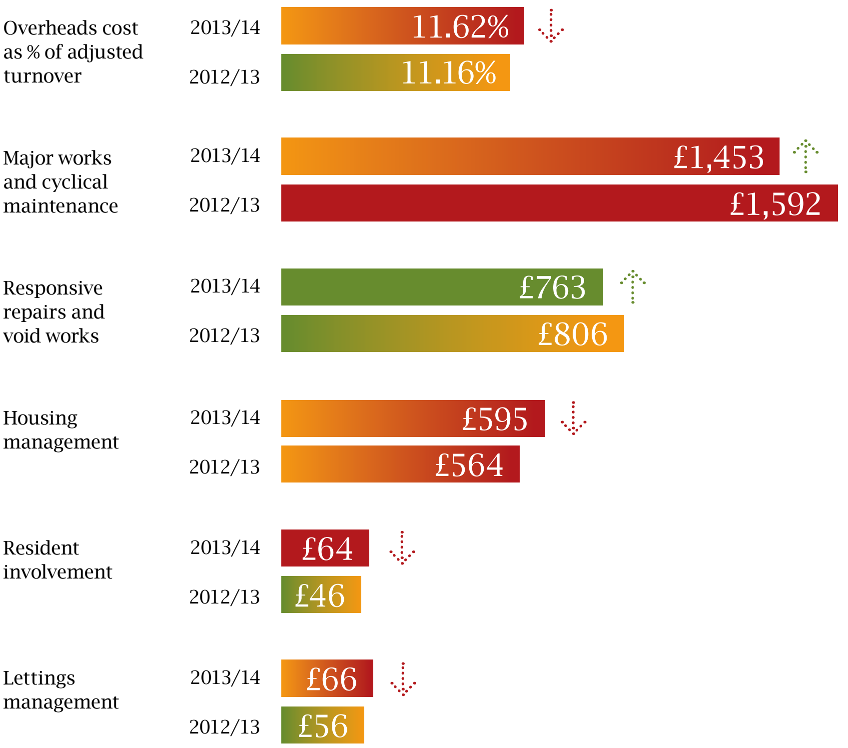
Housing management costs increased in 2013/14 due to investing more in staffing, in particular our Tenancy Sustainment Team. This was to support our residents impacted by welfare reform and to introduce incentives and financial assistance to help them avoid under-occupancy costs.

Customer engagement costs have increased and we are seeing a positive impact for our customers and their wider communities. This has been measured in the form of social return on investment. We piloted a means of calculating this in 2014/15 which we will use going forward.

Lettings costs increased in 2013/14 and were above average against our peers. However re-let times and associated rent loss are performing above average.

We also compare our financial strength to g15 peers. In 2013/14 (the latest available data) our surplus is in line with six other g15 members, at around £40m. Interest cover was also similar to most of the g15 members, which fall between 150% and 200%. Our operating margin (after deducting capitalised major repairs) has historically been low but is improving. Our operating margin for social housing lettings is now amongst the best performing g15 members, who achieve margins of between 25%–30%.

Actual and comparative cost per property for services and overheads



Our financial performance is amongst the best performing g15 members for lettings cost per social housing unit (including capital major repairs). Cost per staff member is broadly in line with our peers.

g15 upper quartile
g15 middle upper quartile
g15 median
g15 middle lower quartile
g15 lower quartile
Improved cost efficiency
Stable
Reduced cost efficiency

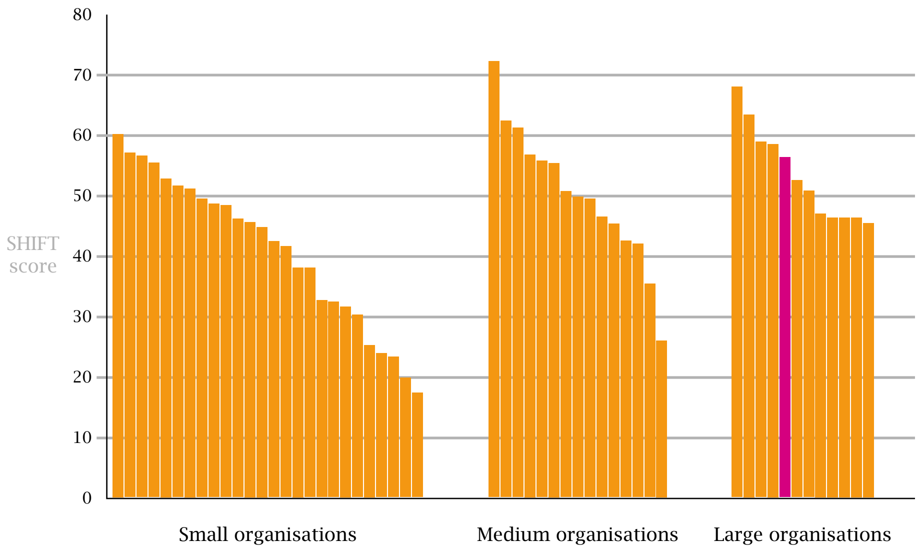
Reference: Housemark 2013/14 benchmark report for g15 housing associations.

We also participate in g15 development cost benchmarking, although the number of other members submitting figures in 2014/15 (for 2013/14 completions) reduced to six. Within this limited number we performed well:

Development cost comparison	2012/13 A2Dominion result and (g15 average)	2013/14 A2Dominion result and (g15 average)
Total scheme cost per unit	£168,719 (£178,417)	£220,516 (£248,424)
Cost efficiency (total overheads as % of acquisition and works costs per metre)	9.3% (14.8%)	12.4% (18.1%)
Direct staff cost per unit	£1,648 (£2,224)	£1,611 (£2,544)
Cost efficiency (acquisition and works costs per metre)	109.7% (100%)	109.9% (100%)

Reference: SDS Catalyst Development Benchmarking Report 2013/14 and 2014/15.

SHIFT performance against other organisations



Finally, the graph adjacent shows how A2Dominion (in pink) scores for its environmental performance compared to its peers in the SHIFT benchmarking group.

Future priorities

Our strategy is to provide a range of housing options to fit customers' incomes and lifestyles, continuing to improve our existing homes and services and supporting sustainable communities. Our principal source of subsidy will be profit from residential sales and we will closely manage the greater financial risks this inevitably involves. We will also use receipts from disposing of our least efficient assets to help fund refurbishment of other stock.

We have diversified the markets we work in and have witnessed a radical shift in consumer demand for online services. In March 2014 we adopted a new five-year Customer Services Strategy which requires significant investment in improving our use of customer intelligence, our organisational capacity and our IT systems, to help us interact better with customers.

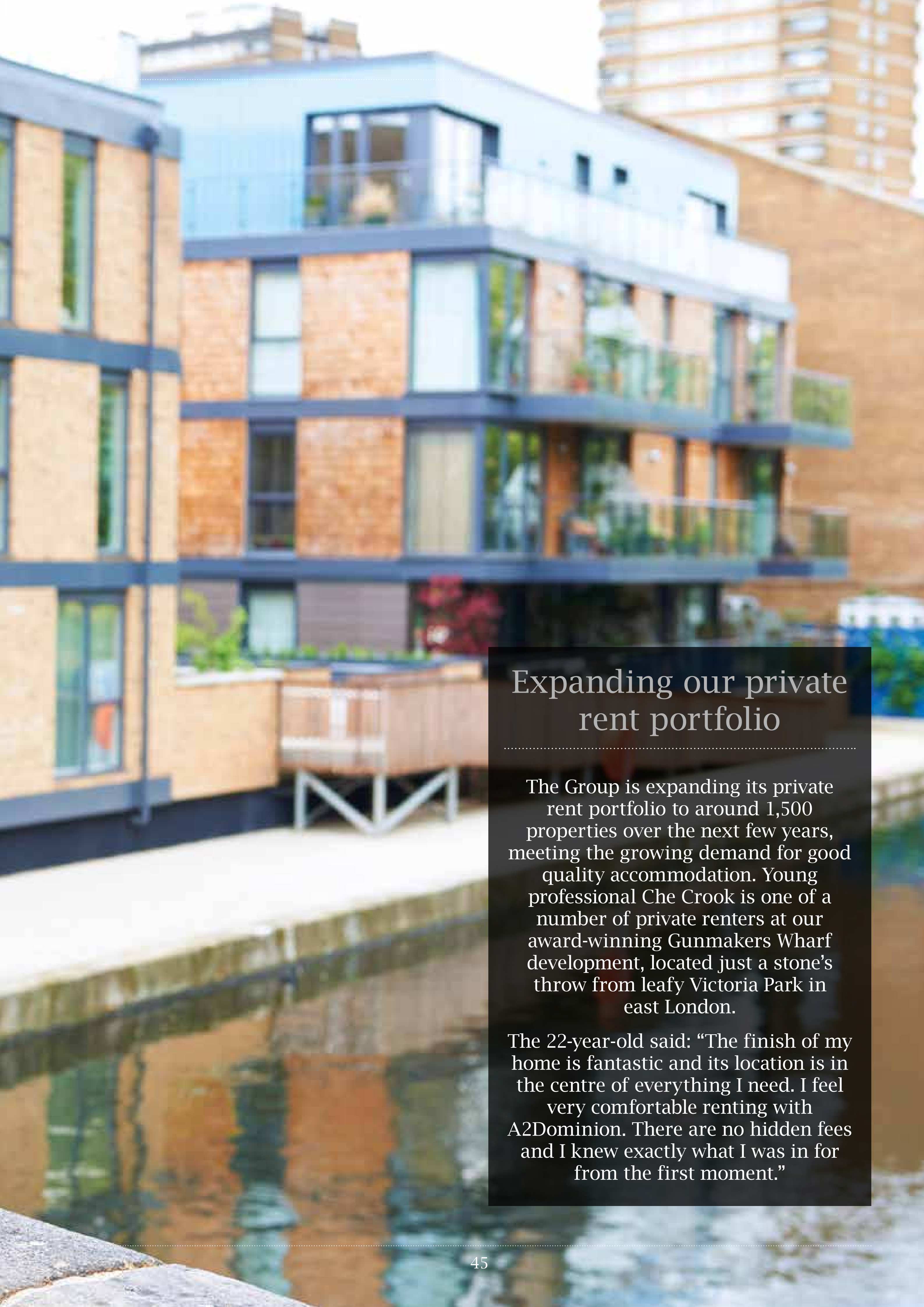
Costs will be significant and we need to exploit the opportunities of technology to increase the proportion of online transactions for customers, to reduce overheads and extend customer access in the medium term.

We remain committed to improving the lives of our customers and supporting the communities in which we work. We will continue to help with the provision of care services and the opening of new sheltered housing schemes. We will offer a number of initiatives to support people into work, training and education. We will also maintain our Tenancy Sustainment Team to leverage extra funding for customers and help them reduce living costs.

Reductions in local authority funding mean care services remain under pressure. We continue to work hard to achieve efficiencies and improve the sustainability of our care and support provision. We will continue to keep our operations under review. More widely our investment in new business systems will also enable us to streamline a number of processes, improving efficiency and organisational capacity.

Other information

We publish a breakdown of expenditure plus rent and service comparisons for residents' top choice of services in our Customer Annual Report, available online at www.a2dominion.co.uk/customerpublications. Our VFM Strategy is also available online at www.a2dominion.co.uk/vfm.



Expanding our private rent portfolio

The Group is expanding its private rent portfolio to around 1,500 properties over the next few years, meeting the growing demand for good quality accommodation. Young professional Che Crook is one of a number of private renters at our award-winning Gunmakers Wharf development, located just a stone's throw from leafy Victoria Park in east London.

The 22-year-old said: "The finish of my home is fantastic and its location is in the centre of everything I need. I feel very comfortable renting with A2Dominion. There are no hidden fees and I knew exactly what I was in for from the first moment."

Transparency

Transparency

A2Dominion has extended its commitment to transparency by increasing its provision of information within its Annual Report & Accounts. Detailed information about performance, value for money and employee pay are disclosed, enabling the Group's stakeholders to gain an understanding of the way in which A2Dominion operates. The Group's performance within the key value for money areas, which it reviews against prior year performance, are as follows:

	2015	2014	2013	2012
Value for money indicators				
Management costs per home – social housing activities	**£1,385**	£1,366	£1,406	£1,219
Planned and responsive costs per home – social housing activities[1]	**£1,008**	£902	£1,003	£868
Service costs per home – social housing activities	**£754**	£674	£682	£569
Rent void loss per home – social housing activities	**£77**	£91	£73	£78
Operating cost per home – social housing activities	**£4,052**	£3,685	£4,048	£3,943
Operating margin – social housing activities	**30.4%**	32.6%	24.2%	20.1%
Operating margin – all activities	**27.9%**	28.6%	21.2%	16.5%
Current rental arrears – general needs homes	**3.84%**	4.14%	4.04%	4.20%
Re-let times – general needs homes	**18 days**	18 days	18 days	20 days
Chief Executive pay per home	**£6.80**	£6.72	£6.55	£5.61
Board and Executive pay per home	**£54.75**	£51.29	£49.09	£40.57
Debt per unit	**£38,079**	£33,540	£33,570	£33,816
Capital committed as a proportion of fixed assets	**51.0%**	55.6%	32.6%	32.0%

[1] Calculated on expensed planned and responsive repairs costs.

The Group's management costs have risen during the year as a result of increasing the resources within the organisation to help residents affected by welfare reform changes. The Group has increased the number of tenancy support officers it has and provided financial assistance to residents wishing to downsize. This has had a positive impact on the Group's income and arrears position but does mean that the organisation's cost base has risen.

The Group has also incurred one-off costs in relation to the introduction of its FABRICA by A2Dominion brand for its sales arm and in relation to its investment into reviewing the way forward with regards to its future IT Strategy. This rebranding exercise provides the opportunity for the Group to widen its profile by increasing visibility within the marketplace.

In turn, this enables A2Dominion to compete advantageously generating more surpluses for reinvestment in the future provision of affordable homes. In order to finalise the IT Strategy an options appraisal of the potential solutions and ways of working has been carried out. The additional cost this generated will be more than offset by future efficiency savings identified from entering into this change programme.

Financial review, capital structure and treasury strategy

Financial review

Summary of results for the year ended 31 March 2015

Group turnover totalled £297.2m of which £187.7m was from social housing lettings, and £12.4m was from the sale of first tranche shared ownership properties. Surplus for the year was £43.8m. Key features of the results were as follows:

- Group operating surplus of £82.9m, an operating margin of 27.9%.
- Surplus on first tranche sales of £4.6m with a margin of 37.1%.
- Surplus on homes for outright sale of £12m with a margin of 26.4%.
- Expenditure on planned and major repairs of £37.4m of which £19.8m was capitalised.
- Depreciation on housing properties of £20m.
- Impairment of fixed assets of only £0.1m.
- Surplus from staircasing sales of shared ownership properties of £8.1m.

Capital structure and treasury strategy

The Group has a formal treasury management policy, which is regularly reviewed and was last approved by the Group's Finance Committee in November 2014. It will be reviewed again in November 2016.

The purpose of the policy is to establish the framework within which the Group seeks to protect and control risk and exposure in respect of its borrowings and cash holdings. The treasury policy addresses funding and liquidity risk, covenant compliance and interest rate management.

The Group has four active borrowers: A2Dominion Homes Limited, A2Dominion South Limited, A2Dominion Housing Options Limited and A2Dominion Residential Limited. The Group has two funding vehicles, A2Dominion Finance Limited and A2Dominion Treasury Limited, both of which on-lend to those borrowers. In addition, A2Dominion South Limited is partly funded by loans provided through A2Dominion Housing Group Limited (the Group's parent company). The remaining borrowing within the Group is through bilateral loan agreements with the borrowers listed on the next page.

Borrowings and arranged facilities as at 31 March 2015 can be summarised as follows:

	Arranged £m	Drawn £m
A2Dominion Homes Limited	809.1	614.8
A2Dominion South Limited	705.2	609.3
A2Dominion Housing Options Limited	5.8	5.8
A2Dominion Residential Limited	103.8	103.8
Total	1,623.9	1,333.7
Fair value adjustment of loans arising on consolidation		21.2
Loan issue costs		(6.9)
Net debt excluding overdraft (note 23)		1,348.0

During the year the Group raised £150m of new funding through the issue of a 12-year retail bond. The majority of the proceeds of the retail bond were used to pay down existing variable rate revolving facilities, resulting in a high level of fixed rate borrowing for the latter part of the year. As at 31 March 2015 the percentage of fixed and indexed linked loans to variable was as follows:

	Fixed or indexed linked %
A2Dominion Homes Limited	87.4
A2Dominion South Limited	89.2
A2Dominion Housing Options Limited	100.0
A2Dominion Residential Limited	100.0
A2Dominion Housing Group Limited	90.4

Cash flows, liquidity, accounting policies and statement of compliance

Cash flows

The cash flow statement is on page 68.

Current liquidity

The Group's policy is not to hold significant cash balances but to ensure that loan facilities are in place to fund future requirements. Any cash balances during the year were held in call and short-term deposit accounts at competitive rates.

Cash and bank balances at the year-end were £29.4m (2014: £30m). Net current assets were £280.3m (2014: £152.1m). Additionally, as at 31 March 2015, the Group had facilities in place to borrow a further £290.2m (2014: £364.5m).

The main factor affecting the amount and timing of borrowing is the pace of the development programme.

Loan covenants are primarily based on interest cover and gearing ratios. Interest cover is after adding back housing property depreciation, interest capitalisation, impairment and includes surpluses from sales. Interest cover and gearing covenants were met throughout the year and at the year-end for all facilities.

Accounting policies

The principal accounting policies of the Group are set out on pages 69–72. The policies with most impact on the financial statements are the treatment of capital grant, holding value of housing properties and the calculation of housing property depreciation, the capitalisation of interest payable and major repairs. There has been no change to these policies during the year.

Statement of compliance

The Board confirms that this operating and financial review has been prepared in accordance with the principles set out in the Statement of Recommended Practice 'Accounting by registered social housing providers (Update 2010)'.

D Joseph
Chair

S Dickinson
Board member

Z Ollerearnshaw
Secretary

Independent auditor's report to the members of A2Dominion Housing Group Limited

We have audited the financial statements of A2Dominion Housing Group Limited for the year ended 31 March 2015 which comprise the consolidated and Association income and expenditure accounts, the 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 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and parent association's affairs as at 31 March 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
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, the Industrial and Provident Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012.

Matters on which we are required to report by exception

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

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

23 July 2015

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

Report of the Board

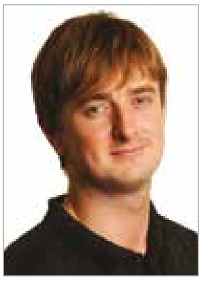
Board of management

The Group Board steers and directs the activities of the organisation. Members are chosen to ensure a broad cross-section of skills and experience within the housing sector.

Derek Joseph (Chair)
Derek has over 30 years' experience in the housing sector and significant knowledge of social housing finance and governance. A former director of the HACAS Group Plc and Tribal Treasury Services, Derek is currently a non-executive director of a number of quoted and private companies. He is a voluntary director of the charities Homeless International and the London Housing Federation.

David Coates
David has worked as a finance and treasury professional in the retail sector for over 25 years, holding a number of Finance Director roles at companies including Sainsbury's and Debenhams. He currently manages his own property portfolio and prior to this was Group Finance Director at New Look.

Appointed 1 April 2015.



Tez Cook
Tez is an A2Dominion resident and the Chair of A2Dominion's Customer Services Committee. He was previously a representative on A2 Housing's Resident Executive Group (South) and the founding member of Winchester Residents' Forum. Tez currently works at Hampshire County Council in its Drug and Alcohol Action Team.

Ian Cox
Ian has worked within the property industry for over 35 years, holding senior level development and regeneration roles at Bellway Homes and Redrow. He is Managing Partner and shareholder of Cox Development Partners, developing mixed-use projects in partnership with landowners and local authorities. Ian is also a part-time project director for the North Solihull regeneration project.

Appointed 4 June 2014.

Sara Dickinson

Sara is a finance professional with over 25 years' experience, predominantly in the travel and business support industries. She is presently Executive Director of Finance, Planning and Resources for the British Red Cross, having previously worked as Group Financial Controller at Sage Group PLC, a multinational enterprise software company.

Appointed 1 October 2014.

Brenda Jenner

Brenda has worked in the banking industry, including the retail, wholesale and investment sectors. She is now a director of a small management consultancy firm and a private asset management company. In addition, Brenda is a self-employed management consultant specialising in the financial sector with an emphasis on strategy and risk.

John Knevett

John has worked in the housing sector for over 30 years, in addition to his extensive experience as a structural and civil engineer. He was previously CEO of A2 Housing Group and is currently Group Commercial Officer and Deputy Chief Executive of A2Dominion.

David Lewis

David has worked in the social housing sector for more than 20 years and has worked at a senior level for housing associations, local authorities and arms-length management organisations. David currently works as Assistant Director of Technical Services for a London borough and is a member of the Chartered Institute of Housing.

Darrell Mercer

Darrell has 35 years' experience in the housing sector and was previously Assistant Director of Housing for the London Borough of Islington. He is the former CEO of Acton Housing Association and Dominion Housing Group and is currently the Group Chief Executive of A2Dominion.

Susan Eggleton and David Walden also served as members of the Group Board in 2014/15, and resigned on 3 June 2015 and 30 September 2014 respectively.

Executive officers

Darrell Mercer
Group Chief Executive
See previous page.

John Knevett
Group Commercial Officer and Deputy Chief Executive
See previous page.

Andrew Boyes
Executive Director (IT & Facilities)
Andrew has over 25 years' experience in IT working across a broad range of business sectors, including housing, insurance, retail and distribution. Andrew joined A2Dominion in 2009 as Group Director of IT and became Executive Director (IT & Facilities) in 2014. He has been an IT Director since 1998, holding director roles at three other companies.

Kathryn Bull
Executive Director (Corporate Services)
Kathryn has significant senior management experience in the public sector. Prior to her current role, she was Group Director of Risk & Planning at Dominion Housing Group. She was also Assistant Director of Housing at the London Borough of Croydon and was at the London Borough of Wandsworth for six years.

Andrew Evans
Executive Director (Operations)
Andrew has over 25 years' service delivery experience in both the private and public sectors. Andrew was previously Group Operations Director for A2 Housing Group for 12 years and was Spelthorne Housing Association's Deputy Chief Executive. Andrew is a member of the Institute of Management.

Simon Potts
Executive Director (Commercial, South East)
Simon has worked in the house building industry for over 27 years. He has extensive experience of land acquisition, strategic development and brownfield regeneration. Prior to his current role, Simon was Strategic Land Director at Barton Willmore and has also held senior management roles at Hillreed, Bellway, Fairclough and Laing Homes.

Dean Tufts

Executive Director (Finance & Strategy)

Dean is a chartered accountant and has over 25 years' experience in the housing sector. Previously Dean was Dominion Housing Group's Finance Director, a role he held for four years. He has also worked for Acton Housing Association and sheltered housing company McCarthy & Stone Plc. Dean is an associate of the Institute of Chartered Accountants in England and Wales.

Anne Waterhouse

Executive Director (Financial Services)

Anne is a chartered accountant with over 15 years' finance experience. Prior to her current role, Anne was Deputy Group Finance Director at Dominion Housing Group. She is a member of the Chartered Institute of Management Accountants and has also worked in finance within the housebuilding industry.

Nicholas Yeeles

Executive Director (Commercial, London)

Nicholas' career encompasses over 20 years' experience in the social housing sector, with an emphasis on business development. Prior to his current role, Nicholas was Chief Executive of Cherwell Housing Trust, part of the Dominion Housing Group. He has held various executive posts in management and development and has worked as a freelance consultant.

Auditors

BDO LLP
55 Baker Street
London W1U 7EU

Bankers

Barclays Bank Plc
Floor 28
1 Churchill Place
London E14 5HP

Solicitors

Winckworth Sherwood
Minerva House
5 Montague Close
London SE1 9BB

Devonshires
30 Finsbury Circus
London EC2M 7DT

Zoë Ollerearnshaw

Group Company Secretary

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

A2Dominion Housing Group Limited is a social landlord administered by a board of directors with a broad range of expertise and experience. It is also the parent entity of the A2Dominion Group ("the Group") and all further references to the Group refer to the consolidated Group rather than the Association. The subsidiaries of the Group are listed in note 33 to the financial statements and their activities detailed within the Operating and Financial Review on page 17.

Business review

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

Housing property and other fixed assets

Details of changes to the Group's fixed assets are shown in notes 12 and 13 to the financial statements.

Reserves

After transfer of the surplus for the year of £43.8m (2014: £38.1m), the Group's year-end reserves amounted to £690.2m (2014: £636.5m).

Donations

The Group donated £50,145 to charitable entities (2014: £63,882) and made no political donations.

Post balance sheet events

The present board members ("the Board") consider that there have been no events since the year-end that have had a significant effect on the Group's financial position.

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 its employees. In particular, it is their contribution that gives the Group the ability to meet its objectives and commitments to residents in an efficient and effective manner.

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

The Group is committed to equal opportunities and in particular supporting the employment of people with disabilities, both in recruitment and in the retention of employees who become disabled whilst in the employment of the Group.

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 officers

The Board and the executive officers of the Group are set out on pages 52–55. The Board is drawn from a wide background bringing together professional and commercial experience. The executive officers are the Chief Executive and the other members of the Group's senior management team.

The executive officers hold no interest in the Group's shares and act as executives within the authority delegated by the Board. Group insurance policies indemnify the Board and officers against liability when acting for the Group.

Service contracts

Executive officers are employed on the same terms and conditions as other staff, save that their notice periods are between six and 12 months.

Pensions

Executive officers are members of either the Social Housing Pension Scheme or Oxfordshire County Council Schemes, both of which are defined benefit final salary pension schemes. They participate in the schemes on the same terms as all other eligible staff and the Group contributes to the schemes on behalf of its employees.

Other benefits

Executive officers are entitled to other benefits such as health care insurance. Details of their total remuneration are included in note 10 to the financial statements.

Governance

The current regulatory judgement for A2Dominion Group is a rating of G1/V1, which was published on 26 June 2013 by the Homes and Communities Agency (HCA). This judgement is the highest rating achievable and covers A2Dominion Group Limited, A2Dominion Homes Limited, A2Dominion Housing Options Limited, and A2Dominion South Limited. The HCA has recently reviewed the regulatory framework for Registered Providers, and a revised Governance and Viability Standard and supporting Code of Practice came into effect from 1 April 2015. In the future, the Board will be expected to assess and certify the extent of compliance against the Standard at least on an annual basis. The Board has already carried out an early assessment against the revised Standard and Code in preparation for making a statement of compliance in its next Annual Report.

In addition, in April 2015 an annual assessment of governance practice was carried out against the National Housing Federation (NHF) Code of Governance 2012 and any areas of non-compliance identified along with an action plan to address these. The Group remained non-compliant with the maximum terms of office for board members, with three board and committee members having more than nine years' service. All of these members are due to retire during the year ending 31 March 2016 under the formal Renewal Plan previously agreed by the Board and the HCA.

A revised version of the NHF Code of Governance was published in March 2015. The Board considered its requirements and formally adopted this new Code throughout the Group in June 2015. In doing so, the Board identified new requirements that are being addressed in order to ensure full compliance during the year ending 31 March 2016, enabling a statement of compliance with this revised Code to be included in the next Annual Report for the Group.

Resident involvement

The Group actively encourages participation from its residents in decision-making by promoting mechanisms for involvement. There are clear reporting arrangements between resident groups and the Board.

Complaints

The Group has a clear and accessible complaints policy that has been designed to enable customers to follow a simple process.

Internal controls assurance

The Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. This responsibility applies to all organisations within the Group.

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

The process for identifying, evaluating and managing the significant risks faced by the Group is ongoing and has been in place throughout the period commencing 1 April 2014 up to the date of approval of the Annual Report & Accounts 2015.

Key elements of the control framework include:

- Board-approved terms of reference and delegated authorities for the Audit & Risk Committee, Finance Committee, Governance & Remuneration Committee, Development Committee and Customer Services Committee
- clearly defined management responsibilities for the identification, evaluation and control of significant risks
- robust strategic and business planning processes, with detailed financial budgets and forecasts
- comprehensive three-year programme of internal audit
- formal recruitment, retention, training and development policies for all staff
- established authorisation and appraisal procedures for all significant new initiatives and commitments
- a prudent approach to treasury management which is subject to external review on an annual basis
- regular reporting to the appropriate committee on key business objectives, targets and outcomes
- Board-approved whistle-blowing, anti-theft and anti-corruption policies
- formal money laundering and fraud policy and register.


TRIXIE

Charitable donations

As part of our corporate social responsibility programme, we donated over £50,000 in the past year to a huge range of charities and community groups. The Trussell Trust, a charity providing emergency food to those facing hunger, received £25,000 to support existing and new foodbanks in London and the South East.

A number of smaller organisations have benefited too. Surrey Docks Farm in Southwark, which offers educational activities for children and adults with learning disabilities, received funding of £2,500 to support its charitable work.

The Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the Audit & Risk Committee to regularly review the effectiveness of the system of internal control.

The Audit & Risk Committee reviews the Group Risk Map quarterly to ensure all risks are fully assessed with actions identified to mitigate risks. In addition each of the Group's committees review risks and actions specific to their areas of responsibility. The Audit & Risk Committee regularly reviews the fraud register. Any control weaknesses or fraud identified during the year are reported to and monitored by the Audit & Risk Committee, which reviews the mitigating actions and timescales.

The Audit & Risk Committee and Group Board have received the Chief Executive's annual review of the effectiveness of the system of internal control for the Group and the annual report of the internal auditor.

The Board has reviewed and evaluated the effectiveness of the internal controls as well as the fraud register and the annual report of the internal auditor as reported to them by the Audit & Risk Committee.

In line with the Financial Reporting Council Guidance on Audit Committees, the Audit & Risk Committee carried out a separate exercise with an independent facilitator to review its independence, performance and effectiveness, and agreed actions to further improve its effectiveness.

Board members' responsibilities

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

Co-operative and Community Benefit Society and social housing legislation require the Board to prepare financial statements for each financial year for the Group and Association 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 Group and Association for that period.

In preparing these financial statements, the Board is 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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for keeping 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 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 Group'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 Group's website is the responsibility of the Board. The Board's responsibility also extends to the ongoing integrity of the financial statements contained therein.

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 12 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 22 July 2015 at House of St Barnabas, 1 Greek Street, London, W1D 4NQ.

Disclosure of information to auditors

At the date of making this report each of the Group’s board members, as set out on pages 52–53, confirm the following:

- So far as each board member is aware, there is no relevant information needed by the Group’s auditors in connection with preparing their report of which the Group's auditors are unaware.
- Each board member has taken all the steps that they ought to have taken as a board member in order to make themselves aware of any relevant information needed by the Group’s auditors in connection with preparing their report and to establish that the Group's auditors are aware of that information.

External auditors

BDO LLP has indicated its willingness to continue in office and a resolution to re-appoint it for the coming year is proposed at the Annual General Meeting.

The Report of the Board was approved by the Board on 22 July 2015 and signed on its behalf by:

D Joseph
Chair

S Dickinson
Board member

Z Ollerearnshaw
Secretary

Erskine Place, Winchester

Financial statements

Consolidated income and expenditure account

For the year ended 31 March 2015

	Note	2015 £m	2014 £m
Turnover including share of joint ventures		**306.6**	274.2
Less: share of joint venture turnover		**(9.4)**	(2.1)
Group turnover	3	**297.2**	272.1
Cost of sales	3	**(67.2)**	(56.4)
Operating costs	3	**(147.1)**	(138.0)
Group operating surplus	3, 5	**82.9**	77.7
Share of joint venture operating profit		**2.9**	0.3
Operating surplus including joint ventures		**85.8**	78.0
Surplus on sale of fixed assets – housing properties	6	**6.7**	8.8
Operating surplus before interest		**92.5**	86.8
Interest receivable and other income	7	**1.8**	0.3
Interest payable and similar charges	8	**(49.0)**	(48.2)
Other finance costs			
Group	9	**0.1**	–
Joint ventures		**(0.6)**	–
Surplus on ordinary activities before taxation		**44.8**	38.9
Tax on surplus on ordinary activities	11	**–**	–
Surplus on ordinary activities after taxation		**44.8**	38.9
Minority interest	33	**(1.0)**	(0.8)
Surplus for the financial year	26	**43.8**	38.1

All amounts relate to continuing activities.

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

Association income and expenditure account

For the year ended 31 March 2015

	Note	2015 £m	2014 £m
Turnover	3	**41.5**	37.1
Cost of sales	3	**–**	–
Operating costs	3	**(41.0)**	(36.7)
Operating surplus	3, 5	**0.5**	0.4
Interest receivable and other income	7	**11.0**	10.6
Interest payable and similar charges	8	**(11.5)**	(11.0)
Other finance costs	9	**0.1**	–
Surplus on ordinary activities before taxation		**0.1**	–
Tax on surplus on ordinary activities	11	**–**	–
Surplus for the financial year	26	**0.1**	–

All amounts relate to continuing activities.

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

The notes on pages 69–107 form part of these financial statements.

Statement of total recognised surpluses and deficits

For the year ended 31 March 2015

		Group		Association	
	Note	**2015 £m**	2014 £m	**2015 £m**	2014 £m
Surplus for the financial year		**43.8**	38.1	**0.1**	–
Unrealised surplus on revaluation of investments		**11.3**	7.3	**–**	–
Actuarial deficit relating to pension schemes	9	**(1.4)**	(1.5)	**(0.1)**	(0.5)
Total recognised surpluses and deficits relating to the year		**53.7**	43.9	**–**	(0.5)
Prior period adjustment	27	**(4.5)**	–		
Total recognised surpluses and deficits since last report		**49.2**	43.9		

Reconciliation of movements in Group's and Association's funds

For the year ended 31 March 2015

		Group		Association	
	Note	**2015 £m**	2014 restated £m	**2015 £m**	2014 £m
At 1 April		**636.5**	597.1	**(3.9)**	(3.4)
Prior period adjustment	27	**–**	(4.5)	**–**	–
At 1 April restated		**636.5**	592.6	**(3.9)**	(3.4)
Total recognised surpluses and deficits relating to the year		**53.7**	43.9	**–**	(0.5)
At 31 March		**690.2**	636.5	**(3.9)**	(3.9)

The notes on pages 69–107 form part of these financial statements.

Consolidated balance sheet

At 31 March 2015

		Note	2015 £m	2014 restated £m
Tangible fixed assets				
Housing properties:	Cost or valuation	12	**2,923.4**	2,841.5
	Social housing grant	12	**(1,173.0)**	(1,157.2)
	Depreciation	12	**(144.0)**	(125.2)
Total housing properties		12	**1,606.4**	1,559.1
Other tangible fixed assets		13	**21.2**	16.9
Homebuy investments				
Homebuy loans			**3.2**	3.3
Social housing grant			**(3.1)**	(3.3)
			0.1	–
Investments		14	**100.7**	69.4
Investment in joint ventures				
Share of gross assets			**99.4**	8.5
Share of gross liabilities			**(44.6)**	(0.9)
		14	**54.8**	7.6
			1,783.2	1,653.0
Current assets				
Properties for sale		15	**235.0**	174.7
Debtors less than one year		16	**45.1**	28.2
Debtors more than one year		16	**55.9**	0.3
Investments		17	**9.0**	1.3
Cash at bank and in hand		18	**29.4**	30.0
			374.4	234.5
Creditors: Amounts falling due within one year		19	**(94.1)**	(82.4)
Net current assets			**280.3**	152.1
Total assets less current liabilities			**2,063.5**	1,805.1
Creditors: Amounts falling due after more than one year		20	**1,362.3**	1,158.6
Provision for liabilities and charges		24	**4.2**	4.6
Net pension liability		9	**5.8**	4.6
			1,372.3	1,167.8
Capital and reserves				
Non-equity share capital		25	**–**	–
Revaluation reserves		26	**20.6**	9.3
Revenue reserves		26	**619.5**	562.1
Designated reserves		26	**49.6**	64.6
Restricted reserve		26	**0.5**	0.5
Consolidated funds		26	**690.2**	636.5
Minority interest		33	**1.0**	0.8
			2,063.5	1,805.1

The financial statements were approved by the Board and authorised for issue on 22 July 2015 and signed on its behalf by:

D Joseph	S Dickinson	Z Ollerearnshaw
Chair	**Board member**	**Secretary**

The notes on pages 69–107 form part of these financial statements.

Association balance sheet

At 31 March 2015

	Note	2015 £m	2014 £m
Current assets			
Debtors due within one year	16	**12.5**	28.9
Debtors due after one year	16	**138.5**	233.3
Investment	17	**9.0**	1.0
Cash at bank and in hand	18	**13.9**	8.1
		173.9	271.3
Creditors: Amounts falling due within one year	19	**(36.4)**	(38.8)
Net current assets		**137.5**	232.5
Total assets less current liabilities		**137.5**	232.5
Creditors: Amounts falling due after more than one year	20	**138.5**	233.3
Provision for liabilities and charges	24	**0.7**	0.8
Net pension liability	9	**2.2**	2.3
		141.4	236.4
Capital and reserves			
Non-equity share capital	25	**–**	–
Revenue reserves	26	**(3.9)**	(3.9)
Association's deficit	26	**(3.9)**	(3.9)
		137.5	232.5

The financial statements were approved by the Board and authorised for issue on 22 July 2015 and signed on its behalf by:

D Joseph
Chair

S Dickinson
Board member

Z Ollerearnshaw
Secretary

The notes on pages 69–107 form part of these financial statements.

Consolidated cash flow statement

For the year ended 31 March 2015

	Note	2015 £m	2014 restated £m
Net cash inflow from operating activities	30	**19.9**	80.7
Returns on investments and servicing of finance			
Interest received		**1.8**	0.2
Interest paid		**(63.3)**	(54.1)
		(61.5)	(53.9)
Taxation paid			
Corporation tax paid		**–**	–
Capital expenditure and financial investment			
Purchase and construction of housing properties		**(102.5)**	(49.9)
Social housing grant – received (net)		**18.5**	7.3
Purchase of other fixed assets		**(4.2)**	(8.3)
Purchase of investments		**(17.6)**	(11.8)
Additional investment in joint ventures		**(53.9)**	–
Repayment of joint venture investment		**6.7**	–
Sales of housing properties		**36.2**	35.3
Loans receivable		**(23.3)**	–
		(140.1)	(27.4)
Net cash outflow before management of liquid resources and financing		**(181.7)**	(0.6)
Management of liquid resources			
Money market deposit		**(7.7)**	(1.0)
Financing			
Bank loans received		**433.9**	87.4
Other loans received		**150.0**	150.0
Loan repayments		**(395.1)**	(213.5)
(Decrease)/increase in cash	31	**(0.6)**	22.3

The notes on pages 69–107 form part of these financial statements.

Notes to the financial statements

1. Legal status

The Association is registered with the Financial Conduct Authority under the Co-operative and Community Benefits Societies Act 2014 and is registered with the Homes and Communities Agency as a social landlord.

2. Accounting policies

Basis of accounting
The financial statements of the Group and Association are prepared under the historical cost convention as modified for the revaluation of fixed asset investments and in accordance with applicable accounting standards and the Statement of Recommended Practice: Accounting by Registered Social Housing Providers (Update 2010), and comply with the Accounting Direction for Private Registered Providers of Social Housing 2012. A summary of the more important accounting policies is set out below.

Basis of consolidation
The Group financial statements consolidate the financial statements of the Association and all its subsidiaries (note 33) at 31 March and are consolidated using acquisition accounting. This is in accordance with the requirements of FRS2 – 'Accounting for Subsidiary Undertakings'.

In the consolidated financial statements, the items of subsidiaries are recognised in full. On initial recognition, non-controlling interests are measured at the proportionate share of the acquired business' identified assets and liabilities. The minority interests' proportionate shares of the subsidiaries' results and equity are recognised separately in the income statement and balance sheet, respectively.

In the Group financial statements, interests in joint ventures are accounted for using the gross equity method of accounting. The consolidated income and expenditure account will indicate the Group's share of the joint venture's turnover and include the Group's share of the operating results, interest and taxation. The consolidated balance sheet includes the Group's share of the identifiable gross assets and gross liabilities.

Turnover
Turnover comprises rental income receivable in the year, income from property developed for sale including shared ownership first tranche sales, other services included at the invoiced value (excluding VAT) of goods and services supplied in the year, donations received and revenue grants receivable in the year.

Supporting people income and expenditure
Income receivable and costs incurred from contracts are recognised on a receivable basis and included within other social housing activities.

Service charges
Service charges receivable are recognised in turnover.

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 income and expenditure accounts include VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

Interest payable
Interest is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development if it represents either:

a) interest on borrowings specifically financing the development programme after deduction of interest on social housing grant (SHG) in advance; or

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

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

Fixed asset investment properties
Investment properties are stated at market value, determined by professionally qualified external valuers. They are not depreciated in accordance with SSAP 19 Accounting for investment properties.

Housing properties
Housing properties are principally properties available for rent and shared ownership.

Completed housing properties are stated at cost less related SHG and other capital grants.

Separate disclosure of housing properties on the valuation basis is also provided in note 12.

Housing properties under construction are stated at cost less related SHG and other capital grants. 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. Shared ownership properties are split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover, and the remaining element is classed as a fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment.

General needs housing properties for rent are split between their land and structure costs and a specific set of major components which require periodic replacement. On replacement the new major works component is capitalised with the related net book value of replaced components expensed through the income and expenditure account as accelerated depreciation. Component accounting is not applicable to shared ownership housing properties.

2. Accounting policies (continued)

Improvements to existing properties which are outside the normal capitalisation policy of component additions are works which result in an increase in the net rental income, such as a reduction in future maintenance costs, or result in a significant extension of the useful economic life of the property in the business and that provide an enhancement to the economic benefits in excess of the standard of performance anticipated when the asset was first acquired, constructed or last replaced.

Only the direct overhead costs associated with new developments or improvements are capitalised.

Shared ownership and staircasing
Under shared ownership arrangements, the Group disposes of a long lease of shared ownership housing units to persons who occupy them, for an amount of 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 Group, 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 recycled, deferred or abated and this is credited in the income and expenditure account in arriving at the surplus or deficit.

Properties for sale
Housing properties that are built with the intention that they are to be transferred to another association are dealt with in current assets and are described as properties for resale. The related SHG is deducted from cost incurred.

Shared ownership first tranche and commercial outright sale developments, both completed and under construction, are carried on the balance sheet at the lower of cost and net realisable value. Cost comprises materials, direct labour, interest charges incurred during the development period and direct development overheads. Net realisable value is based on estimated sales price obtained from independent valuers and after allowing for all further costs of completion and disposal.

Donated land
Land donated by local authorities and others is added to cost at the current value of the land at the time of the donation, taking into account any restrictions on the use of the land.

Social housing grant (SHG)
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. 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.

Depreciation of housing properties
Freehold land is not depreciated. Depreciation is charged so as to write down the cost (net of social housing grant) of freehold housing properties other than freehold land to their estimated residual value on a straight line basis over their estimated useful economic lives at the following annual rates:

Major components:

Building	75 years
Kitchen	15 years
Bathrooms	25 years
Heating	15 years
Roof	50 years
Windows and doors	25 years
Lifts	20 years
Electrical	30 years

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

Other tangible fixed assets
Tangible fixed assets are stated at cost less accumulated depreciation.

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

Furniture, fixtures and fittings	20% – 25% per annum
Freehold offices	2% per annum
Freehold alterations	10% per annum
Leasehold offices	Length of the lease
Computers, office equipment and motor vehicles	Between 14⅓% and 33⅓% per annum

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

Impairment
Housing properties and other fixed 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.

Land options
The premium payable on an option to acquire land at a future date is amortised over the life of the option. The options are regularly reviewed to assess the likelihood of the option being exercised and at the early stages the majority of the associated expenses are charged to the profit and loss account.

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

Supported housing managed by agencies
Social housing grants and other revenue grants for supported housing claimed by the Group are included in the income and expenditure account and balance sheet of the Group. The treatment of other income and expenditure in respect of supported housing depends on whether the Group or its partner carries the financial risk.

Where the Group carries the financial risk, all the supported housing schemes' income and expenditure is included in the income and expenditure account.

Sales under Right to Buy
Surpluses and deficits arising from the disposal of properties under the Right to Buy legislation are disclosed on the face of the income and expenditure account after the operating result and before interest. The surpluses or deficits are calculated by reference to the carrying value of the properties. On the occurrence of a sale of properties that were originally transferred to Spelthorne Housing Association (now owned by A2Dominion South Limited), a relevant proportion of the proceeds is payable back to Spelthorne Borough Council.

Mixed tenure developments
Where a development has more than one tenure the surplus recognised on each tenure is limited to the overall surplus on the development.

Recycled Capital Grant Fund
Following certain relevant events, primarily the sale of dwellings, the HCA can direct the Group to recycle the capital grant (SHG) or to repay the recoverable capital grant back to the HCA. Where the grant is recycled the recoverable capital grant is credited to a Recycled Capital Grant Fund which is included as a creditor due within one year or due after more than one year as appropriate.

Disposal Proceeds Fund
Receipts from Right to Acquire sales are required to be retained in a ring fenced fund that can only be used for providing replacement housing. These sales receipts less eligible expenses are credited to the Disposal Proceeds Fund.

Equity loans, Homebuy loans and grant
Under these arrangements the Group receives social housing grant (Homebuy only) 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 Group under these arrangements are disclosed in the investments section of the balance sheet.

In the event that the property is sold on, the Group recovers the equivalent loaned percentage value of the property at the time of the sale. The grant becomes recyclable when the loans are repaid and the amount of grant to be recycled is capped at the amount received when the loan was first advanced. If there is a fall in the value of the property, the shortfall of proceeds is offset against the recycled grant. There are no circumstances in which the Group will suffer any capital loss.

Pensions
The Group participates in three funded multi-employer defined benefit schemes, the Social Housing Pension Scheme (SHPS), the Surrey County Council Scheme and the Oxfordshire County Council Scheme.

For the 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.

For the Surrey and Oxfordshire County Council Schemes, the operating costs of providing retirement benefits to participating employees are recognised in the accounting periods in which the benefits are earned. The related finance costs, expected return on assets and any other changes in fair value of the assets and liabilities, are recognised in the accounting period in which they arise. The operating costs, finance costs and expected return on assets are recognised in the income and expenditure account with any actuarial gains and losses being recognised in the statement of total recognised surpluses and deficits.

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

2. Accounting policies (continued)

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 or on revaluation gains on housing properties unless there is a binding agreement to sell them at the balance sheet date.

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. The recognition of deferred tax asset is limited to the extent the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing difference. Deferred tax assets and liabilities are not discounted.

Fixed asset investments
Investments are stated at market value. Unlisted investments are based on cost.

Business combinations
Where acquisitions are in substance the gifting of control of a business to the Association, the combination is treated as a non-exchange transaction and the fair value of the gifted assets and liabilities in the transaction is recorded as a gain or loss in the income and expenditure account in the year of combination.

Interest costs
The Group's funding, liquidity and exposure to interest rate risks are managed by the Group's treasury department. Treasury operations are conducted within a framework of policies and guidelines authorised by the Board. To manage interest rate risk the Group manages its proportion of fixed to variable rate borrowings within approved limits and where appropriate utilises interest rate swap agreements. Amounts payable or receivable in respect of these agreements are recognised as adjustments to interest rate expense.

The Group's policy is to have a loan portfolio which is complementary to each Group member's overall objectives. This is achieved by creating a balance between fixed and variable borrowing.

Donations fund
This fund was created from charitable donations received by the Group and from investment income from the fund's investments. The fund is available to meet expenditure which falls within the Group's objectives.

Provisions
Provision is made for specific and quantifiable liabilities which exist at the balance sheet date.

Designated reserves
Designated reserves are held to provide reserves in respect of future major repairs spend. The Group maintains a reserve that covers the forecasted major repairs expenditure for the next three years. Annually a transfer from designated reserves directly to the income and expenditure reserve is made for the value of the repairs expenditure incurred during that year.

Restricted funds
Restricted funds are funds that can only be used for particular restricted purposes within the objects of the Group. Restrictions arise when specified by a donor or grant maker or when funds are raised for particular restricted purposes.

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

Group

2015	Turnover £m	Cost of sales £m	Operating costs £m	Operating surplus/ (deficit) £m
Social housing lettings	**187.7**	**–**	**(129.1)**	**58.6**
Other social housing activities				
Supporting people	**2.1**	**–**	**(2.2)**	**(0.1)**
Management services	**0.8**	**–**	**(0.2)**	**0.6**
First tranche sales	**12.4**	**(7.8)**	**–**	**4.6**
Other	**2.7**	**–**	**(3.9)**	**(1.2)**
	18.0	**(7.8)**	**(6.3)**	**3.9**
Non-social housing activities				
Lettings	**14.3**	**–**	**(9.1)**	**5.2**
Developments for sale	**75.8**	**(59.4)**	**(1.8)**	**14.6**
Other	**1.4**	**–**	**(0.7)**	**0.7**
Impairment	**–**	**–**	**(0.1)**	**(0.1)**
	91.5	**(59.4)**	**(11.7)**	**20.4**
	297.2	**(67.2)**	**(147.1)**	**82.9**

2014	Turnover £m	Cost of sales £m	Operating costs £m	Operating surplus/ (deficit) £m
Social housing lettings	180.0	–	(121.4)	58.6
Other social housing activities				
Supporting people	2.1	–	(2.3)	(0.2)
Management services	2.1	–	(0.9)	1.2
First tranche sales	21.5	(14.4)	–	7.1
Other	1.0	–	(2.0)	(1.0)
	26.7	(14.4)	(5.2)	7.1
Non-social housing activities				
Lettings	11.9	–	(9.2)	2.7
Developments for sale	53.3	(42.0)	(1.2)	10.1
Other	0.2	–	0.1	0.3
Impairment	–	–	(1.1)	(1.1)
	65.4	(42.0)	(11.4)	12.0
	272.1	(56.4)	(138.0)	77.7

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

Particulars of income and expenditure from social housing lettings

	General housing £m	Supported housing £m	Temporary housing £m	Key worker £m	Low cost home ownership £m	2015 Total £m	2014 Total £m
Turnover from social housing lettings							
Rent receivable net of identifiable service charges	111.6	11.3	12.2	16.0	14.7	165.8	160.2
Service charges income	6.4	4.5	0.1	0.7	7.0	18.7	16.8
Charges for support services	–	–	–	–	–	–	0.4
Net rental income	118.0	15.8	12.3	16.7	21.7	184.5	177.4
Nomination fees	–	–	1.0	–	0.1	1.1	1.3
Other income	0.4	0.1	–	0.7	0.9	2.1	1.3
Turnover from social housing lettings	118.4	15.9	13.3	17.4	22.7	187.7	180.0
Expenditure on social housing lettings							
Management	(24.4)	(4.7)	(1.5)	(7.8)	(7.9)	(46.3)	(45.0)
Service charge costs	(12.1)	(5.2)	(0.4)	(0.8)	(6.8)	(25.3)	(22.2)
Routine maintenance	(12.3)	(1.8)	(0.6)	(0.8)	(0.7)	(16.2)	(15.3)
Planned maintenance and major repairs expenditure	(15.4)	(1.5)	(0.1)	(0.2)	(0.2)	(17.4)	(14.4)
Bad debts	(0.8)	(0.1)	(0.1)	(0.1)	0.1	(1.0)	(0.6)
Property lease charges	–	(0.2)	(3.7)	–	–	(3.9)	(4.3)
Depreciation of housing properties	(12.6)	(1.2)	(1.2)	(3.2)	–	(18.2)	(18.2)
Accelerated depreciation on asset components	(0.3)	–	–	(0.1)	(0.4)	(0.8)	(1.4)
Operating costs on social housing lettings	(77.9)	(14.7)	(7.6)	(13.0)	(15.9)	(129.1)	(121.4)
Operating surplus on social housing lettings	40.5	1.2	5.7	4.4	6.8	58.6	58.6
Void losses	(0.8)	(0.7)	(0.2)	(0.7)	(0.1)	(2.5)	(3.0)

Particulars of turnover from non-social housing lettings

	Group 2015 £m	Group 2014 £m
Private rent	**6.2**	4.7
Student accommodation	**7.3**	6.3
Other	**0.8**	0.9
	14.3	11.9

Association 2015	Turnover £m	Cost of sales £m	Operating costs £m	Operating surplus/(deficit) £m
Other social housing activities				
Management services	**38.9**	**–**	**(39.2)**	**(0.3)**
Other	**2.6**	**–**	**(1.8)**	**0.8**
	41.5	**–**	**(41.0)**	**0.5**

Association 2014	Turnover £m	Cost of sales £m	Operating costs £m	Operating surplus/(deficit) £m
Other social housing activities				
Management services	36.2	–	(36.7)	(0.5)
Other	0.9	–	–	0.9
	37.1	–	(36.7)	0.4

4. Accommodation in management and development

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

	Group	
	2015 No.	2014 No.
Social housing		
General needs housing	**17,508**	17,536
Affordable housing	**321**	253
Supported housing and housing for older people	**2,413**	2,441
Shared ownership	**3,916**	4,027
Key worker accommodation	**2,775**	2,819
Temporary accommodation	**451**	424
Other	**1,219**	1,189
Total owned	**28,603**	28,689
Accommodation managed for others	**4,809**	4,251
Total owned and managed	**33,412**	32,940
Non-social housing		
Student accommodation	**1,295**	1,295
Private rent	**578**	466
Other – commercial	**114**	117
Total owned and managed	**1,987**	1,878
Accommodation managed for others	**–**	–
Total owned and managed	**1,987**	1,878
Overall		
Total owned	**30,590**	30,567
Total managed for others	**4,809**	4,251
Total owned and managed	**35,399**	34,818
Accommodation in development	**4,428**	4,641

The Association does not own or manage any accommodation.

5. Operating surplus

This is arrived at after charging (crediting):

	Group		Association	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Depreciation of housing properties	**20.0**	19.6	**–**	–
Accelerated depreciation on replaced components	**0.8**	1.4	**–**	–
Depreciation of other tangible fixed assets	**2.5**	2.0	**–**	–
Impairment of housing properties and investments	**0.1**	–	**–**	–
Impairment of other tangible fixed assets	**–**	1.1	**–**	–
Operating lease rentals				
– land and buildings	**6.1**	7.5	**1.6**	2.4
– office equipment, computers and vehicles	**0.3**	0.3	**0.3**	0.3
Auditors' remuneration (including VAT)				
– for audit services	**0.2**	0.2	**0.2**	0.2
– other	**0.1**	0.1	**–**	0.1

6. Surplus on sale of fixed assets – housing properties

	Group	
	2015 £m	2014 £m
Disposal proceeds	**36.2**	29.1
Carrying value of fixed assets	**(29.3)**	(22.8)
Surplus on sale of fixed assets	**6.9**	6.3
Disposal proceeds from stock rationalisation	**–**	9.4
Carrying value of fixed assets within stock rationalisation	**–**	(5.9)
Surplus from stock rationalisation	**–**	3.5
Selling costs	**(0.2)**	(1.0)
	6.7	8.8

7. Interest receivable and other income

	Group		Association	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Interest receivable and similar income	**1.8**	0.3	**0.1**	0.1
Received from other Group entities	**–**	–	**10.9**	10.5
	1.8	0.3	**11.0**	10.6

8. Interest payable and similar charges

	Group		Association	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Loans and bank overdrafts	**61.5**	54.9	**10.9**	10.5
Finance related costs	**1.0**	1.8	**0.6**	0.5
Recycled capital grant fund	**0.1**	0.1	**–**	–
	62.6	56.8	**11.5**	11.0
Interest payable capitalised on housing properties under construction	**(13.6)**	(8.6)	**–**	–
	49.0	48.2	**11.5**	11.0
Capitalisation rates used to determine the finance costs capitalised during the year	**4.8% – 6.1%**	4.8% – 6.1%	**–**	–

9. Employees

Average monthly number of employees expressed in full time equivalents:

A full time equivalent is based on a 35 hour week.

	Group		Association	
	2015 No.	2014 restated No.	**2015 No.**	2014 restated No.
Administration	**181**	168	**179**	166
Development	**94**	88	**94**	88
Housing, support and care	**708**	681	**543**	535
	983	937	**816**	789

Employee costs:

	Group		Association	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Wages and salaries	**33.8**	31.9	**29.1**	27.8
Social security costs	**3.4**	3.3	**3.0**	2.9
Other pension costs	**3.5**	3.2	**1.4**	1.2
	40.7	38.4	**33.5**	31.9

Salary banding for all employees earning over £60,000 (includes salary and performance related pay but excludes pension contributions paid by the Group).

	2015 No.	2014 No.
£60,000 to £70,000	**18**	14
£70,001 to £80,000	**16**	18
£80,001 to £90,000	**6**	10
£90,001 to £100,000	**7**	3
£100,001 to £110,000	**1**	8
£110,001 to £120,000	**9**	2
£120,001 to £130,000	**1**	1
£130,001 to £140,000	**1**	–
£150,001 to £160,000	**1**	2
£160,001 to £170,000	**1**	3
£170,001 to £180,000	**4**	1
£230,001 to £240,000	**–**	1
£240,001 to £250,000	**1**	1
£250,001 to £260,000	**1**	–
	67	64

The Group's employees are members of the Social Housing Pension Schemes or the Surrey and Oxfordshire County Council Schemes or the Scottish Widows scheme. There are two Scottish Widows schemes which are defined contribution schemes. One scheme is operated by A2Dominion Housing Group Limited and has two members which is now closed to new entrants. The second Scottish Widows scheme is operated by Pyramid Plus London LLP and Pyramid Plus South LLP and has a total of 20 members. Further information on the other schemes is given below.

Social Housing Pension Scheme (Group and Association)

A2Dominion Housing Group Limited participates in both the Social Housing Pension Scheme (SHPS) defined benefit scheme (DB) and defined contribution scheme (DC). The DB scheme is funded and is contracted out of the state scheme.

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

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

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

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

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

The DC scheme was made available from 1 October 2010 which is the only scheme open to all new employees, as the Group closed its DB scheme to new entrants in 2010.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

A2Dominion Housing Group Limited has operated the final salary with a 1/60th accrual rate, final salary with a 1/70th accrual rate and career average revalued earnings with a 1/60th accrual rate benefit structure for active members as at 31 March 2015.

9. Employees (continued)

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

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

During the year A2Dominion Housing Group Limited paid contributions at the rate of 19.4%. Member contributions varied between 8.3% and 10.7% depending on their age into the defined benefit scheme. The Group and members contributed between a range of 2% to 8% into the defined contribution scheme. The defined contributions cost for the year totalled £1m of which £0.2m was outstanding at the year end.

As at the balance sheet date there were 159 active members of the Defined Benefit Scheme employed by A2Dominion Housing Group Limited and 591 active members of the Defined Contribution 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 the total Scheme assets. Accordingly, due to the nature of the plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the Scheme applicable 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 £2,062m. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035m, equivalent to a past service funding level of 67%.

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

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

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

The long-term joint contribution rates that will apply from April 2015 required from the employers and members to meet the cost of future benefit accruals were assessed at:

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

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

Following consideration of the results of the actuarial valuation it was agreed that the shortfall of £1,035m would be dealt with by the payment of deficit contributions of 7.5% of pensionable salaries, increasing each year in line with salary growth assumptions, from 1 April 2013 to 30 September 2020, dropping to 3.1% from 1 October 2020 to 30 September 2023. Pensionable earnings at 30 September 2008 are used as the reference point for calculating these deficit contributions. These deficit contributions are in addition to the long-term joint contribution rates set out in the above table.

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

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

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

Employers joining the scheme after 1 October 2002 that do not transfer any past service liabilities to the scheme pay contributions at the ongoing future service contribution rate. This rate is reviewed at each valuation and applies until the second valuation after the date of joining the scheme, at which point the standard employer contribution rate is payable. Contribution rates are changed on the 1 April that falls 18 months after the valuation date.

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

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 £3,123m. There was a shortfall of assets compared with the value of liabilities of £1,323m, equivalent to a past service funding level of 70%.

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

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

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

A2Dominion Housing Group Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme based on the financial position of the scheme as at 30 September 2014. As of that date the estimated employer debt for A2Dominion Housing Group Limited was £93.4m.

9. Employees (continued)

Local Government Pension Schemes
The Group participates in two local government pension schemes: Surrey County Council Pension Fund and Oxfordshire County Council Local Government Pension Fund.

With effect from April 2012 increases to local government pensions are linked to annual increases in the Consumer Price Index (CPI), rather than the Retail Prices Index (RPI).

Surrey County Council Pension Fund (SCCPF)
The SCCPF is a multi-employer scheme, administered by Surrey County Council under regulations governing the Local Government Pension Scheme, a defined benefit scheme. The most recent formal actuarial valuation was completed on 31 March 2015. The employer's contributions to the SCCPF by the Group for the year ended 31 March 2015 were £238,000 at a contribution rate of 26.4% of pensionable salaries, set until the next funding valuation at 31 March 2015. This scheme is closed to new entrants.

Assumptions
The main financial assumptions used by the actuary were:

	31 March 2015 % per annum	31 March 2014 % per annum	31 March 2013 % per annum	31 March 2012 % per annum
Rate of increase in salaries	**3.5**	3.9	5.1	4.8
Rate of increase in pensions in payment	**2.1**	2.6	2.8	2.5
Expected return on assets	**3.1**	6.0	5.2	5.7
Discount rate	**3.1**	4.1	4.5	4.8
Inflation assumption	**2.1**	2.6	2.8	2.5

Fair value and expected return on assets
The fair value and expected return on assets in the SCCPF related to the Association were:

	Long-term return at 31 March 2015 %	Assets at 31 March 2015 £m	Long-term return at 31 March 2014 %	Assets at 31 March 2014 £m	Long-term return at 31 March 2013 %	Assets at 31 March 2013 £m	Long-term return at 31 March 2012 %	Assets at 31 March 2012 £m
Equities	**3.1**	**5.7**	6.7	5.1	5.7	5.1	6.3	4.3
Bonds	**3.1**	**1.2**	3.8	1.0	3.4	1.2	3.9	1.0
Property	**3.1**	**0.5**	4.8	0.4	3.9	0.3	4.4	0.3
Cash	**3.1**	**0.1**	3.7	0.1	3.0	0.1	3.5	0.2
	3.1	**7.5**	6.0	6.6	5.2	6.7	5.7	5.8

	31 March 2015 £m	31 March 2014 £m	31 March 2013 £m	31 March 2012 £m
Fair value of scheme assets	**7.5**	6.6	6.7	5.8
Present value of liabilities	**(9.7)**	(8.9)	(8.6)	(7.7)
Net pension liabilities	**(2.2)**	(2.3)	(1.9)	(1.9)

Recognition in the income and expenditure account

	2015 £m	2014 £m
Current service cost	**(0.1)**	(0.1)
Expected return on pension scheme assets	**0.4**	0.3
Interest on pension scheme liabilities	**(0.3)**	(0.4)
	–	(0.2)

Analysis of amount recognised in statement of total recognised surpluses and deficits (STRSD)

	2015 £m	2014 £m
Actual return less expected return on pension scheme assets	**0.5**	(0.4)
Experience gains and losses arising on scheme liabilities	**0.1**	0.1
Changes in assumptions underlying the present value of scheme liabilities	**(0.7)**	(0.2)
Actuarial deficit recognised in STRSD	**(0.1)**	(0.5)

Reconciliation of present value of plan liabilities

	2015 £m	2014 £m
At the beginning of the year	**(8.9)**	(8.6)
Current service cost	**(0.1)**	(0.1)
Interest cost	**(0.3)**	(0.4)
Actuarial losses	**(0.6)**	(0.1)
Benefits paid	**0.2**	0.3
	(9.7)	(8.9)

Reconciliation of present value of plan assets

	2015 £m	2014 £m
At the beginning of the year	**6.6**	6.7
Expected return on plan assets	**0.4**	0.3
Contributions by the Group	**0.2**	0.3
Actuarial gains	**0.5**	(0.4)
Benefits paid	**(0.2)**	(0.3)
	7.5	6.6

9. Employees (continued)

Movement in deficit during the year

	2015 £m	2014 £m
Group share of scheme liabilities at beginning of year	**(2.3)**	(1.9)
Current service costs	**(0.1)**	(0.1)
Contributions	**0.2**	0.2
Actuarial assumption change	**–**	–
Other finance costs	**0.1**	–
Actuarial deficit	**(0.1)**	(0.5)
Group and association share of scheme liabilities at end of year	**(2.2)**	(2.3)

History of experience gains and losses

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Difference between the expected and actual return on assets	**0.5**	(0.4)	0.6	(0.3)	(0.3)
Value of assets	**7.5**	6.6	6.7	5.8	5.5
Percentage of assets	**6.7%**	-5.6%	8.7%	-4.8%	-5.9%
Experience losses on liabilities	**0.1**	0.1	–	(0.2)	(0.2)
Total present value of liabilities	**9.7**	8.9	8.6	7.7	7.0
Percentage of the total present value of liabilities	**-0.9%**	-1.6%	-0.2%	1.4%	2.2%
Actuarial deficit recognised in STRSD	**(0.1)**	(0.5)	(0.2)	(0.6)	1.8
Total present value of liabilities	**9.7**	8.9	8.6	7.7	7.0
Percentage of the total present value of liabilities	**1.6%**	5.7%	2.6%	7.4%	-25.7%

Oxfordshire County Council Local Government Pension Scheme (OCCLGPS)
The Group also has 22 employees who participate in OCCLGPS. The scheme is a defined benefit scheme based on final salary. Pension benefits depend generally upon age, length of service and salary level. The Group also provides retirees with at least five years of service and who are at least 55 with other post-retirement benefits which include life insurance. This scheme is closed to new entrants.

Assumptions
The main financial assumptions used by the actuary were:

	31 March 2015 % per annum	31 March 2014 % per annum	31 March 2013 % per annum
Rate of increase in salaries	**4.3**	4.6	4.8
Rate of increase in pensions in payment	**2.5**	2.8	2.6
Expected return on assets	**–**	6.2	5.3
Discount rate	**3.4**	4.5	4.6
Inflation assumption	**2.5**	2.8	2.6

Fair value and expected return on assets

The fair value and expected return on assets in the OCCLGPS related to the Group were:

	Long-term return at 31 March 2015 %	Assets at 31 March 2015 £m	Long-term return at 31 March 2014 %	Assets at 31 March 2014 £m	Long-term return at 31 March 2013 %	Assets at 31 March 2013 £m
Equities	**6.6**	**5.2**	7.0	4.8	6.0	5.1
Gilts	**2.3**	**0.9**	3.6	0.8	3.0	0.7
Other Bonds	**3.0**	**0.3**	4.2	0.3	4.1	0.4
Property	**5.8**	**0.5**	6.1	0.3	5.0	0.4
Cash	**2.0**	**0.2**	3.4	0.3	0.5	0.3
LLPs	**6.6**	**0.3**	4.2	0.3	6.0	0.2
Hedge Funds	**6.6**	**–**	7.0	0.1	6.0	0.2
Diversified Growth Fund	**5.0**	**0.3**	–	–	–	–
	5.7	**7.7**	6.2	6.9	5.3	7.3

	2015 £m	2014 £m
Fair value of scheme assets	**7.7**	6.9
Present value of liabilities	**(11.3)**	(9.2)
Net pension liabilities	**(3.6)**	(2.3)

Recognition in the income and expenditure account

	2015 £m	2014 £m
Current service cost	**(0.2)**	(0.2)
Expected return on scheme assets	**0.4**	0.4
Interest on obligation	**(0.4)**	(0.4)
Total operating charge	**(0.2)**	(0.2)

Analysis of amount recognised in statement of total recognised surpluses and deficits (STRSD)

	2015 £m	2014 £m
Actual return less expected return on pension scheme assets	**0.4**	(0.1)
Experience losses	**–**	(0.3)
Actuarial assumption change	**(1.7)**	(0.6)
Actuarial recognised in STRSD	**(1.3)**	(1.0)

9. Employees (continued)

Reconciliation of present value of plan liabilities

	2015 £m	2014 £m
At the beginning of the year	**(9.2)**	(8.6)
Current service cost	**(0.2)**	(0.2)
Interest cost	**(0.4)**	(0.4)
Actuarial losses	**(1.7)**	(0.1)
Benefits paid	**0.2**	0.1
	(11.3)	(9.2)

Reconciliation of present value of plan assets

	2015 £m	2014 £m
At the beginning of the year	**6.9**	7.3
Expected return on plan assets	**0.4**	0.4
Contributions by the Group	**0.2**	0.2
Actuarial gains/(losses)	**0.4**	(0.9)
Benefits paid	**(0.2)**	(0.1)
	7.7	6.9

Movement in deficit during the year

	2015 £m	2014 £m
Group share of scheme liabilities at beginning of year	**(2.3)**	(1.3)
Current service costs	**(0.2)**	(0.2)
Contributions	**0.2**	0.2
Other finance costs	**–**	–
Actuarial	**(1.3)**	(1.0)
Group and association share of scheme liabilities at end of year	**(3.6)**	(2.3)

History of experience gains and losses

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Difference between the expected and actual return on assets	**0.4**	(0.1)	0.9	(0.3)	0.5
Scheme assets	**7.7**	6.9	7.3	6.0	5.7
Percentage of assets	**6.7%**	-0.2%	12.6%	-5.0%	8.0%
Experience losses on liabilities	**(0.0)**	(0.3)	(0.2)	0.0	0.6
Total present value of liabilities	**11.3**	9.2	8.6	7.9	6.2
Percentage of the total present value of liabilities	**-0.0%**	-3.3%	-2.5%	0.0%	9.5%
Actuarial recognised in STRSD	**(1.3)**	(1.0)	0.7	(1.5)	2.8
Total present value of liabilities	**11.3**	9.2	8.6	7.9	6.2
Percentage of the total present value of liabilities	**-11.0%**	-10.6%	8.2%	-19.0%	45.2%

Group pension analysis – consolidated
Recognition in the income and expenditure account

	2015 £m	2014 £m
Current service cost	**(0.3)**	(0.3)
Expected return on pension scheme assets	**0.8**	0.7
Interest on pension scheme liabilities	**(0.7)**	(0.8)
Past service cost	**–**	–
Total operating charge	**(0.2)**	(0.4)

Analysis of amount recognised in the consolidated statement of total recognised surpluses and deficits (STRSD)

	2015 £m	2014 £m
Actual return less expected return on pension scheme assets	**0.9**	(0.5)
Experience gains and losses arising on scheme liabilities	**0.1**	(0.2)
Changes in assumptions underlying the present value of scheme liabilities	**(2.4)**	(0.8)
Actuarial (deficit) recognised in STRSD	**(1.4)**	(1.5)

	2015 £m	2014 £m
Group share of scheme liabilities at beginning of year	**(4.6)**	(3.2)
Service costs	**(0.3)**	(0.3)
Contributions	**0.4**	0.4
Other finance costs	**0.1**	–
Actuarial (deficit)	**(1.4)**	(1.5)
Group share of scheme liabilities at end of year	**(5.8)**	(4.6)

10. Board members and executive officers

For the purposes of this note, the officers are defined as the members of the Board, committee members and the executive officers as shown on page 1 and any other person reporting directly to the Group Chief Executive.

Fees of £166,664 (2014: £181,190) were paid to non-executive board members during the year. Taxable travel allowances paid during the year to board members amounted to £17,183 (2014: £16,613). Non-executive board members as at 31 March 2015 were paid as follows:

		Member of					
Board/Committee Member	Membership pay (£)	Audit & Risk Committee	Customer Services Committee	Development Committee	Finance Committee	Governance & Remuneration Committee	Group Board
Stephanie Bamford	5,000	●				●	
Peter Braithwaite	4,000			●			
Jane Clarke	4,000		●				
David Coates	4,825	●	●				
Terence Cook	12,000		●				●
Ian Cox	11,008			●		●	●
Jan Czezowski	7,000	●		●			
Sara Dickinson	8,311				●		●
Sue Eggleton	13,000	●				●	●
Mark Gallagher	4,825			●	●		
Kerrie Green	4,825		●	●			
Martin Huckerby[1]	2,351	●					
Brenda Jenner	13,000				●	●	●
Derek Joseph (Chair)	22,000					●	●
David Lewis	10,000		●			●	●
Nick Martin[1]	2,570	●			●		
Pauline McMichael	4,000		●				
Anne Murray	4,000		●				
Ross Proudfoot	5,000	●			●		
Carl Rudd[1]	1,779		●				
Ingrid Temmerman	4,000		●				

[1] These board members commenced their roles part way through the year ended 31 March 2015.

The executive officers participate in the pension schemes on the same terms as all other eligible staff.

	Group	
	2015 £'000	2014 £'000
Total emoluments paid to executive officers (including pension contributions)	**1,764**	1,589
Emoluments of the highest paid executive officer (excluding pension contributions and pay in lieu thereof[1] but including performance related pay and benefits in kind)	**255**	249

[1] On the 31 March 2012 the highest paid director opted out of the company pension scheme. A payment in lieu of £17,291 (2014: £16,600), the equivalent employer's contribution is received by the highest paid director.

The emoluments of the executive officers are reviewed and agreed on an annual basis by the Governance & Remuneration Committee.

Executive officers

		2015 Total remuneration[1] £'000	2014 Total remuneration[1] £'000
J Allan	Executive Director (Commercial, South East)	**–**	63
A Boyes	Executive Director (IT & Facilities)	**174**	–
K Bull	Executive Director (Corporate Services)	**125**	169
A Evans	Executive Director (Operations)	**175**	170
J Knevett	Group Commercial Officer	**245**	238
D Mercer	Group Chief Executive	**255**	249
S Potts	Executive Director (Commercial, South East)	**157**	93
D Tufts	Executive Director (Finance & Strategy)	**174**	170
A Waterhouse	Executive Director (Financial Services)	**174**	169
N Yeeles	Executive Director (Commercial, London)	**161**	157

[1] Total remuneration includes performance related pay and benefits in kind but excludes pension contributions.

11. Tax on surplus on ordinary activities

Current tax

	Group		Association	
	2015 £m	2014 £m	**2015 £m**	2014 £m
UK corporation tax on surplus for the year	**–**	–	**–**	–
Adjustments in respect of prior years	**–**	–	**–**	–
	–	–	**–**	–

Deferred tax

	Group		Association	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Adjustment in respect of prior periods	**–**	–	**–**	–
Total charge in the year	**–**	–	**–**	–

A reconciliation of the tax charge to the surplus on ordinary activities before tax is provided below:

	Group		Association	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Surplus on ordinary activities before tax:	**43.8**	38.1	**–**	–
UK corporation tax at 21% (2014: 23%)	**9.2**	8.8	**–**	–
Effects of:				
Other tax adjustments, reliefs and transfers	**0.5**	0.6	**–**	–
Capital gains	**0.1**	0.1	**–**	–
Unrelieved tax losses and other deductions	**(3.7)**	(1.2)	**–**	–
Expenses not deductible for tax purposes	**56.0**	61.7	**–**	–
Income not taxable for tax purposes	**(61.4)**	(70.4)	**–**	–
Timing differences	**–**	0.4	**–**	–
Relief for donations	**(0.6)**	–	**–**	–
Fixed asset differences	**(0.1)**	–	**–**	–
Current tax charge for year	**–**	–	**–**	–

12. Tangible fixed assets – properties

Group

Housing properties	Properties held for letting			Housing to let properties under construction			Shared ownership properties		
	Social £m	Non-social £m	**Total £m**	Social £m	Non-social £m	**Total £m**	Completed £m	Under Con-struction £m	**Total £m restated**
Cost or valuation									
At 1 April 2014	2,324.4	96.6	**2,421.0**	82.0	2.9	**84.9**	332.9	13.0	**2,851.8**
Prior period adjustment	(4.5)	–	**(4.5)**	(8.4)	2.6	**(5.8)**	–	–	**(10.3)**
At 1 April 2014 as restated	2,319.9	96.6	**2,416.5**	73.6	5.5	**79.1**	332.9	13.0	**2,841.5**
Reclassification	(1.1)	0.2	**(0.9)**	0.3	1.7	**2.0**	(0.8)	(1.0)	**(0.7)**
Additions at cost									
New developments	0.4	–	**0.4**	45.8	34.2	**80.0**	0.1	19.8	**100.3**
Works to existing properties	19.5	0.3	**19.8**	–	–	**–**	–	–	**19.8**
Transfer (to)/from current assets	(4.5)	–	**(4.5)**	–	–	**–**	(1.2)	(4.4)	**(10.1)**
Schemes completed	32.7	–	**32.7**	(32.7)	–	**(32.7)**	3.9	(3.9)	**–**
Disposals									
Planned disposals	(4.3)	–	**(4.3)**	–	–	**–**	–	–	**(4.3)**
Replaced components	(2.1)	–	**(2.1)**	–	–	**–**	(0.4)	–	**(2.5)**
Staircasing sales	–	–	**–**	–	–	**–**	(18.0)	–	**(18.0)**
Transfer to other fixed assets	–	–	**–**	–	(2.6)	**(2.6)**	–	–	**(2.6)**
At 31 March 2015	**2,360.5**	**97.1**	**2,457.6**	**87.0**	**38.8**	**125.8**	**316.5**	**23.5**	**2,923.4**
Social housing grant									
At 1 April 2014	986.6	4.4	**991.0**	23.5	–	**23.5**	139.5	3.2	**1,157.2**
Reclassification	(0.8)	–	**(0.8)**	1.2	–	**1.2**	(1.3)	0.5	**(0.4)**
Social housing grant received	–	–	**–**	19.8	–	**19.8**	–	3.6	**23.4**
Social housing grant recycled	0.1	–	**0.1**	3.7	–	**3.7**	–	0.8	**4.6**
Schemes completed	14.3	–	**14.3**	(14.3)	–	**(14.3)**	1.0	(1.0)	**–**
Transfer (to)/from current assets	(2.8)	–	**(2.8)**	–	–	**–**	–	–	**(2.8)**
Disposals									
Planned disposals	(1.5)	–	**(1.5)**	–	–	**–**	(6.3)	–	**(7.8)**
Replaced components	(1.2)	–	**(1.2)**	–	–	**–**	–	–	**(1.2)**
At 31 March 2015	**994.7**	**4.4**	**999.1**	**33.9**	**–**	**33.9**	**132.9**	**7.1**	**1,173.0**
Depreciation and impairment									
At 1 April 2014	111.0	7.5	**118.5**	11.0	–	**11.0**	4.1	–	**133.6**
Prior period adjustment	–	–	**–**	(8.4)	–	**(8.4)**	–	–	**(8.4)**
At 1 April 2014 as restated	111.0	7.5	**118.5**	2.6	–	**2.6**	4.1	–	**125.2**
Reclassification	(0.3)	–	**(0.3)**	–	–	**–**	–	–	**(0.3)**
Charge for the year	18.2	1.8	**20.0**	–	–	**–**	–	–	**20.0**
Impairment	–	0.1	**0.1**	–	–	**–**	–	–	**0.1**
Disposals									
Planned disposals	(0.2)	–	**(0.2)**	–	–	**–**	(0.2)	–	**(0.4)**
Replaced components	(0.5)	–	**(0.5)**	–	–	**–**	–	–	**(0.5)**
Transfer (to)/from current assets	(0.1)	–	**(0.1)**	–	–	**–**	–	–	**(0.1)**
At 31 March 2015	**128.1**	**9.4**	**137.5**	**2.6**	**–**	**2.6**	**3.9**	**–**	**144.0**
Net book value									
At 31 March 2015	**1,237.7**	**83.3**	**1,321.0**	**50.5**	**38.8**	**89.3**	**179.7**	**16.4**	**1,606.4**
At 31 March 2014	1,222.3	84.7	1,307.0	47.5	5.5	53.0	189.3	9.8	1,559.1

The amount of cumulative interest capitalised in housing properties since 2009 is £22.3m. Reclassifications represent the reapportionment of base costs between tenures.

12. Tangible fixed assets – properties (continued)

Expenditure on works to existing properties

	Group	
	2015 £m	2014 £m
Amounts capitalised	**19.8**	14.4
Amounts charged to income and expenditure account	**17.6**	15.0
Total	**37.4**	29.4

The amounts charged to the income and expenditure are split between £17.4m for social housing (2014: £14.4m) and £0.2m for non-social housing (2014: £0.6m).

Social housing grant

	Group	
	2015 £m	2014 £m
Total accumulated social housing grant receivable at 31 March was:		
Capital grants	**1,173.0**	1,157.2

The amount of revenue grants previously recognised in the Income and Expenditure Account is not readily identifiable.

Housing properties book value, net of depreciation and grants comprises:

	Group	
	2015 £m	2014 restated £m
Freehold land and buildings	**1,112.0**	1,074.2
Long leasehold land and buildings	**438.4**	427.7
Short leasehold land and buildings	**56.0**	57.2
	1,606.4	1,559.1

Valuation for disclosure only

	2015 £m
Completed housing properties at valuation	**2,290.6**
Revaluation reserve – completed housing properties	**789.9**

For information purposes only, completed housing properties are valued on a rolling basis at least once every five years by Jones Lang LaSalle Limited and Savills (L&P), professional external valuers and subsequently adjusted for disposals and acquisitions that have occurred since the date of the last valuation. The last full valuations for A2Dominion Housing Options Limited, A2Dominion South Limited and A2Dominion Homes Limited were carried out as at 31 March 2015, 31 March 2013 and 31 March 2014 respectively.

The valuation of the properties was undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. Properties are valued either at Existing Use Value for Social Housing (EUV-SH), for all Social Housing and Shared Ownership properties, or Market Value (MV) for all non-social housing.

In valuing housing properties, discounted cash flow methodology was adopted with key assumptions:

Social housing and shared ownership only

Discount rate	5.5% – 6.5%
Level of annual rent increase: for shared ownership	RPI + 0.5%
for rented stock	CPI + 1.0%

Property valuation disclosure: The Group reports its housing properties at cost and has disclosed the current value of these properties. The basis of this valuation for social and affordable properties takes account of the property's future rental streams which have been calculated using the rental guarantee inflator of CPI plus 1%. This inflator will change to a 1% nominal decrease over the next four years. The impact of this change will be disclosed within the Group's financial statements for the year ended 31 March 2016. 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.

13. Tangible fixed assets – other

Group

	Furniture, fixtures and fittings £m	Leasehold offices £m	Freehold alterations £m	Computers, office equipment and motor vehicles £m	Freehold offices £m	Total £m
Cost						
At 1 April 2014	2.5	1.2	0.6	14.6	14.6	33.5
Additions	1.3	0.7	–	2.0	0.2	4.2
Transfer to/from fixed assets	–	–	–	–	2.3	2.3
Disposals	–	–	–	(8.8)	–	(8.8)
At 31 March 2015	**3.8**	**1.9**	**0.6**	**7.8**	**17.1**	**31.2**
Depreciation						
At 1 April 2014	1.7	0.7	0.6	11.9	1.7	16.6
Charged in year	0.3	0.2	–	1.6	0.4	2.5
Disposals	–	–	–	(8.8)	–	(8.8)
Transfer to/from fixed assets	–	–	–	–	(0.3)	(0.3)
At 31 March 2015	**2.0**	**0.9**	**0.6**	**4.7**	**1.8**	**10.0**
Net book value						
At 31 March 2015	**1.8**	**1.0**	**–**	**3.1**	**15.3**	**21.2**
Net book value						
At 31 March 2014	0.8	0.5	–	2.7	12.9	16.9

One of the Group's freehold offices is currently being redeveloped and converted into housing properties to let. Historic cost of £2.9m and depreciation of £0.3m have been transferred to fixed assets – properties.

The redevelopment of another freehold office has been completed during the year and construction cost of £5.2m has been transferred from fixed assets – properties.

14. Fixed asset investments

Group

	Investments £m	Commercial property held for letting £m	Equity loans £m	Total £m
At 1 April 2014	20.3	49.1	2.6	72.0
Prior period adjustment	–	(2.6)	–	(2.6)
At 1 April 2014 restated	20.3	46.5	2.6	69.4
Additions	0.1	21.3	–	21.4
Disposals	–	(1.2)	(0.2)	(1.4)
Revaluation	0.9	10.4	–	11.3
At 31 March 2015	**21.3**	**77.0**	**2.4**	**100.7**

31 March 2015	31 March 2014

	Cost £m	Market value £m	Cost £m	Market value £m
Investments listed in a recognised stock exchange	**1.2**	**1.4**	1.2	1.4
British government securities	**3.2**	**4.9**	3.2	4.0
Cash and similar investments	**15.0**	**15.0**	14.9	14.9
	19.4	**21.3**	19.3	20.3

These investments are included in the financial statements at valuation.

The valuation of the commercial property held for letting was taken at 31 March 2015 by Jones Lang LaSalle LLP professional external valuers. The valuation of the properties was undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. Properties are valued either at Market Value subject to Tenancies (MV-T) for the private rent units and Existing Use Value (EUV) for parking bays.

Equity loans are advances made in relation to discounted sales of housing and are secured on the properties sold. They are stated at cost and independent valuers have confirmed the value at 31 March 2015 is not less than the cost.

The Group holds an interest in five joint ventures:

Joint Venture	Partner	Group Interest and voting rights
Essex Wharf Homes LLP	Sherry Green Homes Limited	50% through A2Dominion Developments Limited
Green Man Lane LLP	Real (Ealing) Limited	50% through A2Dominion Developments Limited
Queen's Wharf Riverside LLP	Hammersmith Developments Holdco Limited	50% through A2Dominion Developments Limited
Keybridge House LLP	Mount Anvil (Keybridge) Limited	50% through A2Dominion Developments Limited
Secure Storage Solutions LLP	Tim Woodcock and Tickland Limited	25% through A2Dominion Developments Limited

During the year the Group made significant investments in two single scheme joint ventures in London, Queen's Wharf Riverside LLP and Keybridge House LLP. A2Dominion Developments Limited has invested £20.7m in Queen's Wharf Riverside LLP and £30.2m in Keybridge House LLP which has been matched by its external partner. Both LLPs are funded by a loan from A2Dominion Residential Limited negotiated on a commercial arm's length basis.

The amount included in respect of joint ventures includes the following:

	Essex Wharf Homes LLP £m	Green Man Lane LLP £m	Queen's Wharf Riverside LLP £m	Keybridge House LLP £m	Secure Storage Solutions LLP £m	Total £m
Turnover	8.2	1.2	–	–	–	9.4
Cost of sales and administration expenses	(5.5)	(1.0)	–	–	–	(6.5)
Other finance costs	–	–	(0.5)	(0.1)	–	(0.6)
Surplus for the year	**2.7**	**0.2**	**(0.5)**	**(0.1)**	**–**	**2.3**
Share of:						
Current assets	7.3	8.7	32.1	51.2	0.1	99.4
Liabilities due within in one year	(0.4)	(8.5)	(14.6)	(21.1)	–	(44.6)
Net assets	**6.9**	**0.2**	**17.5**	**30.1**	**0.1**	**54.8**

15. Properties for sale

	Group 2015 £m	2014 restated £m
Open market sale – completed properties	**4.4**	3.5
Open market sale – under construction	**205.6**	125.6
Shared ownership – completed properties	**2.5**	6.0
Shared ownership – under construction	**14.5**	8.0
Land held for development	**0.7**	26.8
Agency schemes for sale	**14.5**	10.4
Social housing grant on agency schemes for sale	**(8.2)**	(5.6)
Property held for development	**1.0**	–
	235.0	174.7

Capitalised interest included in the stock balances is £18.3m (2014: £15.1m).

16. Debtors

	Group		Association	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Due within one year				
Rent and service charges receivable	**11.7**	10.1	**–**	–
Less: Provision for bad and doubtful debts	**(6.1)**	(5.2)	**–**	–
Net arrears	**5.6**	4.9	**–**	–
Trade debtors	**0.2**	0.1	**0.2**	0.1
Other debtors	**11.6**	13.1	**3.0**	6.3
VAT recoverable	**–**	0.1	**–**	–
Deposits on purchased schemes	**–**	3.1	**–**	–
Prepayments and accrued income	**4.9**	5.1	**1.1**	1.2
Amounts due from Group entities	**–**	–	**8.2**	21.3
Capital and agency debtors	**22.8**	1.8	**–**	–
	45.1	28.2	**12.5**	28.9
Due after more than one year				
Loans due from subsidiary undertakings under on-lending arrangements	**–**	–	**138.5**	233.3
Deposits on purchased schemes	**26.0**	–	**–**	–
Loans due from joint ventures	**23.3**	–	**–**	–
Other debtors	**6.6**	0.3	**–**	–
	55.9	0.3	**138.5**	233.3
	101.0	28.5	**151.0**	262.2

17. Current asset investments

	Group		Association	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Money market deposits	**9.0**	1.3	**9.0**	1.0

18. Cash at bank and in hand

	Group		Association	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Cash at bank	**24.0**	25.4	**13.9**	8.1
Sinking funds	**5.4**	4.6	**–**	–
	29.4	30.0	**13.9**	8.1

At 31 March 2015 £1.2m (2014: £1.7m) of cash balances were charged to lenders.

19. Creditors: amounts falling due within one year

		Group		Association	
	Note	**2015 £m**	2014 restated £m	**2015 £m**	2014 £m
Loans and borrowings	23	**15.3**	21.1	**5.8**	12.3
Trade creditors		**10.8**	11.5	**4.7**	9.1
Rent and service charges received in advance		**10.3**	8.3	**–**	–
Social housing grant in advance		**–**	6.0	**–**	–
Recycled Capital Grant Fund	21	**4.8**	4.6	**–**	–
Disposal Proceeds Fund	22	**0.8**	–	**–**	–
Amounts owed to Group entities		**–**	–	**19.6**	12.3
Other taxation and social security		**1.3**	0.9	**1.1**	0.8
Other creditors		**3.7**	4.2	**2.1**	1.4
Accruals and deferred income		**20.1**	16.2	**3.1**	2.9
Interest accrued		**4.9**	5.2	**–**	–
Capital creditors		**22.1**	4.4	**–**	–
		94.1	82.4	**36.4**	38.8

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

		Group		Association	
	Note	**2015 £m**	2014 £m	**2015 £m**	2014 £m
Loans and borrowings	23	**1,332.8**	1,138.2	**138.5**	233.3
Recycled Capital Grant Fund	21	**14.1**	11.3	**–**	–
Sinking funds		**5.4**	4.6	**–**	–
Disposal Proceeds Fund	22	**1.9**	1.3	**–**	–
Deferred grant		**2.0**	2.0	**–**	–
Capital creditors		**2.8**	–	**–**	–
Other		**3.3**	1.2	**–**	–
		1,362.3	1,158.6	**138.5**	233.3

21. Recycled Capital Grant Fund

	Group	
	2015 £m	2014 £m
At 1 April	**15.9**	13.5
Grants recycled	**7.5**	6.2
Interest accrued	**0.1**	0.1
Purchase/development of properties	**(4.6)**	(3.9)
Balance at 31 March	**18.9**	15.9
Due within one year	**4.8**	4.6
Due in more than one year	**14.1**	11.3
Amount due for repayment to the Homes and Communities Agency (HCA) and Greater London Authority (GLA)	**–**	–

22. Disposal Proceeds Fund

	Group	
	2015 £m	2014 £m
At 1 April	**1.3**	1.3
Net sale proceeds recycled	**1.4**	0.5
Interest accrued	**–**	–
Purchase/development of properties	**–**	(0.5)
Balance at 31 March	**2.7**	1.3
Due within one year	**0.8**	–
Due in more than one year	**1.9**	1.3
Amount due for repayment to the HCA and GLA	**–**	–

23. Loans and borrowings

	Group 2015 £m	Group 2014 £m	Association 2015 £m	Association 2014 £m
Due within one year				
Bank overdraft	**0.1**	0.1	**0.1**	0.1
Bank loans	**13.9**	19.7	**5.7**	12.2
Other loans	**1.3**	1.3	**–**	–
	15.3	21.1	**5.8**	12.3
Due after more than one year				
Bank loans	**1,019.8**	973.2	**138.5**	233.3
Other loans	**319.9**	171.1	**–**	–
Loan issue costs	**(6.9)**	(6.1)	**–**	–
	1,332.8	1,138.2	**138.5**	233.3
Within one year	**15.3**	21.1	**5.8**	12.3
Between one and two years	**25.8**	16.0	**5.8**	8.3
Between two and five years	**118.8**	96.8	**18.4**	26.7
After five years	**1,195.1**	1,031.5	**114.3**	198.3
Loan issue costs	**(6.9)**	(6.1)	**–**	–
	1,348.1	1,159.3	**144.3**	245.6

Loans and borrowings consist of bank loans secured by fixed charges on individual properties and proceeds from two retail bonds.

The bank and other loans are repaid by bullet payments or in half-yearly and quarterly instalments at fixed and variable rates of interest ranging from 0.76% to 12.48%. The final instalments fall to be repaid in the period 2016 to 2045.

At 31 March 2015 the Group had undrawn loan facilities of £290.2m (2014: £364.5m).

Group Derivative Transactions
As at 31 March 2015 the following financial derivative contracts were in place:

	Notional Principal £m	Fair value/ (loss) £m
Standalone		
Interest rate swaps without options	291.1	(81.5)
	291.1	(81.5)
Embedded		
Interest rate swaps without options	498.4	–
	498.4	–
Total		
Interest rate swaps without options	789.5	(81.5)
Total as at 31 March 2015	789.5	(81.5)
Interest rate swaps without options	799.0	(51.2)
Total as at 31 March 2014	799.0	(51.2)

Interest rate swaps without options
These are interest rate swaps to receive floating/pay fixed rates for a fixed period. Of the total notional value, £89.6m are amortising in line with the underlying debt.

Security
Where security is required in respect of the negative fair values of the standalone derivatives, this has been provided by way of cash and first fixed charges over completed housing properties. As at 31 March 2015 the amount of cash posted as collateral was £12.6m (2014: £nil) and the value of properties charged was £33.7m (2014: £35m).
No additional security is required in respect of embedded derivatives.

Group Hedging Position
As at 31 March borrowings were hedged as follows:

	31 March 2015 £m	31 March 2014 £m
Interest rates fixed for more than 12 months	**1,101.8**	1,050.6
Fixed interest rates with lender's options to cancel	**–**	–
	1,101.8	1,050.6
Floating rate (interest rates fixed for less than 12 months)	**143.6**	52.8
Total	**1,245.4**	1,103.4

24. Provisions for liabilities and charges

Group

	Major works £m	Contractual disputes £m	Total £m
At 1 April 2014	4.3	0.3	4.6
Amounts provided for	0.4	1.1	1.5
Amounts utilised	(1.5)	(0.4)	(1.9)
At 31 March 2015	**3.2**	**1.0**	**4.2**

Major works provisions are for identified works required on properties transferred from other registered providers or identified on acquisition by the Group. Provisions for major works will be utilised over approximately a one to three year period.

Association
The Association holds a provision of £0.7m (2014: £0.8m) which reflects potential legal and settlement costs the Association is likely to incur.

25. Non-equity share capital

	2015 £	2014 £
Shares of £1 each issued and fully paid		
At 1 April	**7**	8
Shares issued during the year	**2**	–
Shares surrendered during the year	**(2)**	(1)
At 31 March	**7**	7

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.

26. Reserves

Group

	Restricted reserve donations fund £m	Designated reserve £m	Revaluation reserve – other investments £m	Revenue reserve £m	Total reserves £m
At 31 March 2014	0.5	64.6	9.3	566.6	641.0
Prior period adjustment	–	–	–	(4.5)	(4.5)
At 1 April 2014 as restated	0.5	64.6	9.3	562.1	636.5
Surplus for the year	–	–	–	43.8	43.8
Revaluation for the year	–	–	11.3	–	11.3
Transfer from designated reserves	–	(16.4)	–	16.4	–
Transfer to designated reserves	–	1.4	–	(1.4)	–
Actuarial deficit on pension schemes	–	–	–	(1.4)	(1.4)
At 31 March 2015	**0.5**	**49.6**	**20.6**	**619.5**	**690.2**

Association

	Revenue reserve £m
At 1 April 2014	(3.9)
Surplus for the year	0.1
Actuarial loss relating to pension scheme	(0.1)
At 31 March 2015	**(3.9)**

27. Prior period adjustment

The individual entities record their assets at historical cost but on consolidation the Group records the assets of any entities that have been acquired at fair value as at the date of acquisition. The prior period adjustment reflects the adjustment between historical cost and fair value for assets that have subsequently been disposed.

In addition commercial property held for letting under construction had been included within fixed asset investments. These have now been separated out and reported as housing properties in accordance with SSAP19 Accounting for Investment Properties.

	Commercial property held for letting £m	Housing property £m	Revenue reserves £m
As previously stated 31 March 2014	49.1	1,561.0	566.6
Fair value adjustment	–	(4.5)	(4.5)
Restatement of commercial property under construction	(2.6)	2.6	–
At restated at 31 March 2014	**46.5**	**1,559.1**	**562.1**

28. Financial commitments

Capital expenditure commitments were as follows:

	Group	
	2015 £m	2014 £m
Capital expenditure		
Expenditure contracted for but not provided in the financial statements	**242.1**	195.6
Expenditure authorised by the Board, but not contracted	**590.0**	646.7
	832.1	842.3

The total commitments above are phased up to and including the year ended 31 March 2018. The Group expects to meet the above commitments from the following sources:

- Undrawn loan facilities totalling £290.2m (2014: £364.5m)
- Social housing grant and projected proceeds from first tranche sales of shared ownership dwellings and build for sale of properties of £1,223.2m (2014: £964.2m).

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

	Group		Association	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Land and buildings				
Within one year	**0.5**	1.7	**–**	0.8
Two to five years	**1.7**	1.6	**–**	–
Over five years	**2.5**	2.5	**1.6**	1.6
	4.7	5.8	**1.6**	2.4
Vehicles and other equipment	**0.3**	0.3	**0.3**	0.3

29. Contingent liabilities

The Group and Association had no contingent liabilities at 31 March 2015 (2014: £nil).

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

	2015 £m	2014 £m
Operating surplus	**85.8**	78.0
Depreciation of tangible fixed assets	**22.5**	21.6
Accelerated depreciation on components	**0.8**	1.4
Impairment	**0.1**	1.1
	109.2	102.1
Working capital movements		
Properties for outright sale	**(93.2)**	(15.8)
Debtors	**(5.3)**	(1.6)
Provisions	**(0.4)**	(5.2)
Creditors	**9.6**	1.2
Net cash inflow from operating activities	**19.9**	80.7

31. Reconciliation of net cash flow to movement in net debt

	2015 £m	2014 £m
(Decrease)/increase in cash in the year	**(0.6)**	22.3
Cash flow movement in liquid resources	**7.7**	1.0
Cash flow from increase in debt	**(188.8)**	(23.9)
Increase in net debt from cash flows	**(181.7)**	(0.6)
Net debt at 1 April	**(1,128.0)**	(1,127.4)
Net debt at 31 March	**(1,309.7)**	(1,128.0)

32. Analysis of net debt

	1 April 2014 £m	Cash flow £m	31 March 2015 £m
Cash at bank and in hand	30.0	(0.6)	**29.4**
Overdraft	(0.1)	–	**(0.1)**
Current assets investment	1.3	7.7	**9.0**
Loans due within one year	(21.0)	5.8	**(15.2)**
Loans due after more than one year	(1,138.2)	(194.6)	**(1,332.8)**
Net debt	(1,128.0)	(181.7)	**(1,309.7)**

33. Group

The financial statements consolidate the results of the following subsidiaries:

		Group's share of ordinary share capital
A2Dominion Enterprises Limited	Dormant company	100%
A2Dominion Housing Options Limited	Rents properties for affordable housing	100%
A2Dominion Housing Finance Limited	Raises funds for the operational business	100%
A2Dominion South Limited	Rents properties for social housing	100%
A2Dominion Homes Limited	Rents properties for social housing	100%
A2Dominion Residential Limited	Rents properties at market rent	100%
A2Dominion Developments Limited	Develops and sells properties	100%
A2Dominion Treasury Limited	Raises funds for the operational business	100%
A2Dominion Investments Limited	Dormant company	100%
Affordable Property Management Limited	Dormant company	100%
Home Farm Exemplar Limited	Non trading	100%
Kingsbridge Residential Limited	Dormant company	100%
Pyramid Plus London LLP	Property maintenance services	70%
Pyramid Plus South LLP	Property maintenance services	70%
Upper Richmond Buildings Limited	Non trading	100%

The Group has the right to appoint members to the boards of its subsidiaries and thereby exercises control over them. A2Dominion Housing Group Limited is the ultimate parent undertaking.

During the year A2Dominion Housing Group Limited provided management services to other Group entities and charged £38.9m (2014: £36.2m). At 31 March 2015 A2Dominion Housing Group owed £11.4m to its subsidiaries (2014: was owed £9m). This was in relation to working capital balances and management services.

The Group owns a 70% share in Pyramid Plus London LLP. The remaining 30% share is owned by Breyer Group PLC. The minority share of £0.3m (2014: £0.3m) relates to Breyer Group PLC's 30% share of the LLPs profit.

The Group owns a 70% share in Pyramid Plus South LLP. The remaining 30% share is owned by Mitie Property Services (UK) Limited. The minority share of £0.7m (2014: £0.5m) relates to Mitie Property Services (UK) Limited's 30% share of the LLPs profit.

34. Transactions with related parties

A2Dominion Housing Group consists of the companies listed in note 33. The Group also has interests in five joint ventures detailed in note 14.

A2Dominion Housing Group Limited provides management and administration services to the companies within the Group. The most significant element of this is staff costs as the subsidiaries within the Group do not have their own employees apart from A2Dominion Homes Limited which has a small number of employees. The management costs are apportioned on a unit basis with sales and marketing costs on the number of sales.

Pyramid Plus London LLP and Pyramid Plus South LLP are apportioned management and administration services based on agreed values representing actual services provided.

The total management and administration costs apportioned in the year were:

	2015 £m	2014 £m
A2Dominion South Ltd	**16.8**	15.5
A2Dominion Homes Ltd	**15.4**	15.1
A2Dominion Housing Options Ltd	**1.0**	0.9
A2Dominion Enterprises Ltd	**–**	0.4
A2Dominion Residential Limited	**0.1**	–
A2Dominion Developments Limited	**4.1**	2.8
Pyramid Plus London LLP	**0.7**	0.7
Pyramid Plus South LLP	**0.8**	0.8
	38.9	36.2

Intra-group transactions between the Group's registered providers and its non-regulated subsidiaries for the year ended 31 March 2015 are summarised as follows:

2015	Services provided £m	Loan interest payable £m	Loan interest receivable £m	Loans creditors £m	Loans debtors £m	Other creditors £m	Other debtors £m
A2Dominion Developments Limited							
A2Dominion Homes Limited	**14.6**	**(6.8)**	**–**	**(124.1)**	**–**	**(1.4)**	**–**
A2Dominion South Limited	**11.2**	**(5.7)**	**–**	**(140.7)**	**–**	**–**	**–**
A2Dominion Housing Group Limited	**–**	**–**	**–**	**–**	**–**	**(0.4)**	**–**
A2Dominion Treasury Limited							
A2Dominion Homes Limited	**–**	**–**	**3.6**	**–**	**119.1**	**(0.2)**	**–**
A2Dominion South Limited	**–**	**–**	**3.3**	**–**	**71.3**	**(0.1)**	**–**
A2Dominion Housing Options Limited	**–**	**–**	**0.3**	**–**	**5.8**	**(2.1)**	**–**
A2Dominion Housing Group Limited	**–**	**–**	**0.5**	**–**	**–**	**–**	**–**
Pyramid Plus London LLP							
A2Dominion Housing Group Limited	**8.5**	**–**	**–**	**–**	**–**	**–**	**0.8**
Pyramid Plus South LLP							
A2Dominion Housing Group Limited	**11.7**	**–**	**–**	**–**	**–**	**–**	**1.5**

2014	Services provided £m	Loan interest payable £m	Loan interest receivable £m	Loans creditors £m	Loans debtors £m	Other creditors £m	Other debtors £m
A2Dominion Developments Limited							
A2Dominion Homes Limited	15.2	(6.7)	–	(87.2)	–	(0.2)	–
A2Dominion South Limited	11.9	(2.6)	–	(73.0)	–	(0.4)	–
A2Dominion Treasury Limited							
A2Dominion Homes Limited	–	–	1.3	–	54.9	–	–
A2Dominion South Limited	–	–	1.1	–	50.0	–	–
A2Dominion Housing Options Limited	–	–	0.1	–	5.8	–	–
A2Dominion Residential Limited							
A2Dominion Housing Group Limited	–	–	–	–	–	–	0.2
A2Dominion Homes Limited	–	(0.8)	–	–	–	–	–
Pyramid Plus London LLP							
A2Dominion Housing Group Limited	7.1	–	–	–	–	–	1.1
Pyramid Plus South LLP							
A2Dominion Housing Group Limited	10.1	–	–	–	–	–	1.0

Transactions between Group entities and other related parties are summarised as follows:

A2Dominion Developments Limited is a 50% joint venture partner of Essex Wharf Homes LLP. Capital contributions of £3.9m were made to Essex Wharf Homes LLP and capital repayments received of £6.7m resulting in a net repayment of £2.8m (2014: £3.2m net contribution).

A2Dominion Developments Limited is a 50% joint venture partner of Green Man Lane LLP. A2Dominion Developments Limited provided a loan facility of £15m (2014: £3.6m) to Green Man Lane LLP. As at 31 March 2015, £nil (2014: £0.4m) was due to A2Dominion Developments Limited.

Real (Ealing) Limited is a 50% joint venture partner of Green Man Lane LLP. Real (Ealing) Limited granted Green Man Lane LLP a loan facility of £nil (2014: £0.6m) of which £nil (2014: £0.4m) was drawn down. Rydon Construction Limited provided a loan facility of £15m (2014: nil) to Green Man Lane LLP. As at 31 March 2015, £nil (2014: £0.4m) was due to Rydon Construction Limited. Rydon Construction Limited and Real (Ealing) Limited are both wholly owned subsidiaries of Rydon Holdings Limited.

Green Man Lane LLP entered into lease agreements with A2Dominion Homes Limited for the lease of housing blocks and a car park at premiums totalling £10m. The contractual term of the lease is 250 years and the premium for each Lease is to be paid in 30 monthly instalments until paid in full. In addition, there is an amount of £1.5m due to A2Dominion Homes Ltd in relation to costs being paid for prior to lease agreements being signed.

A2Dominion Treasury Limited has been provided with a loan facility of £300m (2014: £150m) by A2D Funding Plc during the year. As at 31 March 2015, £300m (2014: £150m) was owed by A2Dominion Treasury Limited.

Pyramid Plus South LLP received services during the year from Mitie Property Services (UK) Limited with a value of £5.9m (2014: £5.8m). As at the 31 March 2015 £0.7m (2014: £nil) was owed by Pyramid Plus South LLP.

Pyramid Plus London LLP received services during the year from Breyer Group PLC with a value of £5.2m (2014: £4m). As at the 31 March 2015 £0.6m (2014: £nil) was owed by Pyramid Plus London LLP.

A2Dominion Residential Limited has entered into a funding agreement with Queen's Wharf Riverside LLP a joint venture between A2Dominion Developments Limited and Hammersmith Developments Holdco Limited. As at the 31 March 2015 £5.8m was owed to A2Dominion Residential Limited. The interest and similar income receivable on this loan during the year was £1.2m.

A2Dominion Residential Limited has entered into a funding agreement with Keybridge House LLP a joint venture between A2Dominion Developments Limited and Mount Anvil (Keybridge House) Limited. As at the 31 March 2015 £17.2m was owed to A2Dominion Residential Limited. The interest and similar income receivable on this loan during the year was £0.3m. Additionally A2Dominion Residential Limited has paid a deposit of £23m for the purchase of properties to be held and used for private rent.

A2Dominion Residential Limited has paid a deposit of £3m to Green Man Lane LLP for the purchase of properties to be held and used for private rent.

Notes

Notes

Queen's Wharf, London Borough of Hammersmith & Fulham

A2Dominion Group
The Point
37 North Wharf Road
London W2 1BD

T 020 8825 1000
F 020 8825 1963

info@a2dominion.co.uk
www.a2dominion.co.uk

INVESTORS IN PEOPLE | Gold

000095/07/15 – CO

A2Dominion Housing Group Ltd
(an exempt charity registered under the Co-operative & Community Benefit Societies Act 2014 Soc. No. 28985R, HCA Reg. L4240).
Registered Office: The Point, 37 North Wharf Road, London W2 1BD.

Front cover image:
City Wharf, London Borough of Hackney