Progress Housing Group Limited

Annual accounts 2015

Consolidated financial statements
for the year ended 31 March 2015

Contents

Members of the Board of Management and Executive Officers

Members of the Board of Management

J Hale #*	Chair
M Barton **	
P Whitworth #	
W Staines	
I Wilson	
S Bridgen #	
Marie Wild ##	Independent Committee Member
Tony Hindle *	Independent Committee Member

Member of Progress Group Remuneration & Governance Committee
Chair of Progress Group Remuneration & Governance Committee
* Member of Audit & Risk Committee
** Chair of Audit & Risk Committee

Details on individual board member attendance can be obtained from the Group's website.

Secretary

E Hughes

Registered Office

Sumner House
21 King St
Leyland
PR25 2LW

Executive Officers

J M De Rose BSc MCIH	Group Chief Executive
A Speer MBA, ACMA, BA (Hons)	Executive Director (Finance & Resources)
E Tamanis BA (Hons), ACMA	Executive Director (Business Development & Property Services)
B Keenan BA (Hons), MCIH	Executive Director (Housing, Community and Support Services)
M Stevenson LLB (Hons)	Executive Director (Legal)
A Johnson FInstLM, MIoD, MBA	Managing Director Progress Care Housing Association Retired 01 August 2014

Five year financial highlights
for the financial years ended 31 March

	2015 £000's	2014 £000's	2013 £000's	Restated 2012 £000's	Restated 2011 # £000's
Income and Expenditure Account					
Turnover	71,390	68,842	64,084	59,803	55,840
Depreciation	6,197	5,696	5,228	4,862	3,158
Impairment	664	288	408	420	-
Operating Surplus	23,641	23,000	20,843	20,351	19,106
Interest Payable	(11,699)	(11,716)	(11,561)	(11,058)	(11,281)
Surplus for year on ordinary activities	12,149	11,144	9,346	9,484	8,200
Historical Cost Surplus for year	12,928	11,414	9,610	9,694	7,921
Cash Flow					
Cash flow from operating activities	28,130	27,926	27,880	24,023	23,523
Net cash outflows from returns on investments and servicing of finance	(11,429)	(11,579)	(11,353)	(11,102)	(11,628)
Net cash inflow after servicing of finance	16,701	16,347	16,527	12,921	11,895
Acquisition and construction of housing	(15,853)	(21,818)	(28,287)	(24,861)	(30,629)
Capital grants	4,058	2,254	4,819	7,027	16,354
Net debt	(261,456)	(261,986)	(254,942)	(244,916)	(235,485)
Balance Sheet					
Tangible Fixed Assets	645,190	627,134	583,471	539,291	513,952
Accumulated Depreciation	50,811	47,660	43,028	39,562	38,542
Accumulated Social Housing Grant	85,335	81,184	80,153	76,347	67,796
Net Tangible Fixed Assets	509,044	498,290	460,290	423,382	407,614
Net Current (Liabilities)/Assets ##	(2,929)	(808)	710	1,090	(2,769)
Debt due after more than one year	261,147	264,930	258,732	246,754	237,360
Pension Liabilities recognised on balance sheet	9,416	6,171	9,241	8,372	7,439
Revaluation reserve	172,373	171,546	152,366	137,112	134,073
Other reserves	65,049	56,761	42,701	34,376	26,060
Key Ratios and Indicators ###					
Operating margin	33%	33%	33%	34%	34%
EBITDA (£000's)	30,502	28,970	26,479	25,633	22,264
Interest cover	255%	245%	226%	228%	197%
Net surplus as a % of turnover	17%	16%	15%	16%	15%
Gearing on a valuation basis	51%	52%	55%	57%	58%

Gearing on a valuation basis is calculated using total net debt.
The impact of component accounting required restatement of the year ended 2011 only therefore making further prior years not directly comparable. The impact of the 2011 restatement increased the surplus for the year by £1.5m.
The net liability position arises from minimising borrowings fully secured term loan facilities which may be drawn at short notice.
These are generic industry wide calculations that are intended to be used as an overall indicator.

Report of the Group Board

The Group Board presents its report and the audited consolidated financial statements of the Group and its subsidiary undertakings for the year ended 31 March 2015.

Operating and Financial Review

Business Overview

Progress Housing Group Limited believes that everyone has the right to a decent place to live and the core objective is to further this principle by playing our part in ensuring that everyone has a good quality home in a welcoming and safe community with excellent services. Our subsidiaries comprise New Progress Housing Association Limited, Progress Care Housing Association Limited, New Fylde Housing Limited and Key Unlocking Futures Limited. Our range of housing includes general needs rented housing, supported housing, housing for older people, shared ownership, key worker accommodation and market rented. The Group owns and manages over 9,900 tenancies across England and Scotland. The Group also provides external services for provision of social alarm services which contributes over £1.2m to turnover.

Objectives and Strategies

The Group's vision is to have a positive impact on people and communities by providing high quality homes, supporting independence and creating opportunities. The Group's 2020 Business Plan has its primary focus as the delivery of a well-housed population with high standards of customer service. The business plan sets out a series of strategic aims and objectives, each of which will help to deliver service enhancements and achieve high levels of customer satisfaction within a financially sustainable business model. These objectives are supported by clear performance measures and will be delivered by a dedicated staff team. Our non-executive directors will monitor progress towards our aims and priorities and will undertake an annual review of the plan. In addition, the organisation will continue to monitor changes in our operating environment in order to manage risk and capitalise on opportunities that fit with the Group's direction. All of the Group's activities are underpinned by our strong belief in equality and diversity.

In the current political and operating environment, we are facing a period of great change and uncertainty, which will bring forward both opportunities and threats. The plan aims to minimise the threats, make the most of opportunities and provide for a challenging and exciting period ahead. The plan builds on the existing strength of the organisation and will enable us to reach new heights in customer service. Our thanks go to all our partners who will help us achieve these aims.

Our 2020 Business Plan is built around six strategic aims. The first three are more outward looking and are drawn directly from our vision:

- Providing more and better homes
- Supporting individuals and communities to encourage independence
- Creating opportunities

The final three strategic aims are more inward looking and are geared towards ensuring that we have a solid foundation on which to build our success:

- Working as one team
- Developing a stronger organisation
- Putting customers at the heart of what we do

Our strategies are therefore influenced by both external and internal factors and our plan is driven by our external environment and our corporate objectives. The plan sets out the priorities and outcomes and there are a number of measures the Board will use to monitor achievement of these priorities.

Report of the Group Board

Strategic Aim	Priorities
Providing more and better homes	◆ To maintain and improve existing homes, delivering energy efficiency and homes of a high standard to meet customer expectations ◆ To develop new high quality, well designed homes each year, providing homes that people want to live in now and in the future ◆ To actively manage our asset portfolio to divest, remodel and improve poor performing stock to ensure homes continue to be fit for purpose and are located in sustainable neighbourhoods ◆ To develop a range of products and services delivering surplus and cross subsidy to support the social purpose of the organisation ◆ To deliver customer priorities and agreed service standards
Support individuals and communities to support independence	◆ To support customers to live as independently as they are able, enjoying good health and a sense of wellbeing throughout their lifetime ◆ To reshape services that assist vulnerable and older people to live independently in our Independent Living schemes and in their own homes ◆ To target support services more effectively to meet individual requirements and to continually improve and review service standards to deliver flexible solutions ◆ To provide specialist support to people who are homeless or threatened with homelessness ◆ To encourage more independence in our communities
Create opportunities	◆ To expand our Progress Futures programme to provide training, education and employment opportunities for even more of our customers, of all ages ◆ To engage more effectively with younger people through our community involvement activities; Progress Futures; our homelessness schemes; and by means of the specialist support provided by Key Unlocking Futures ◆ To support individuals, groups and partner organisations that work to provide opportunities for the communities and customers that we serve ◆ To track, publicise and share good practice on how our interventions and support have assisted individuals to improve life chances

Report of the Group Board

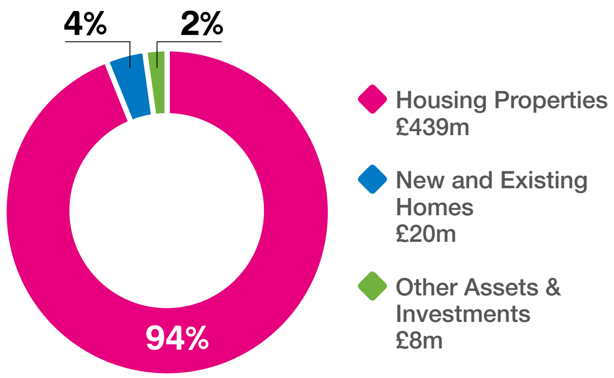
Strategic Aim	Priorities
Working as one team	◆ Developing new skills and knowledge ◆ Driving excellence through our governance and leadership teams ◆ Supporting, training and rewarding staff for their commitment and hard work ◆ Working in a flexible and creative style ◆ Communicating openly ◆ Ensuring accountability
Developing a stronger organisation	◆ Delivering top quartile performance in key indicators, in particular arrears, voids, repairs, customer satisfaction and financial indicators ◆ Building financial and corporate strength and driving more value for money ◆ Working in partnership and delivering service collaborations, extending our offer through others ◆ Cross subsidising products and services and balancing financially positive and negative schemes ◆ Appraising business activities to test contribution to values, social significance, risk management and return on investment ◆ Maximising the use of technology and becoming digital first ◆ Reviewing our operational plan mechanisms ◆ Reviewing the Group's risk governance and management framework ◆ Continuing to reduce gearing and reduce pension liabilities
Putting customers at the heart of what we do	◆ Researching current and future needs and expectations, underpinning decisions with market intelligence ◆ Working to ensure that more and more customers are engaged in decision making ◆ Ensuring that customers are increasingly engaged in scrutinising the effectiveness of our services ◆ Tackling social exclusion by, for example, addressing financial and digital exclusion ◆ Tackling poverty by, for example, addressing fuel poverty

Report of the Group Board

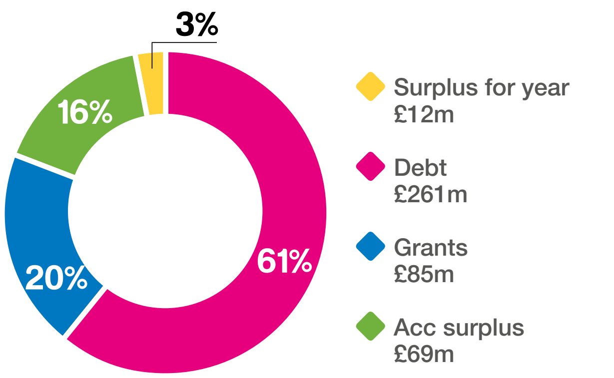
Operating Review

In 2014, the year saw Progress celebrate our 20 year anniversary and along with our celebrations there have been a number of important events during the year, across all our business activities. Underpinning our achievements we continued to recognise the importance of our financial strength. We don't make a profit, all our income is reinvested to run and improve our services. Our annual surplus has grown by almost 8% to £11.9m. This has meant we can continue to invest in new homes, existing homes and manage our liabilities. Our complete financial picture showing our total investment along with financing can be seen as:

Assets



Financed by



The charts above show that our annual surplus is one part of our financing of our properties and other investments. Surpluses from our social and non-social housing activities are used to service debt and strengthen reserves, which enables us to have capacity to develop more homes. Reductions in grant rates over the last few years have placed constraints on capacity but we have continued to increase our operating cash flows and reduce our gearing levels. Over the last three years, we have spent at least 50% of our operating cash surplus on new housing properties.

The Group is a delivery partner of the Homes and Communities Agency (HCA) and through the Riverside Consortium has an allocation of grant funding under the Affordable Homes Programme 2011/15, the Affordable Homes Guarantee Programme including Continuous Market Engagement (CME) and the Affordable Homes Programme 2015/18 including CME. We spent just under £16m in the year on new developments and 205 homes were completed within the agreed timescale. The Group was also successful in bidding for 113 affordable conversions which have also been completed on time. Ongoing developments which the Group will deliver include 83 homes under the 2015/18 programme, and 100 homes under the Affordable Homes Guarantee Programme due to complete by March 2017.

The control centre (which provides social alarm services to approximately 10,000 customers) achieved reaccreditation to "platinum standard" (the highest level possible) for all services provided under the Telecare Services Association's code of practice. The team also exceeded growth projections and now generates in excess of £1.4 million per annum in turnover for the Group. We have also been successful in winning a tender to deliver telecare services across Lancashire together with Tunstall. These services generate surpluses which help us to cross subsidise and contribute to our future development of new homes.

We value working with our tenants in our communities and this year we were successful in a number of areas including PCHA who achieved two awards this year. One was for a community food growing project in Darwen from North West in Bloom. The other was for a health and wellbeing toolkit used in tenant meetings, awarded by the national Third Sector Care Awards.

Report of the Group Board

The toolkit is an interactive game which helps tenants to access local services and make local connections in neighbourhoods.

An important part of our vision is to focus on individuals. Progress Futures is a project established to help the Group's customers into education, employment or training. This is done through a person centred approach to deliver outcomes specific to individual needs. In total since October 2013, 213 tenants have expressed an interest to work with Progress Futures. This has led to many success stories and positive outcomes for tenants. This has included attendance at training courses, work placements within the organisation as well as with partner agencies and creation of a bursary scheme. The Group have helped 67 people through Progress Futures obtain their goals specifically relating to employment, training, work experience and volunteering.

Our operational performance remained strong on most of its performance indicators. The Group regularly monitors and reports on key indicators including rent arrears, void losses, repairs and Decent Homes. Group year end arrears performance has exceeded the end of year targets. Gross current arrears have seen an improvement in performance for the previous 3 years and stands at 3.4%. The target has been outperformed for responsive repairs completed within time. Within the year the Group received 40,325 responsive repairs requests of these 40,023 were completed within the agreed priority time. The main challenge we faced however was in our void performance with an increase from 3.6% in 2014 to 4.1% in 2015, which has affected our general needs, supported living and independent living homes. We have put new systems in place and this will be a main area of focus in the New Year. For a full list of our performance indicators and our current performance against target please visit the Group's website ***www.progressgroup.org.uk***.

As a registered provider, we are regulated by The Homes and Communities Agency. In February 2014 the HCA published its Regulatory Judgement for the Group on governance and financial viability. The Group was successful in regaining G1 governance rating following action taken to improve its internal control framework and ensure it continues to comply with all regulatory requirements. The Group has retained its V1 viability rating.

Financial Performance for the Year

Our financial performance for the year continues to be strong in all areas. Turnover increased by £2.5m, or 3.7% due to growth from new properties, rent and service charge increases. Operating costs and costs of sales increased at a lower rate of 4.2% by £1.9m, resulting in an increase in operating surplus of £0.6m, or 2.8% to £23.6m. The surplus on ordinary activities before tax increased by £1.0m to £12.1m in the year with a historical cost surplus for the year of £12.6m.

Cash flow from operating activities was £28.1m, mainly due to the operating surplus, adding back some £6.2m of depreciation and impairment. Net new borrowings of £0.5m were required during the year showing that our development commitments of £16m were funded through operating cash flows of £12m and social housing grant of £4m.

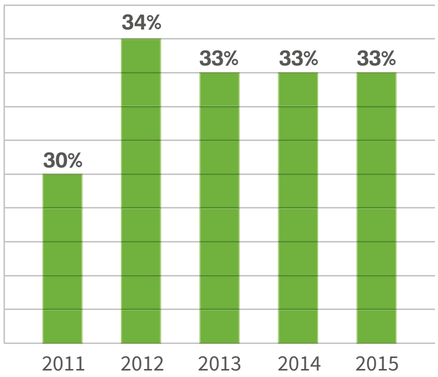
Net tangible fixed assets rose to £509.0m, an increase of £10.8m which reflects investment in new property. The Group's LGPS Pension Fund deficit is £9.4m, with the Group settling a pension liability at a £0.25m discount to the liability previously recognised. Reserves increased by £9.0m due to the Group surplus. The Group had £3.0m net current liabilities at the end of the year, a movement of £2.1m on the prior year. The net liability position is due to minimising borrowings until loan drawdowns are required. Net debt fell by £3.8m arising from the repayment of several small facilities, including one within the parent. The settlement of the pension liability and the loan repayment are due to the financial strength of the Group and reduce potential future risk.

Report of the Group Board

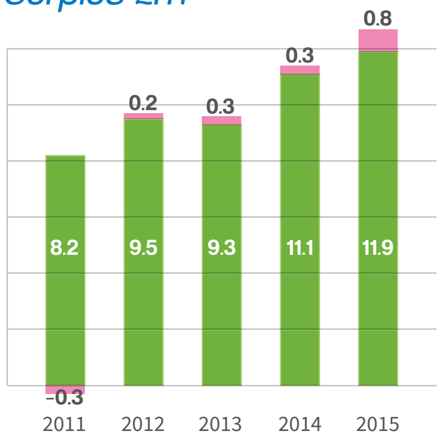
The Group monitors a number of key financial indicators. Four of them along with our performance trend over the last five years can be seen here.

The indicators show that our surplus is steadily growing. Operating margin has remained constant around 33%. Loan covenant indicators including interest cover shows a constant and significant increase over time, with gearing reducing in line with our strategy.

Operating margin

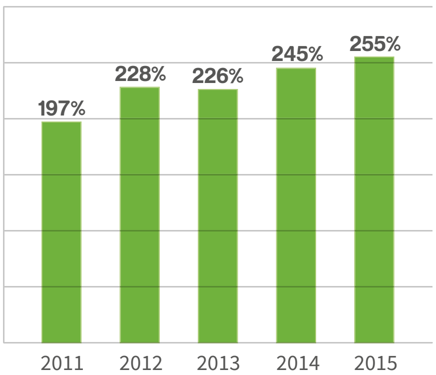


Surplus £m

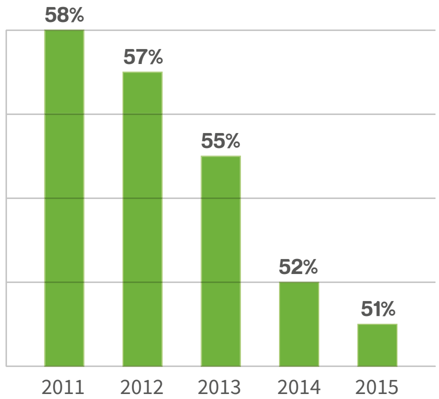


Total surplus includes historic cost surplus in pink

Interest cover



Gearing



Our Future – 2020 Vision

In line with our new 2020 vision and underlying business plan we have set out our priorities. As part of this, the Board is committed to spending approximately £19.4m each year to maintain and improve its existing housing stock. In addition to investing in its existing housing stock, the board has also approved a new build housing programme of 943 properties over the next 5 years which equates to a spend of £90m and £22m for major new components. In order to ensure delivery of these commitments our financial plans have been updated.

The Group's latest long term financial plan shows a continuing strengthening of the Group's financial position over time and is not reliant on property sales to meet our objectives. The key strategy remains to ensure it is financially strong, respond to economic and political change and continue to deliver quality services to customers. As part of the Group further strengthening risk governance, we have performed detailed stress testing on its financial plans to identify potential financial impacts from a variety of changes. This stress testing has pushed the long term plans to the point at which it breaks, either through solvency or liquidity problems. In response to this stress testing, a number of mitigating strategies have been identified and developed to ensure the Group is resilient in the case of the scenarios materialising. From the review, it is clear that the Group is in a strong position, and has a number of mitigating strategies in place.

Report of the Group Board

Delivery of the 2020 vision requires the Group to consider the risks it faces. Risks are recorded in the risk register which is reviewed quarterly 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 impact and probability given the control environment. The main risks that may prevent us achieving our objectives are outlined below.
The HCA has classified risks as detailed below.

The Group has considered its own identified risks alongside this HCA profile and risks to the achievement of the 2020 vision. These include:

- Operating Context
- Assets
- Liabilities
- Income
- Costs

HCA risk category: Operating context
Risk area: Impact of Government policy changes
Detail: The government changes could have a material effect on Group cash flows

Strategy: The Group assesses the potential impact on the organisation of government policy changes including welfare reform and the funding of new affordable homes. We continually review the impact of welfare reform changes on our customers and on the Group cash flow position. We identify and engage with residents at risk and our Financial Inclusion Team supports individual customers to manage their finances. Close working relationships with local authority Housing Benefit departments has enabled the effective exchange of information to target resources on those affected. Welfare reform changes in respect of tenants in supported living accommodation have yet to be finalised by the Government. Officers continually monitor output from the Department for Work and Pensions and are ready to react to any changes as they are published. Our financial plans take account of the potential impact of welfare reforms on the Group's financial position. Provisions have been made within the financial plan for increases in the levels of bad debts although impacts remain uncertain. A welfare reform action plan is in place to manage all the known risks. The challenge we face is, further cuts to public spending are certain, following the election in 2015 and expenditure on welfare reform is inevitably to be cut further. On 8 July 2015 the Chancellor of the Exchequer's budget was issued. The budget has significant and wide reaching implications for the income and borrowing capacity of housing associations. These changes will start to impact immediately and like other housing associations, the Group is affected by the proposals. As a consequence, the Board will be undertaking a review of the Group's strategic priorities, capacity and financial plans.

HCA risk category: Assets
Risk area: Development
Detail: Long term financial impact of all developments

Strategy: With reduction in available capital grant it is essential the Group manages a balanced development programme. Our strategy ensures that over the long term our development programme is financially sustainable. The NPV of each new development is assessed to ensure our overall programme generates a positive NPV for the Group over the long term. This framework ensures we deliver our commitment to the affordable homes development programme. Our treasury management strategy and operational monitoring ensures we have funding and security in place to meet our development commitments.

Report of the Group Board

HCA risk category: Income
Risk area: Loss of key contracts
Detail: Loss of supporting people

Strategy: The Group receives external funding for supporting people which is at risk and our sheltered and other schemes affected. We are working collaboratively with commissioners and supporting people teams to reshape services. Our exposure to supporting people is limited as noted by the regulator in their assessment of the Group in March 2015 but we continue to review income and related cost base.

HCA risk category: Income and Costs
Risk area: Inflation
Detail: Impact of low or negative inflation

Strategy: The economy is in a period of sustained low inflation with the possibility of deflation. As the Group's rental income is linked to CPI levels we could experience a significant reduction in our main source of income. In addition, we will monitor the risk of differential inflation where costs may rise faster than the underlying rate of inflation. Our highest cost pressure will be on our repairs and maintenance expenditure. Our long term financial plans have been stress tested taking into account zero and low levels of inflation.

HCA risk category: Operating Context
Risk area: Governance
Detail: Legal and regulatory compliance

Strategy: In response to high profile cases within the sector, the regulator has made a number of changes to the regulatory standards to improve governance. The Group welcomes the changes and is well placed to meet the requirements. We have further developed and implemented a control framework for monitoring and reporting to board on key areas of compliance information (regulatory, legal and financial).

HCA risk category: Liabilities
Risk area: Pensions
Detail: Manage pension deficits

Strategy: The Group continues to proactively manage the level of the liability in respect of defined benefit final salary pension schemes. The Group Board has previously closed the schemes to new membership, thus reducing the employer cost of pensions and as a result less than 45% of staff are now in a defined benefit scheme. The board has approved an updated pension strategy in 2015 which will continue with discretionary additional pension payments and review employee contribution rates. This is to address the decline in gilt rates, changes in actuarial assumptions and cost escalations which will cause liabilities to increase.

Report of the Group Board

HCA risk category: Operating Context
Risk area: Accounting Standards
Detail: FRS102

Strategy: The Group will adopt a new accounting standard from 2016. This is a significant change for financial reporting for companies. The Group has considered all changes and modelled the impact on our financial position. The effects on the Group are not material and we have been engaged with external auditors and our Audit Committee throughout the process. Our main risk is how our funders will assess the changes on the sector as a whole and on the Group in particular. We are working with our funders to achieve an appropriate outcome.

Treasury Management

The Group's Treasury Management function is under the direction of the Executive Director (Finance and Resources). Advice is also received from the Group's financial and corporate advisers, David Tolson Partnership who review the Group Treasury Management Policy and Strategy annually. The primary objective of the Group's Treasury Management Strategy is the provision of financial resources necessary to achieve its purpose and the management of associated risks, financial and operational, that might threaten its ability to do so. The Treasury Management function is not a profit centre however it is committed to the principles of achieving value for money in Treasury Management, and to employ suitable measurement techniques, within the context of effective risk management.

The Group's interest rate management policy is to have a minimum of 50% fixed rate debt, with no more than 20% of fixed rate debt repricing in each year in each subsidiary. The Group has sufficient liquidity in place to meet at least the next 12 months requirements plus an additional buffer. Progress Housing Group has £293 million of available loan facilities to call on, with undrawn facilities being fully secured. Of these facilities, there is a significant amount of headroom for anticipated drawings. All loan covenants have been complied with in the year.

Employee Involvement

In July 2014, the Group has launched its new values of people-focused, forward-thinking, genuine, expert and collaborative which underpin the way in which we do business. Through these values, we have focused on developing our 'One Team' culture to achieve the vision.

In July 2014, the employee survey results received a very high responsive rate of 75%, a 7% increase on the previous survey in 2012. The response was very positive with 61 out of 69 statements improving, three remaining the same and five decreasing. We have used the feedback from the survey to review our approach to managing performance and development and have launched a revised Performance Review and Development Planning process focused around the values. As an Investors in People employer, this has been supported by a coaching programme for managers and a wide range of personal development sessions for the workforce.

We are committed to equal opportunities and monitor and take action to right any imbalances in our policies and practices. As part of our commitment to being 'Positive about Disabled People', we guarantee to interview all applicants with disabilities who meet the minimum criteria for a job vacancy and to consider them on their abilities. Our benefits package is wide-ranging and includes everything from subsidised healthcare to an employee assistance programme and flexible working.

We engage with our workforce through a range of methods including the staff forum, team meetings and regular one-to-ones. We also hold interactive sessions at staff conferences, have a staff suggestion scheme and this year, have revised our team brief to make business updates more accessible to all.

Report of the Group Board

The Environment

The Group has an Energy Efficiency and Conservation Strategy that makes a commitment to tackling fuel poverty amongst its residents, improving domestic energy efficiency of properties and using renewable energy sources. The strategy focuses on both people through the use of energy management, and property using a fabric first approach and supplementing this with renewable technologies where appropriate. The strategy is being reviewed to introduce a new 'Progress Warm Homes Standard' for new homes and a programme of refurbishment to achieve the government's '2050 Pathway' of reducing carbon emissions of our homes by 80% in 2050 compared with 1990.

Customer Involvement

It has been an excellent year for the Community Involvement Team. The Group's Community Investment Panel makes awards to community groups and other organisations providing support and assistance to tenants. During the last year a total of six projects have been supported through the panel.

There have been a number of scrutiny related activities that have taken place over the past 12 months, with the Scrutiny Pool completing their first twelve months of operation. In this time they have completed four service area reviews and made 30 recommendations as a result, which were all accepted by management. In addition, teams of tenant inspectors continue to assess several of our services on a regular basis with void inspections and green inspections continuing to be effective at improving service.

The Youth Forum has continued to grow over the last twelve months and now has representation from across the South Ribble and Fylde areas. The forum meets on a quarterly basis to discuss current priorities whilst giving feedback on the Group services. They have helped to deliver a workshop at this year's tenant conference and joined the team at other large scale community events to promote the work of the forum.

The forum is growing from strength to strength with members engaging in training and other involvement activities to help them progress.

Customer involvement continued to have a high profile for supported living tenants and it was a particularly successful area of work, with staff reporting a noticeable increase in tenants' expectations and their empowerment to challenge the services delivered to them. This is a real measure of success in building the confidence of a client group not generally used to having a voice.

Value for Money (VFM)

Value for Money (VFM) underpins the delivery of the Group's vision and aims. VFM is important to the Board as we want to ensure we are able to achieve our priorities year on year in order to maintain our existing properties, manage our liabilities, improve our operating cash flows, protect services to customers and continue our development programme. VFM is also about achieving excellent quality services to the satisfaction of our tenants and customers. These factors drive our ability to improve organisational strength, deliver our business strategy, understand our financial position and inform our customers.

VFM is the term used to assess whether or not an organisation has obtained the maximum benefit from the goods and services it acquires and/ or provides, within the resources available to it. It not only measures the cost of goods and services, but also takes account of the mix of quality, cost, suitability and timeliness to judge whether or not, when taken together, they constitute good value. The Group also considers internal business efficiency important through resource allocation driven from business process reviews. Our VFM strategy helps to inform decisions about our VFM priorities and we annually align our VFM targets to our business plan.

The Board and Senior Management Team have overall responsibility for the delivery of VFM activities within the Group.

Report of the Group Board

The Board delivers their responsibilities through the following approach:

- Review and approve the annual strategy
- Review progress of VFM objectives through monitoring progress against business plan objectives
- Considering VFM within relevant board reports, including financial, performance monitoring and benchmarking information
- Review and approve the annual VFM self-assessment
- Review and approve the long term financial plan with particular focus on annual efficiency targets included within the plans
- Review the long term efficiency of our assets as part of our asset management strategy to understand the financial, social and environmental returns we can deliver

The Senior Management Team delivers their responsibilities through:

- Setting the strategic objectives within the business plan
- Implementation of the annual VFM operational actions

Operational managers also coordinate their VFM actions into service cost reviews for their own areas to understand cost drivers along with satisfaction indicators, with a plan for future outcomes.

The Group's VFM self-assessment with detail on operational and financial performance results and the revised VFM strategy can be found on the website: ***www.progressgroup.org.uk***

Our VFM successes in 2014/15

The Board's overall assessment for the Group is that we have successfully delivered against our value for money targets during the year. The self-assessment sets out in detail these achievements and progression against our targets. Our headlines are:

- Overall efficiencies generated through cost savings, resource improvements or operating cost impact of over £700k. Our operational cost target reduction was £400k.
- Early repayment of two small loan facilities totalling £4.4m increasing the Group's flexibility and capacity.
- Achievement of HCA commitment to deliver 205 new homes under the 2011-15 programme, utilising over £4m grant income. We started on site with developments funded through the HCA Affordable Homes Guarantees Programme (AHGP) for 100 units. We successfully secured £2.1m from the HCA 2015-2018 Affordable Homes Programme, for the delivery of 83 new homes in key areas of need in Lancashire by March 2017.
- £16m spent on new homes in the year including on target delivery of the AHP programmes.
- Over £18m invested on maintaining our existing homes.
- Generation of over £11m surplus which we have invested in existing and new homes and services to customers.
- Below inflationary increase in management cost per unit.
- A continuing programme of major change within the organisation, (known as Progress Forward), aiming to deliver service improvements, generate further efficiencies and deliver improved value for money.
- Further consolidation of our tenant scrutiny arrangements.
- The implementation of a new active asset management framework.
- Further development of our service costing framework, linking the findings to our future service development plans.
- For the first time, presented a summary of social value generated in the form of a social audit report.
- The update of our financial plans to continue to invest around £90m to deliver 930 new homes over the next five years.

Report of the Group Board

Summary Performance Indicators

The table below shows some of our main performance indicators and how we have performed against our own targets, our trend to 2015 and how we benchmarked for 2014:

Indicator	Performance against Target 2015	Trend to 2015	Benchmark for 2014
Current Arrears	On target	Static	Better than peers
Voids	Below target	Declining	Same as peers
Rent Collection	Above target	Improving	Better than peers
Responsive Repairs on Time	Above target	Static	Better than peers
Re-let Times	Below target	Declining	Worse than peers

This shows we are performing well for arrears, rent collection and responsive repairs but void and re-let time performance for our own measures need to improve.

Notably we have updated our annual VFM strategy which has been approved by the Board. We have set out our key themes for the next three years, closely aligned with our strategic 2020 business plan priorities. Our focus areas are:

- Asset Management
- Service Costing and Benchmarking
- Performance Management and Scrutiny
- Social Value and Community Investment
- Efficiencies

Asset Management

During the year we prepared a new asset management strategy agreed by board just after the end of the year. As part of this strategy we carried out a return on assets review and summary findings are detailed below.

The evaluation of the financial and social performance of the Group's general needs and independent living stock presents a generally positive picture. The assessment of financial performance shows an above average 30 year NPV per unit compared with North West regional averages. There are no property groups with a negative NPV over 30 years, although there a small number of individual properties with a negative NPV.

Our analysis indicates this is due to our conventionally constructed and well maintained stock, lower than average maintenance costs, higher than regional average rents and the fact that we have operated an ongoing strategy for identifying and dealing with poorly performing stock. This programme of detailed options appraisals for properties has resulted in disposal of non-traditionally constructed stock, the conversion of bedsits into larger properties, the de-commissioning and demolition an unpopular independent living scheme and the demolition and re-development of structurally unsound properties that required major investment.

Properties with the lowest NPV's have undergone a review to identify priority for options appraisal. The review process has confirmed that the majority of these properties are independent living schemes which are already part of a rolling programme of options appraisals.

No social housing properties have been identified whose current market values are so high compared with their existing use, such that increased supply can be increased by disposal and reinvestment of proceeds.

A similar evaluation of supported living stock is nearing completion; the results will be assessed in the same way as the general needs and independent living stock and will be compared to the results of our long standing approach to assessing performance of this business stream.

Report of the Group Board

The intention is to refine the financial evaluation model further. This information will continue to inform the next stages of asset management strategy.

The sector compares performance on asset management with two main indicators as tabled below:

Indicator	2015	2014	2013	Sector 2014
Return on Assets	2.3%	2.7%	2.0%	2.7%
Return on Capital	6.8%	7.6%	6.3%	5.7%

This shows an upward trend for return on assets as our net operating surplus has increased alongside loan repayments. This indicator is however slightly below the sector average. Return on capital is consistently above the sector average but a slight reduction on last year. This is due to increased depreciation and maintenance costs.

Service Costing and Benchmarking

We have a good understanding of the costs of each of our core services and have developed a robust service cost framework linked to the Group's statutory accounts classifications and external benchmarking to analyse our costs in specific areas. We also have benchmarked our costs externally and we understand how we compare both overall and at service level areas.

We have specifically compared our performance through a range of mechanisms. These include: the Baker Tilly Benchmarking Club, Housemark, HCA Global Accounts and our external auditors. An important indicator is management cost per unit. Our comparisons for 2014 data have shown that we have remained static on our management cost per unit (2014: £985, 2013: £985) whilst the sector has increased by 13% from £876 to £990.

The new service cost framework analysis reviewed the average management cost per unit of £1,012, and was further sub-analysed between our supported living activities at £1,174 per unit and other activities which include general needs and independent living at £933 per unit. There is a service delivery model review underway for the supported living activities as this is above average. This showed that general needs and independent living are lower than the sector average at £990. The service cost framework analysis by corporate and operational service areas showed IT, Finance, Lettings, Arrears and ASB as the higher cost areas. Despite the targeted investment in our Information Technology services our management cost per unit has only increased by 2% to £1,012 in 2015. We have invested extensively in technology on a business case basis to improve our services to customers and staff, and to delivery better VFM. As a consequence our future management cost per unit within our long term plans shows a slight decrease.

With regard to repairs and maintenance, PDA Asset Management Ltd was commissioned to undertake a detailed benchmarking exercise to compare the costs of NPHA and NFH against a basket of works for similar organisations. The following categories were benchmarked for the financial year; Major Repairs (Kitchen and Central Heating replacements), Gas Servicing , Voids and Responsive Repairs. The results indicated that in summary the services were providing good value for money compared with the benchmarked data. A similar exercise will be undertaken on the expenditure for 2015/16 and will complement other benchmarking of repairs and maintenance service.

Performance Management and Scrutiny

Our comprehensive performance management framework has been reviewed this year, led by non-executives, which has updated and strengthened our balanced scorecard methodology. We have also reviewed our customer service standards during the year and completed the process of assessing our customer service priorities. Using this as a foundation, we have clearly identified the performance level we wish to achieve, its likely cost and how we will achieve it.

Report of the Group Board

An annual benchmarking statement has been included within the reporting structure; the statement compares the Group aims and objectives to suitable comparators from appropriate sources. The introduction of the statement allows a clear picture to be presented to the Board which closely links to the Group's aims and objectives, presenting a holistic view of successes and areas for improvement. All indicators included have been linked to the corporate aims and objectives and the regulatory standards and benchmarking source has been identified. Each year the assurance measures and indicators are reviewed and agreed by board for transparency and to allow changes or new areas to be incorporated. These comprehensive arrangements for assessing regulatory compliance at non-executive level also include assessment of the revised standards from 2015.

We have embedded our new Scrutiny Pool arrangements. Our Scrutiny Pool undertakes specific service reviews to understand the customer experience with a focus on improving customer satisfaction and is working to strengthen its assessment of VFM issues. Reviews were carried in a number of areas including repairs, anti-social behaviour and allocations. The findings of these reviews are reported to customers through the Scrutiny Pool meetings which are open to all customers, on the website and highlighted in StreetTalk. Likewise, all of our mystery shopping reports and information can also be viewed on the website.

Social Value and Community Investment

To us social value is the collective benefit for a community (or for society as a whole) arising from a particular action or activity. We seek to maximise the social value to be derived from all our activities.

We have completed an audit of social value for the last financial year. This "social audit" is the first report produced in this format and will be further developed in partnership with our external advisors and customers over the coming year. The audit makes some use of the Wellbeing Valuation approach as designed by HACT, along with other reporting techniques.

Since its creation, the Community Investment Fund has supported 67 projects. To date, £807k has either been spent or committed which leaves £692k to be allocated. Of the 67 projects supported, 35 have come from an external source and 32 have been generated internally.

Efficiencies

Overall efficiencies generated through cost savings, resource improvements or operating cost impact of over £700k. Our operational cost target reduction was £400k. Our detailed efficiencies can be seen in our full VFM self- assessment which support our strategic objectives underpinned by the VFM strategy.

In addition, we have achieved some efficiencies in the new financial year and are on track to achieve our target within our long term financial plans over c£250k for 2015/16.

Board Assurance on Compliance with the Regulatory Standard

The Board has gained assurance during the year through:

- Review and approval of the updated VFM strategy
- Review of an 'in-year' progress report against the 2015 VFM targets
- An update on the development of the Group's active asset management strategy
- Review and approval of the Group's approach on service costing
- Understanding of the overall financial and operational performance of the Group
- Development of the performance monitoring framework
- Approval of the long term financial plans with inclusion of efficiency savings and detailed stress testing analysis.

Report of the Group Board

VFM Self-Assessment Summary

The assessment of the Board is that the Group is compliant with the HCA's regulatory standard for VFM. The detailed self-assessment demonstrates achievements of the actions identified within the 13/14 self-assessment and has clear forward looking targets, aligned to our corporate vision for the period to 2020. The progression of development in the key areas for Asset Management, Service Costs and Benchmarking provides continued assurance to the Board. The Group recognises the requirement for continuous improvement in the focus areas identified in the VFM strategy.

In line with the Group being a transparent organisation to our customers, the full detailed self-assessment is available on the website: ***www.progressgroup.org.uk***.

Risk Management

Risk Management is embedded throughout the Group with each department in the organisation participating in a risk management process, which includes:

- The operation of Risk Maps and Risk Reports
- The Group Audit and Risk Committee act in a risk management role on behalf of the Group and its subsidiaries
- Internal Audit carrying out a review of the corporate risk management processes
- Control checks for compliance that are regularly reviewed to ensure the Group adopts best practice.

Corporate Governance

The Group has adopted the National Housing Federation's Code of Governance with its most recent publication being 2015 and seeks at all times to comply with this and with best practice with regards to corporate governance. Compliance is reviewed on an annual basis with the outcome of the review being reported to the Group's Remuneration and Governance Committee.

The adoption of and reporting of any variation from the adopted code is part of the regulator's regulatory requirements. This statement is therefore part of the Group's regulatory compliance and is presented on a "comply or explain" basis. Following the annual review of compliance in 2015 an action plan has been approved by the Remuneration and Governance Committee to ensure that the Group fully complies with the new code.

Code Element
D7 Where the organisation's constitution provides for one or more board members to be nominated or directly elected, the organisation must ensure that those coming forward bring skills and experience that meet the needs of the board, and that they are fully aware in advance of the responsibilities that they will undertake. New board members must not be appointed without undergoing a due selection and assessment process to establish their suitability.
Group Position
Two of the Group's subsidiaries New Progress and New Fylde have nominations from their transfer local authorities. The Group will be seeking a formal arrangement with each authority to select a nominee with the appropriate skills requirements for nomination at the AGM in September 2015.

Report of the Group Board

Code Element
F8 The voting members of the committee responsible for audit must not include the chair of the board or any executives.
Group Position
The Group Chair is currently a voting member on the Audit Committee. From the AGM in September it is the intention that the Group Chair will stand down from this role.

Following the implementation of these actions the Group will be fully compliant with the NHF Code.

Governance Structure

The Board of Progress Housing Group sets the strategic direction for the Group as a whole through the preparation and monitoring of the Group's business plan and through a series of corporate policies. The framework of control set out in the Intra Group Agreement, Standing Orders (including Scheme of Delegation), Financial Regulations and the Group's Code of Governance provides the structure of governance within the Group. The Group Board oversees the Group-wide governance, risk management, funding and treasury management matters.

Key Unlocking Futures Limited is a Charity which operates under a different grouping deed to the other registered providers within the Group to provide a separation between the social housing and non-social housing activities within the Group.

The Group and Subsidiary companies have established a number of standing committees to undertake work on behalf of the Group members. Each committee has its own terms of reference as set out within the Group's Standing Orders. The composition of each of the committees and a brief résumé of their role is set out below.

The standing committees of the Group consist of:

Group Audit and Risk Committee

Comprising up to six Non-Executive Directors, one of whom is independent of any other Board, the committee has responsibility for: the oversight of the internal audit programme; recommending the appointment of the external auditors; approving accounting policies and approving the risk control framework. The Group Audit and Risk Committee acts in a risk management role on behalf of the Group and its subsidiaries.

Group Remuneration & Governance Committee

The committee comprises up to six Non-Executive Directors and is responsible for setting remuneration policy for staff and Non-Executives, together with overseeing all other Human Resource policies. In addition, the committee oversees the appraisal of the Chief Executive, and recommends to the Group Board the CEO remuneration package for the their approval. The committee also acts as the Nominations Committee for the Group making recommendations to the AGMs for appointments to the boards across the Group.

Directors

The names of the non-executive directors who have served during the year are shown on Page 2 and the Board would like to thank them all for their support and continued interest in the work of the Group.

Internal Controls Assurance Compliance Statement

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

Report of the Group Board

The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk and provide reasonable assurance that key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Group's assets and interests. The system of internal control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls, which are embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the Group is exposed and is consistent with best practice.

The processes adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework include:

Identification and evaluation of key risks

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and on-going process of management review in each area of the Group's activities. This process is co-ordinated through a regular monitoring framework and reported to the Group Audit and Risk Committee. The Executive Team regularly considers reports on significant risks facing the Group and is responsible for reporting to the Board any significant changes affecting key risks.

Internal and external audit functions

The Internal Audit function is resourced in-house and reports directly to the Executive Director (Finance & Resources) although mechanisms are in place to ensure that the Head of Internal Audit remains independent. The annual Internal Audit programme, which is approved (and reviewed each quarter) by Audit Committee, is linked to the risk identification process. Departmental risk maps are used as a reference point for internal audit work and all audit reports are reviewed by Audit Committee.

Internal Audit endeavour to ensure that all audit work is in with compliance with the International Standards for Professional Practice of Internal Auditing.

The external auditors have been in regular contact with the Group, including attendance at Audit Committee meetings and liaison with internal audit. Non-audit work undertaken by the external auditors is limited and therefore it is considered that audit independence is not compromised. Where appropriate, specific specialist audits have been outsourced.

Financial Statements Disclosures

The Audit Committee has received regular reports during the year with regard to any proposed significant changes to accounting policies and estimates affecting the accounts. These reports include, proposed and actual changes to the Statement of Recommended Practice and the Accounting Direction for Housing Association Registered Providers, exposure draft IAS 17 (Leases) and the introduction of IFRS based standard to replace existing UK GAAP have been reported (FRS102).

Monitoring and corrective action

The process of control self-assessment and regular management reporting on control issues provides hierarchical assurance to successive levels of management, the Audit Committee and to the Board. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those with a material impact on the financial statements.

Report of the Group Board

Control environment and control procedures

The Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues including Treasury strategy and new investment projects. The Board has adopted and disseminated to all employees, the Group's Code of Governance. This sets out the Group's policies with regard to the quality, integrity and ethics of its employees. It is supported by a framework of policies and procedures with which employees must comply.

These cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection and fraud detection and prevention. A comprehensive Non-Executive Director self-assessment and training programme has been developed to ensure that Non-Executive Director remain professionally updated and are equipped with the skills to meet the needs of the business.

It is inherently recognised that the Group does not tolerate fraud and action is taken to reduce the risk of fraud through systems of internal control. The fraud policy and response plan and whistleblowing (raising concerns at work) policy are incorporated within the Governance framework.

The Group continued to retain its external accreditations providing external assurance regarding the effectiveness of the Group's systems and procedures.

Information and financial reporting systems

Financial reporting procedures include detailed budgets for the year ahead and forecasts for subsequent years. These are reviewed and approved by the Board. The Board reviews the management accounts each quarter which highlight and explain any significant budget variances. The Board also regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

The internal control framework and the risk management process are subject to regular review by Internal Audit who is responsible for providing independent assurance to the Board via the Audit Committee. The Audit Committee considers internal control and risks at each of its meetings during the year.

All significant new initiatives, major commitments and investment projects are subject to formal review and authorisation, through the Funding Appraisal Team (FAT), and require Board approval.

The Board confirms that there is an on-going process for identifying, evaluating and managing significant risks faced by the Group. This process has been in place throughout the year under review and is regularly reviewed by the Board. The Board has conducted its annual review of the effectiveness of the systems of internal control and has taken account of any changes needed to maintain the effectiveness of the risk management framework and the control process. It can confirm that, there have been no significant weaknesses in controls resulting in material losses, contingencies or uncertainties, which would have required disclosure in the financial statements.

Donations

The Group made £1,650 charitable donations during the year (2014: £16,850).

Going Concern

After making appropriate enquiries and considering the impact of new developments and activities, including the adverse impact arising from the Government's Budget on 8 July 2015, the Board considers the Group is well placed to manage the challenges and business risks ahead.

Statement of Compliance

This operating review has been prepared in accordance with Reporting Statement on the Operating and Financial Review.

Statement of Disclosure to the Auditors

At the time of approval of this report:
a) so far as the Non Executive Directors are aware, there is no relevant audit information of which the Group's auditor is unaware, and
b) the Non Executive Directors have taken all steps that they ought to have taken as Non Executive Directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Auditors

KPMG LLP have expressed their willingness to continue in office, accordingly a resolution is to be proposed at the Annual General Meeting for their re-appointment.

Annual General Meeting

The Annual General Meeting of the Group and its subsidiaries will be held at Sumner House, Leyland, Lancashire on 7 September 2015.

Eric Hughes
Secretary
3 August 2015

Statement of Board's Responsibilities

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

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

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the association and of the income and expenditure of the Group and the 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 estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012. The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

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

Janet Hale
Board Member

Report of the Independent Auditor

Independent auditor's report to Progress Housing Group Limited

We have audited the financial statements of Progress Housing Group Ltd for the year ended 31 March 2015 set out on pages 26 to 53. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Association, as a body, in accordance with section 128 of the Housing and Regeneration Act 2008 and section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association 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, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the Group and the association as at 31 March 2015 and of the income and expenditure of the Group and the association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012.

Matters on which we are required to report by exception

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

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

Hywel Jones
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE
10 August 2015

Income and Expenditure Account

for the year ended 31 March 2015

	Notes	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Turnover	2	71,390	68,842	26,406	24,182
Operating costs	2	(47,428)	(45,730)	(24,985)	(23,399)
Cost of sales	2	(321)	(112)	-	-
Operating surplus		23,641	23,000	1,421	783
Deficit on disposal of fixed assets	6	(297)	(299)	(29)	-
Interest receivable	7	497	256	190	4
Interest payable and similar charges	8	(11,699)	(11,716)	(89)	(243)
Share of Joint Venture profit / (loss)	12	7	(97)	-	-
Surplus on ordinary activities before taxation		12,149	11,144	1,493	544
Tax on surplus on ordinary activities	9	(265)	(152)	(265)	(152)
Surplus on ordinary activities for the year after taxation		11,884	10,992	1,228	392

Statement of Historical Cost Surpluses

for the year ended 31 March 2015

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Reported surplus on ordinary activities before taxation	12,149	11,144	1,493	544
Realisation of housing property revaluation reserve on disposals	779	270	617	-
Historical cost surplus on ordinary activities before taxation	12,928	11,414	2,110	544
Historical cost surplus for the year after taxation	12,663	11,262	1,845	392

Statement of Total Recognised Surpluses and Deficits

for the year ended 31 March 2015

	Notes	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Surplus on ordinary activities for the year after taxation		11,884	10,992	1,228	392
Actuarial (loss) / gain on pension scheme	21	(5,124)	3,498	(4,028)	2,565
UK deferred tax attributable to actuarial loss / (gain)	21/28	749	(700)	749	(700)
Unrealised surplus on revaluation	21	1,606	19,450	38	(282)
Total surpluses recognised since last annual report		**9,115**	**33,240**	**(2,013)**	**1,975**

Balance Sheet

for the year ended 31 March 2015

	Notes	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Tangible Fixed Assets					
Housing properties at valuation/cost	10	588,084	574,562	2,265	4,281
Social housing and other capital grants	10	(85,335)	(81,184)	-	-
		502,749	493,378	2,265	4,281
Other tangible fixed assets	11	6,295	4,912	3,583	2,177
		509,044	498,290	5,848	6,458
Intangible Fixed Assets					
Investment in joint venture	12	1,870	1,926	-	-
Current Assets					
Stock of housing properties for sale / other stock	13	212	437	40	35
Debtors	14	5,330	5,467	1,307	2,094
Investments	15	375	1,973	-	-
Cash at bank		1,244	993	1	-
		7,161	8,870	1,348	2,129
Less Creditors					
Amounts falling due within one year	16	(10,090)	(9,678)	(4,052)	(2,987)
Net current liabilities		(2,929)	(808)	(2,704)	(858)
Total assets less current liabilities		507,985	499,408	3,144	5,600
Creditors					
Amounts falling due after more than one year	19	261,147	264,930	-	3,456
Pension liability	28	9,416	6,171	6,196	3,183
Capital and reserves					
Share capital	20	-	-	-	-
Revaluation reserves	21	172,373	171,546	492	1,071
Designated reserves	21	222	138	-	-
Revenue reserves	21	64,827	56,623	(3,544)	(2,110)
		507,985	499,408	3,144	5,600

The notes on pages 30 to 53 form an integral part of the financial statements. The financial statements on pages 26 to 53 were approved by the Board of Management on 3 August 2015 and were signed on its behalf by:

Janet Hale
Board member

Michael Barton
Board member

Eric Hughes
Secretary

Cash Flow Statement
for the year ended 31 March 2015

		Group		Company	
	Notes		2015		2014
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities			28,131		27,926
Dividends received from joint venture	12		43		-
Returns on investments and servicing of finance	25		(11,429)		(11,579)
Capital expenditure					
Acquisition and construction of housing		(15,854)		(21,818)	
Purchase of housing property components		(3,756)		(3,543)	
Capital grants		4,058		2,254	
Purchase of other fixed assets		(2,399)		(1,058)	
Loan repaid by joint venture company		20		18	
Proceeds of sale of housing properties		1,833		1,242	
Net cash outflow for capital expenditure			(16,098)		(22,905)
Net cash outflow before management of liquid resources and financing			647		(6,558)
Management of liquid resources					
Cash withdrawn from short term deposits		1,598		2,215	
			1,598		2,215
Corporation tax paid			(44)		(171)
Financing	25		(3,856)		5,883
Increase in cash			(1,655)		1,369

Reconciliation of operating surpluses to net cash inflow from operating activities

Operating surplus			23,641		23,000
Development for sale			158		(27)
Depreciation and amortisation charges			6,183		5,682
Gain on acquisition			-		(153)
Impairment charges			664		288
Difference between pension charge and cash contributions			(428)		(335)
Pension settlement			(455)		-
Cash in flow from decrease in debtors			102		128
Cash out flow from decrease in creditors			(1,801)		(658)
Cash in flow from decrease in stock			67		1
Net cash inflow from operating activities			28,131		27,926

Reconciliation of net cash flow to movement in net debt

Increase in cash			(1,655)		1,369
Decrease in liquid resources			(1,598)		(2,215)
Change in loans		3,856		(5,902)	
Issue costs	25	-	3,856	19	(5,883)
Change in net debt resulting from cashflows			603		(6,729)
Amortisation of issue costs			(73)		(315)
Change in net debt	25		530		(7,044)
Net debt at 1 April	25		(261,986)		(254,942)
Net debt at 31 March	25		(261,456)		(261,986)

1. Accounting policies

(1) Basis of Accounting

The financial statements of the Group are prepared in accordance with applicable financial reporting standards in the UK and the Statement of Recommended Practice for Registered Social Landlords (SORP) issued in 1999 and updated in 2010, the Statement of Recommended Practice for Charities 2005 and updated in May 2008 (in relation to Key Unlocking Futures Limited) and comply with The Accounting Direction for Social Housing in England April 2012. The Group has not early adopted the Housing SORP 2014 and the Charities SORP 2014 and compliance will come into effect from 1 April 2015.

The Joint Venture is accounted for using the Equity method in accordance with FRS 9.

The financial statements are prepared on a revaluation basis for complete housing properties only.

Other accounting policies have been consistently applied from the prior year and throughout the Group.

The Group believes it has adequate resources to manage its business risks successfully and maintain a programme of capital investment. The Report of the Board details the Group's objectives, policies and processes for managing its financial risks. Therefore the going concern basis of accounting has been adopted in the preparing the financial statements.

(2) Turnover

Turnover comprises:

- Rental income receivable from tenants and leaseholders in the year;
- Revenue grants receivable;
- Income receivable from other services supplied in the year excluding VAT;
- Income from sales of housing properties.

(3) Housing Properties

Completed housing properties are stated at valuation: for market rented properties, on the basis of market value (MV), for all other properties on the basis of existing use for social housing ("EUV-SH") or existing use for social housing with sales ("EUV-SH with sales"). For a number of properties, the historic cost less depreciation of the property exceeds the valuation (being EUV-SH or EUV-SH with sales), thus creating a negative revaluation reserve. For such properties impairment testing has been performed.

Intra-Group leased properties are held at the present value of future cash flows.

Staff flats are held at historic net book value as these units do not generate any rental cash flows.

Completed housing properties have been split between their land and structure costs and a specific set of major components that require periodic replacement.

Refurbishment or replacement of such a component is capitalised and then depreciated on a straight line basis over the estimated useful economic life of the component at the following rates:

Structure	shorter of 80 years or the remaining length of the lease.
Kitchen	10-15 years
Bathrooms	15-30 years
Boilers	15 years
Heating system	30 years
Windows & doors	30 years
Lifts	25 years
Photo Voltaic Installations	25 years

Freehold land is not depreciated. Depreciation for the key worker accommodation properties is over the minimum period of the lease concession, (42 years).

Housing properties in the course of construction are stated at cost less Social Housing Grant ("SHG") and are transferred to housing properties held for letting when completed. Development costs which arise directly from the construction or acquisition of a property are capitalised to housing properties in the course of construction.

(4) Social Housing Grant and Other Capital Grants

SHG can be recycled by the Registered Provider under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by the Homes and Communities Agency. However, SHG may have to be repaid if certain conditions are not met.

The net SHG received and not spent is included in current liabilities, taking into account all properties under construction. SHG allocated to lease properties is included in current liabilities and amortised over the lease term.

In certain circumstances, SHG may be repayable, and, in that event, is a subordinated unsecured repayable debt. Other capital grants are also repayable under certain conditions and may be secured by first legal charge on the assets they financed.

(5) Capitalisation of Interest and Development Overheads

Interest is capitalised on loans financing schemes in development up to the point of practical completion. This is calculated by reference to the Group's cost of borrowing and relevant development costs.

Administration costs relating to development activities are capitalised based on an apportionment of the support costs directly incurred on this activity.

(6) Other Tangible Fixed Assets and Depreciation

Other tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on a straight line basis, at rates considered appropriate to write off the assets over their effective working lives as follows:-

- **Fixtures and Fittings**
  Straight Line Basis over 3-5 years or the length of the lease.
- **Freehold Offices and Commercial properties**
  Straight Line Basis over 30-50 years.
- **Leasehold Offices**
  Straight Line Basis over the lease term or the term deemed where economic benefit will be derived from the asset.
- **Computer Equipment**
  Straight Line Basis over 3-7 years of the length of the lease.

(7) Pensions

Progress Housing Group Limited participates in Lancashire County Council's Superannuation Fund and the Social Housing Pension Trust. For current service, mandatory contributions to the pension schemes are calculated as a percentage of pensionable salaries of employees, determined in accordance with actuarial advice. Past service contributions are based on lump sums. The cost of providing pensions is charged to the period over which the Group benefits from the employee's service, in accordance with FRS17. During the year the Group has settled the New Fylde Housing Lancashire County Council liability in accordance with FRS17.

(8) Major Repairs and Improvements

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

(9) Taxation

The Group parent is liable to United Kingdom Corporation Tax, with charitable subsidiaries in the Group. Where applicable, taxation is provided for at the rates prevailing at the Balance Sheet date. The Group has also adopted the accounting standard for deferred tax (FRS 19), therefore provision is made for deferred taxation in full on any timing differences, on all major categories to the extent that it is possible that a liability will crystallise.

(10) Value Added Tax

The Group is registered for VAT. A large proportion of its income, including rents, is exempt from VAT. Most of its expenditure is therefore subject to VAT which cannot be reclaimed and expenditure is therefore shown inclusive of VAT. Any VAT recovered under the partial exemption calculation is credited to the Income and Expenditure Account.

(11) Stock

Stock represents the share of unsold shared ownership properties and van stock of the Property Services Division.

(12) Bad and Doubtful Debts

The Group provides against rent arrears of current and former tenants and other trade debtors to the extent that they are considered to be irrecoverable.

(13) Operating Leases

The rental payments on operating leases are charged to the Income and Expenditure Account on a straight-line basis over the term of the lease.

(14) Finance Costs

Finance costs include interest, arrangement fees and non-utilisation fees. All costs are written off over the period of the loan, except that interest is capitalised on loans financing schemes in the course of development as explained in accounting policy note (5).

(15) Service Charge Sinking Funds

Service charge sinking funds are accounted for within creditors.

(16) Service charges

The Group operates both fixed and variable service charges on a scheme by scheme basis in line with tenancy and lease agreements.

Where variable service charges are used the charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge. Until these are returned they are held as creditors on the balance sheet.

Where periodic expenditure is required a provision may be built up over the years, in consultation with the residents. Until these costs are incurred this liability is held on the balance sheet within creditors.

(17) First Tranche Shared Ownership Sales

The Group has adopted the accounting treatment in the SORP 2010 such that:

- Shared Ownership (SO) properties are split proportionally between current and fixed assets based on the first tranche proportion;
- First tranche proportions are accounted for as current assets and the related sales proceeds shown in turnover; and
- The remaining element of the SO property is accounted for as a fixed asset so that any subsequent sale is treated as a part disposal of a fixed asset.

(18) Designated Reserves

The designated reserves are in respect of Key Unlocking Futures Limited, a charitable subsidiary which joined the Group on 1 January 2014. Key works with young people to provide support for young people who are homeless or at risk of becoming homeless.

(19) Supporting People

This income includes Supporting People (SP) contract income received from Administering Authorities, plus support charges to individual tenants. When accounted for as part of rent, the income is shown as "charges for support services" in income from Social Housing Lettings. The related costs are shown as "support" expenditure in expenditure from Social Housing Lettings.

If the charges to individuals are not dealt with as part of rent, the income and related costs are shown as "other supporting people income" in Other Social Housing Activities.

SP contract income received from Administering Authorities and not dealt with as part of the rent, is shown as "Supporting People contract income" in Other Social Housing Activities.

(20) Impairment

Impairment reviews are carried out annually for all assets whose useful economic lives are expected to exceed 50 years, in accordance with FRS11. Impairment is also reviewed at any point where there is an indication that an asset may be impaired. Where there is evidence of impairment, assets are written down to their recoverable amount.

2. Turnover, Operating Costs and Operating Surpluses

Group Consolidated	Notes	2015 Turnover £'000	2015 Operating Costs £'000	2015 Cost of Sales £'000	2015 Operating Surplus/(Deficit) £'000
Social Housing Lettings (note 3a)		64,550	(43,656)	-	20,894
Other Social Housing Activities (note 3b)					
Supporting people		146	(176)	-	(30)
Lease income		20	-	-	20
Development for sale					
Social housing property sales		478	-	(321)	157
Non Social Housing Activities (note 3c)					
Lettings		673	(98)	-	575
Other		5,523	(3,498)	-	2,025
Total		**71,390**	**(47,428)**	**(321)**	**23,641**

	Notes	2014 Turnover £'000	2014 Operating Costs £'000	2014 Cost of Sales £'000	2014 Operating Surplus/(Deficit) £'000
Social Housing Lettings (note 3a)		62,664	(41,763)	-	20,901
Other Social Housing Activities (note 3b)					
Supporting people		144	(168)	-	(24)
Lease income		23	-	-	23
Development for sale					
Social housing property sales		137	-	(112)	25
Non Social Housing Activities (note 3c)					
Lettings		596	(167)	-	429
Other		5,125	(3,632)	-	1,493
Gain on acquisition	29	153	-	-	153
Total		**68,842**	**(45,730)**	**(112)**	**23,000**

2. Turnover, Operating Costs and Operating Surpluses

Company	2015 Turnover £'000	2015 Operating Costs £'000	2015 Operating Surplus £'000
Social Housing Lettings (note 3a)	132	(24)	108
Non Social Housing Activities (note 3c)			
Lettings	152	(28)	124
Other	26,122	(24,933)	1,189
Total	**26,406**	**(24,985)**	**1,421**

	2014 Turnover £'000	2014 Operating Costs £'000	2014 Operating Surplus £'000
Social Housing Lettings (note 3a)	137	(32)	105
Non Social Housing Activities (note 3c)			
Lettings	151	(25)	126
Other	23,894	(23,342)	552
Total	**24,182**	**(23,399)**	**783**

Other relates to corporate and property services provided to other Group companies see note 3c.

3(a). Income and Expenditure from Social Housing Lettings

Group Consolidated	General needs housing £'000	Housing for older people £'000	Supported housing £'000	Shared ownership £'000	Total 2015 £'000	Total 2014 £'000
Income						
Rent receivable net of identifiable service charges	20,355	5,448	27,627	135	53,565	51,749
Service charge income	521	1,554	5,900	38	8,013	7,973
Void guarantees and revenue grants	55	-	1,678	-	1,733	309
Charges for support services	17	426	349	-	792	1,056
Other income	281	37	124	5	447	1,577
Turnover from social housing lettings	**21,229**	**7,465**	**35,678**	**178**	**64,550**	**62,664**
Expenditure						
Management	(6,672)	(45)	(2,626)	(1)	(9,344)	(8,971)
Service charge costs and support	(1,120)	(1,732)	(6,893)	(16)	(9,761)	(9,582)
Routine maintenance	(4,762)	(350)	(4,427)	-	(9,539)	(9,267)
Planned maintenance	(1,356)	(18)	(630)	-	(2,004)	(1,422)
Major repairs expenditure	(1,179)	(359)	(1,660)	-	(3,198)	(3,649)
Bad debts	(361)	(16)	(139)	-	(516)	(462)
Property lease charges	-	-	(3,723)	-	(3,723)	(3,658)
Depreciation of housing properties	(2,308)	(375)	(2,106)	(17)	(4,806)	(4,419)
Impairment of housing properties	(216)	-	(448)	-	(664)	(288)
Other costs	(57)	(27)	(17)	-	(101)	(45)
Operating costs on social housing lettings	**(18,031)**	**(2,922)**	**(22,669)**	**(34)**	**(43,656)**	**(41,763)**
Operating surplus on lettings activities	**3,198**	**4,543**	**13,009**	**144**	**20,894**	**20,901**
Void losses (included within rental income)	(445)	(115)	(3,038)	-	(3,598)	(3,301)

A number of the void losses above are subject to agreements where Group is compensated for its losses. These void guarantees, which are not included in the void losses above, are chargeable to third parties in the year and totalled £1.6m (2014: £1.5m).

3(a). Income and Expenditure From Social Housing Lettings

Company	2015 Shared ownership £'000	2014 Shared ownership £'000
Income		
Rent receivable net of identifiable service charges	110	123
Service income	17	14
Other Income	5	-
Turnover from social housing lettings	**132**	**137**
Expenditure		
Routine maintenance	-	(7)
Services	(13)	(13)
Depreciation of housing properties	(11)	(12)
Operating costs on social housing lettings	**(24)**	**(32)**
Operating surplus on social housing lettings	**108**	**105**

3(b). Turnover From Other Social Housing Activities

Group	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Other				
Supporting people	146	144	-	-
Lease income	20	23	-	-
Total	**166**	**167**	**-**	**-**

3(c). Turnover From Non Social Housing Activities

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Lettings				
Other rented	465	459	152	151
Commercial properties	208	137	-	-
	673	596	152	151
Other				
Key worker accommodation	3,295	3,234	-	-
Progress Lifeline services	1,234	1,160	-	-
Agency agreements	7	7	-	-
Property Services external income	132	202	132	202
Support services	313	83	-	-
Property services provided to other Group companies	-	-	14,761	13,820
Corporate services provided to other Group companies	-	-	11,214	9,869
Lease income	292	336	-	-
Other	250	103	15	3
	5,523	5,125	26,122	23,894

4. Accommodation in Management

	Group 2015 No.	Group 2014 No.	Company 2015 No.	Company 2014 No.
Social housing				
General needs housing:				
At social rent	4,218	4,183	-	-
At affordable rent	318	253	-	-
Supported housing	2,965	2,932	-	-
Supported housing operating under a PFI service concession	315	315	-	-
Housing for older people	1,330	1,370	-	-
Low cost home ownership	94	91	-	49
Total social housing	**9,240**	**9,144**	**-**	**49**
Non social housing				
Key worker accommodation	9	9	-	-
Key worker accommodation operated under a service concession	573	573	-	-
Market rented	30	30	27	27
Other	91	91	-	-
Total non social housing	**703**	**703**	**27**	**27**
Total owned and managed	**9,943**	**9,847**	**27**	**76**

Supported housing units represent the number of tenancies, rather than the number of properties, as some properties are shared by up to four tenants.
The Group owns 48 properties (2014: 53) that are managed on its behalf, under management agreements, by other bodies.

5. Surplus For The Year

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Is stated after charging:-				
Auditor's remuneration (excluding VAT)				
In their capacity as auditors	33	29	4	3
In respect of other services	25	36	11	8
Depreciation of tangible fixed assets				
- Housing properties	5,504	5,089	43	45
- Other fixed assets	693	607	464	383
Grant amortisation	(14)	(14)	-	-
Impairment of housing properties	664	288	-	-
Hire of other assets - operating leases				
- Housing properties	3,766	3,703	43	45
- Other fixed assets	420	355	367	300

6. Deficit on Disposal of Fixed Assets

	Group		Company	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Sale proceeds	4,016	1,210	2,005	86
Cost of sales	(4,135)	(1,481)	(2,034)	(86)
Operating costs associated with sales	(178)	(28)	-	-
(Deficit)	(297)	(299)	(29)	-

Impairment charges of £0.4m have been accounted for in current and prior years on housing properties disposed of in the year.
The cost includes £245k (2014: £200k) of components written off that have been replaced before the end of their useful economic life.

7. Interest Receivable and Similar Income

	Group		Company	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Bank interest receivable	23	25	2	4
Interest on loan to joint venture company (See note 12)	227	231	-	-
Pension scheme finance income	247	-	188	-
	497	256	190	4

8. Interest Payable and Similar Charges

	Group		Company	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
On bank loans:				
Repaid during the year	85	-	85	-
Repayable within 5 years	1,146	1,057	-	11
Repayable wholly or partly in more than 5 years	10,547	10,618	-	159
On finance leases and other loans:				
Repayable within 5 years	4	4	4	4
Amortisation of loan issue costs	73	335	-	-
Pension scheme finance costs	-	63	-	69
	11,855	12,077	89	243
Less : Interest capitalised	(156)	(361)	-	-
	11,699	11,716	89	243

Interest has been capitalised between 4.22% and 5.7% during the year.

9. Taxation on Surplus on Ordinary Activities

(a) Analysis of the charge in the period

The tax charge on the surplus on ordinary activities for the year was as follows:	Group 2015	Group 2014	Company 2015	Company 2014
	£'000	£'000	£'000	£'000
Current tax:				
UK Corporation Tax charge for the year	144	108	144	108
Under provision in previous years	-	(2)	-	(2)
Total current tax	144	106	144	106
Deferred tax:				
Origination and reversal of timing differences	121	46	121	46
Tax on surplus on ordinary activities	265	152	265	152

(b) Factors affecting tax charge for the period

	Group 2015	Group 2014	Company 2015	Company 2014
Surplus on ordinary activities before tax	12,149	11,144	1,493	544
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 21% (2014: 23%)	2,551	2,563	314	125
Effects of:				
(Profits) arising in charitable activities	(2,237)	(2,438)	-	-
Items not allowable for tax purposes	5	16	5	16
Capital allowances in advance of depreciation	(107)	(37)	(107)	(37)
Other timing differences	10	-	10	-
Additional employers pension contributions	(56)	-	(56)	-
Movements in provisions	(22)	4	(22)	4
Over provision	-	(2)	-	(2)
	144	106	144	106

(c) Factors that may affect future tax charges

A deferred tax liability has been recognised on the association's fixed assets, primarily IT assets, and other temporary timing differences.

10. Tangible Fixed Assets – Housing Properties

Group Consolidated Cost (net of SHG) or valuation	Housing Properties Completed £'000	Housing Properties Under Construction £'000	Shared Ownership Properties Completed £'000	Shared Ownership Under Construction £'000	2015 Total £'000	2014 Total £'000
As at 1 April	479,352	9,157	4,868	-	493,377	455,802
Additions	3,883	12,007	89	88	16,067	24,826
Transferred on completion	13,867	(13,832)	53	(88)	-	-
Transferred to completed properties	112	-	(112)	-	-	-
Disposals	(3,085)	-	-	-	(3,085)	(1,948)
Depreciation	(5,474)	-	(30)	-	(5,504)	(5,089)
Depreciation on disposals	1,102	-	-	-	1,102	720
Impairment	(615)	-	(31)	-	(646)	(119)
Gain on revaluation	1,460	-	(22)	-	1,438	19,185
31 March	490,602	7,332	4,815	-	502,749	493,377
Cost or valuation is represented by:-						
Gross cost	424,797	9,585	4,435	-	438,817	421,811
Less:						
Social housing and other capital grants	(82,793)	(2,253)	(289)	-	(85,335)	(81,184)
Depreciation	(47,752)	-	(96)	-	(47,848)	(43,543)
	294,252	7,332	4,050	-	305,634	297,084
Revaluation reserve	196,350	-	765	-	197,115	196,293
	490,602	7,332	4,815	-	502,749	493,377

The above valuation in respect of Housing Properties and Shared Ownership Properties completed comprises:

	Housing Properties 2015 £'000	Housing Properties 2014 £'000	Shared Ownership Properties 2015 £'000	Shared Ownership Properties 2014 £'000
Freehold properties	461,355	450,685	2,027	4,144
Long leasehold	29,247	28,668	2,788	723
Total	490,602	479,353	4,815	4,867

No properties have been valued in the year.

The last full detailed valuation was performed by either Countrywide Social Housing or Deloitte Real Estate on the basis of existing use value - social housing (EUV-SH), market value (MV), existing use value - social housing with sales (EUV-SH with sales) and market value subject to tenancies (MV-ST) as at 31 March 2014. The valuations were undertaken in accordance with the RICS Statement of asset valuation practice and guidance notes. In preparing the valuation where applicable, the valuer made use of discounted cash flow methodology and key assumptions made concerning future rental flows, the rate of turnover of existing tenants and the discount rate. The discount rates were between 5.4% and 6%. The valuers estimated the aggregate existing use value - social housing and open market value of all completed properties at 31 March 14 to be £481.1m.

Properties held for sale as at 31 March 2015 are held at recoverable amount of £1.6m (March 2014: £1.4m).

Due to adopting a programme of rolling valuation newly developed housing properties totalling £17m have yet to be valued. These housing properties are being held at historic net book value which are an approximation of their open market value.

Leased assets are valued at the present value obligation to pay future rentals £7.4m (2014: £7.9m) and staff flats and commercial properties are held at historic net book value £1.5m as these units do not generate any rental flows.

The cost includes £0.23m of interest capitalised @ 4.84% in the year (2014: £0.36m). Property costs include an apportionment of development staff time directly spent on the administration of development activities amounting to £0.84m (2014: £0.76m) and on in-house legal costs amounting to £64k (2014: £51k).

Major Repairs, Renewals and Improvements	2015 £'000	2014 £'000
Capitalised components and capitalised to structure	3,865	3,543
Charged to revenue	3,318	3,738
Total	7,183	7,281

10. Tangible Fixed Assets – Housing Properties

Company	Housing Properties Completed	Shared Ownership Properties Completed	2015 Total	2014 Total
Cost (net of SHG) or valuation	**£'000**	**£'000**	**£'000**	**£'000**
As at 1 April	2,265	2,016	4,281	4,689
Disposals to other Group companies	-	(1,484)	(1,484)	(88)
Depreciation	(32)	(11)	(43)	(45)
Depreciation on disposals	-	96	96	2
Surplus / (loss) on revaluation	32	(617)	(585)	(277)
31 March	2,265	-	2,265	4,281
Cost or valuation is represented by:-				
Gross cost	2,754	-	2,754	4,238
Less:				
Depreciation	(269)	-	(269)	(322)
	2,485	-	2,485	3,916
Revaluation reserve	(220)	-	(220)	365
	2,265	-	2,265	4,281

The above valuation in respect of Housing Properties and Shared Ownership Properties completed comprises:

	Housing Properties Completed		Shared Ownership Properties Completed	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Freehold properties	2,265	2,265	-	2,016
Total	2,265	2,265	-	2,016

All completed housing properties are professionally valued by Countrywide Social Housing on the basis of market valuation subject to tenancies (MV-ST). The valuers estimated the aggregate market valuation subject to tenancies of all market rented properties at 31 March 14 to be £2.3m. The discount rate used was 8.5% for MV-ST.

11. Tangible Fixed Assets - Other

Group Consolidated	Commercial and Office Properties Leasehold £'000	Commercial and Office Properties Freehold £'000	Fixtures & Fittings £'000	Computer Hardware and Software £'000	2015 Total £'000	2014 Total £'000
Cost or valuation						
At 1 April	2,567	2,109	1,286	3,016	8,978	8,291
Additions	-	-	207	1,892	2,099	1,057
Disposals	-	-	(381)	(1,444)	(1,825)	(365)
Surplus on revaluation	-	6	-	-	6	(5)
At 31 March	2,567	2,115	1,112	3,464	9,258	8,978
Depreciation						
At 1 April	1,027	314	817	1,907	4,065	3,804
Charge for the year	101	48	130	414	693	604
Depreciation on disposals	-	-	(379)	(1,416)	(1,795)	(343)
At 31 March	1,128	362	568	905	2,963	4,065
Net Book Value						
At 1 April	1,540	1,795	469	1,109	4,913	4,487
At 31 March	1,439	1,753	544	2,559	6,295	4,913

Company	Freehold Office Properties £'000	Fixtures & Fittings £'000	Computer Hardware and Software £'000	2015 Total £'000	2014 Total £'000
Cost or valuation					
At 1 April	989	339	2,947	4,275	3,704
Additions	-	-	1,892	1,892	875
Disposals	-	-	(1,375)	(1,375)	(299)
Surplus on revaluation	6	-	-	6	(5)
At 31 March	995	339	3,464	4,798	4,275
Depreciation					
At 1 April	39	221	1,838	2,098	2,014
Charge for the year	6	44	414	464	383
Depreciation on disposals	-	-	(1,347)	(1,347)	(299)
At 31 March	45	265	905	1,215	2,098
Net Book Value					
At 1 April	950	118	1,109	2,177	1,690
At 31 March	950	74	2,559	3,583	2,177

Freehold offices are held at valuation. Computer hardware and software and fixtures and fittings are held at cost less accumulated depreciation.

12. Investments in Joint Ventures

Group	2015 £'000	2014 £'000
Share of assets		
Share of current assets	20,430	20,774
	20,430	20,774
Share of Liabilities		
Liabilities due within one year or less	(1,222)	(1,176)
Liabilities due after more than one year	(17,338)	(17,672)
	(18,560)	(18,848)
Share of net assets	1,870	1,926
Dividends received from joint venture	43	-
Subordinated debt with joint venture company	(1,878)	(1,781)
Share of operating surplus / (deficit)	7	(97)

Progress Care Housing Association holds 33.3% (£333) of the equity share capital of Leeds Independent Living Accommodation Ltd, a Private Finance Initiative commissioned by Leeds City Council to fund the reprovision of accommodation for independent living. This is a joint venture with two other shareholders, Civic PFI Investments Limited and Jack Lunn (Properties) Ltd, each holding 33.3% of the equity share capital. Progress Care Housing Association received a dividend in the year of £43k (2014: £nil).

13. Stock

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Completed shared ownership properties held for sale	172	402	-	-
Property Services	40	35	40	35
	212	437	40	35

14. Debtors

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Amounts falling due within one year :				
Rent and service charge arrears	4,081	3,261	7	26
Less provision for bad debts	(1,362)	(1,026)	(5)	(5)
	2,719	2,235	2	21
Prepayments and accrued income	1,460	1,887	325	340
Amounts owed by Group companies	-	-	1,015	1,399
Trade debtors	1,403	1,455	33	32
Less provision for bad debts	(274)	(414)	(3)	(2)
Other debtors	3	250	2	250
Capital grants receivable	86	-	-	-
	2,678	3,178	1,372	2,019
	5,397	5,413	1,374	2,040
Amounts falling due greater than one year :				
Deferred tax - Fixed asset and other timing differences	(67)	54	(67)	54

15. Current Asset Investments

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Bank deposits accessible on demand	221	1,704	-	-
Cash lodged as security	-	113	-	-
Deposits held for leasehold schemes	154	156	-	-
	375	1,973	-	-

16. Creditors: Amounts falling due within one year

	Notes	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Bank balances		1,928	22	1,928	22
Rent and service charges received in advance		1,219	1,069	1	4
Trade creditors		3,431	5,273	1,686	2,707
Sinking fund held for leasehold schemes		158	150	-	-
Taxation and social security payable		348	280	297	189
Corporation tax		127	27	127	27
Capital expenditure accruals		1,010	857	-	-
Disposals proceeds fund	17	18	50	-	-
Recycled capital grant fund	18	8	115	-	-
Interest on housing loans		588	481	-	-
Capital grants in advance		140	178	-	-
Other creditors		1,115	1,176	13	38
		10,090	9,678	4,052	2,987

Bank balances substantially relate to un-cleared payments. Standard payment terms are 30 days from date of invoice.

17. Disposal Proceeds Fund

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
At 1 April	50	50	-	-
Recycling of grant : new build	(32)	-	-	-
At 31 March	18	50	-	-

18. Recycled Capital Grant Fund

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
At 1 April	115	34	-	-
To fund: Grants Recycled	6	81	-	
Recycling of grant : new build	(113)	-	-	-
At 31 March	8	115	-	-
Amount due for repayment to the HCA	-	-		

19. Creditors: Amounts falling due after more than one year

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Housing Loans	261,147	264,930	-	3,456
	261,147	264,930	-	3,456

Maturity of debt

Bank and building society loans repayable in instalments as follows:-	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
In more than one year but not more than two years	3,538	-	-	-
In more than two years but not more than five years	22,273	12,381	-	106
In more than five years	236,169	253,505	-	3,399
Total Loans	261,980	265,886	-	3,505
Less loan issue costs	(833)	(956)	-	(49)
	261,147	264,930	-	3,456

Bank and building society loans are secured by fixed charges on the Groups' assets. They include fixed and variable rate loans, at various rates, between 1.14% and 7.21%.

20. Non-Equity Share Capital

Group Consolidated and Company	2015	2014
	£	£
Allotted Issued and Fully Paid:		
At 1 April	6	8
Issued during the year	-	3
Surrendered during the year	-	(5)
At 31 March	6	6

21. Reserves

Group Consolidated	Revaluation Reserves £'000	Designated Reserves £'000	Revenue Reserves £'000	2015 £'000	2014 £'000
At 1 April	171,546	138	56,623	228,307	195,067
Surplus for the year ended 31 March	-	-	11,884	11,884	10,992
Gain on revaluation	1,606	-	-	1,606	19,450
Realised on property sales	(779)	-	779	-	-
Transfer to designated reserves	-	84	(84)	-	-
Actuarial (loss) / gain on pension scheme	-	-	(4,375)	(4,375)	2,798
At 31 March	172,373	222	64,827	237,422	228,307

Designated reserves relate to Key Unlocking Futures Limited.

Company	Revaluation Reserves £'000	Revenue Reserves £'000	2015 £'000	2014 £'000
At 1 April	1,071	(2,110)	(1,039)	(3,014)
Surplus for the year ended 31 March	-	1,228	1,228	392
Gain on revaluation	38	-	38	(282)
Realised on property sales	(617)	617	-	-
Actuarial gain on pension scheme	-	(3,279)	(3,279)	1,865
At 31 March	492	(3,544)	(3,052)	(1,039)

22. Capital Commitments

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Capital expenditure contracted but not provided for in the financial statements	8,981	2,973	-	-
Capital expenditure that has been authorised by the board of Directors but has not yet been contracted for	1,923	7,241		
	10,904	10,214	-	-

	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Progress Housing Group expects the contracted commitments to be financed with:				
Grants	1,674	1,032	-	-
Committed loan facilities and free cash flow	7,307	1,941	-	-
	8,981	2,973	-	-

The commitments for the following year under non-cancellable operating leases are analysed into the earliest period in which break clauses can be exercised.

	Group Housing Properties 2015 £'000	Group Housing Properties 2014 £'000	Company Housing Properties 2015 £'000	Company Housing Properties 2014 £'000
Up to one year	2,187	2,101	-	-
Between two and five years	1,671	1,642	-	-

23. Emoluments of the Board and the Directors

Analysis of Non Executives Emoluments	2015	2014
	£'000	£'000
Non executives remuneration	99	91

The Group provides emoluments to non executive directors.
During the year there were no benefits, other than wages and salaries, payable to Board members.
Details on individual board member remuneration can be obtained from the Group's website.

	2015	2014
	£'000	£'000
Expenses re-imbursed to the Board not chargeable to UK income tax	6	5

		Restated
Analysis of Directors' Emoluments	2015	2014
	£'000	£'000

The Directors of the Group are its members and the Executive Officers. All emoluments are contained in the Company.

	2015 £'000	Restated 2014 £'000
Emoluments of the Group's Directors including pension contributions	860	924
Emoluments of the Group's Directors excluding pension contributions	778	823
Compensation for loss of office (included in above figures)	108	106
Emoluments of the Chief Executive, who was the highest paid Director, excluding pension contributions	174	164

The Chief Executive of the Group is an ordinary member of the pension scheme, and no enhanced or special terms apply.
There are no other individual pension arrangements to which the Group makes a contribution on behalf of the Chief Executive.

24. Employee Information

	Group		Company	
	2015	2014	2015	2014
	No.	No.	No.	No.
The average number of full time equivalent persons employed during the year was:				
Office staff	341	328	190	178
Staff providing tenant services	15	20	-	1
Maintenance	90	86	90	86
	446	434	280	265

Full time equivalents are calculated based on a standard working week of 36.25 hours, 39 hours for maintenance and 36.5 hours for Key Unlocking Futures Limited.

Staff costs (for the above persons)	Group		Company	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Wages & Salaries	14,028	13,234	9,504	9,040
Social security costs	1,146	1,067	812	759
Other pension costs	1,708	1,622	1,211	1,158
	16,882	15,923	11,527	10,957

	Group		Company	
Remuneration bandings for all employees earning over £60,000:	2015	2014	2015	2014
£60,000 - £70,000	3	3	3	3
£70,001 - £80,000	6	6	4	4
£80,001 - £90,000	1	-	1	-
£100,001 - £110,000	1	5	1	5
£110,001 - £120,000	3	-	3	-
£130,001 - £140,000	-	1	-	1
£150,001 - £160,000	1	-	1	-
£160,001 - £170,000	-	1	-	1
£170,001 - £180,000	1	-	1	-
	16	16	14	14

Remuneration for the above includes salaries, bonuses, benefits in kind and compensation for loss of office.
The remuneration bandings for employees earning over £60,000 includes the Directors disclosed in note 23.

25. Cash Flow Statement Notes

Group Consolidated	2015 £'000	2014 £'000
Returns on investments and servicing of finance		
Interest received	308	944
Interest paid	(11,737)	(12,523)
	(11,429)	(11,579)
Financing		
Loans received	549	6,025
Loans repaid	(4,405)	(161)
Issue costs amortised	-	18
Issue costs (incurred)	-	1
	(3,856)	5,883

	1 April £'000	Cashflows £'000	Other Changes £'000	31 March £'000
Analysis of net debt				
Cash in hand, at bank and overdrafts	971	(1,655)	-	(684)
Current asset investments	1,973	(1,598)	-	375
Debt due after one year	(264,930)	3,856	(73)	(261,147)
Total	(261,986)	603	(73)	(261,456)

26. Related Party Transactions

The Group Board of Management includes 1 member as shown on page 2 who is a tenant of New Progress Housing Association. The terms of their tenancy agreement is consistent with those offered to other tenants. At the year end there were no significant amounts due to the Group in respect of this member.

The New Progress Board of Management includes 1 member who is an elected member of South Ribble Borough Council. The Group undertakes transactions with the Council at arms length in the normal course of the business. The New Progress Board of Management also includes 3 members who are tenants of the Association. The terms of their tenancy agreements are consistent with those offered to other tenants of the Association. At the year end their were no significant amounts due to the Group in respect of these members.

The New Fylde Board of Management includes 1 member who is an elected member of Fylde Borough Council. The Group undertakes transactions with the Council at arms length in the normal course of the business. The New Fylde Board of Management also includes 3 members who are tenants of the Association. The terms of their tenancy agreements are consistent with those offered to other tenants of the Association. At the year end there were no significant amounts due to the Group in respect of these members.

At the end of the financial year, the accounts for those Non Executive Directors who are tenants showed a credit balance of £60.

In addition to the above one former Non Executive Director, who retired in September 2013, has provided services to the Group through his associated company Park Lonnagh Limited and has been paid £1,680 during the year.

All intra-Group charges relate to the recovery of common costs in the usual course of business, and are priced as arms-length transactions.

27. Parent Undertakings and Group Transactions

The Group comprises the following bodies:	No of Shares Held	Principal Activity
Progress Housing Group Limited	N/A	Provision of corporate services, development, legal, property maintenance, market rented and shared ownership housing
New Progress Housing Association Limited	1	Provision of Social and Supported Housing
Progress Care Housing Association Limited	1	Provision of Supported Housing and Key Worker Accommodation
New Fylde Housing Limited	1	Provision of Social and Supported Housing
Key Unlocking Futures Limited	N/A	Provision of support for the young and homeless

All of the Registered Provider companies are registered with the Homes and Communities Agency and incorporated under the Co-operative and Community Benefit Societies Act 2014. Progress Care Housing Association Limited, New Progress Housing Association Limited and New Fylde Housing Limited have charitable status for tax purposes.
Key Unlocking Futures Limited is incorporated as a company limited by guarantee incorporated under the Companies Act 2006 and is a registered charity under the Charities Act 2011.
The Parent company has the ability to appoint and dismiss a majority of the subsidiary directors.

28. Pension Obligations

The Group participates in two pension schemes, Lancashire County Council's Superannuation Fund and the Social Housing Pension Scheme administered by the Pensions Trust. The LCC is a defined benefit scheme and SHPS has both defined benefit streams and defined contribution streams within its scheme, and detailed regulations govern the rates of pension contribution by both employees and the Group. Benefits are normally in the form of a lump sum retirement grant plus an annual pension. During the year New Fylde Housing closed their Local Government Pension Scheme with Lancashire County Council and settled the liability. The FRS17 valuation at 31.3.14 was £0.7m and the cash settlement as disclosed was £0.45m.

As a responsible employer, the Group's strategy to proactively manage defined-benefit pension scheme deficits by taking the following steps, whilst ensuring the pension offered is competitive.

- Closing both its multi-employer, defined benefit pension schemes to new membership in 2009. The scheme is currently classed as open and will be reassessed at the next valuation. The pension liability is then expected to be higher.
- Increasing employer contributions beyond those actuarially assessed
- Making additional lump sum payments to the Lancashire Local Government Pension scheme.
- Making a good quality defined contribution scheme available for all new starters.

Employer's contributions are based on percentages of employees' earnings as recommended by the actuary of the fund in his valuation.

The ability of the pension funds to provide statutory benefits is assessed every three years by an independent professionally qualified actuary, and employer's contributions are reviewed in light of the actuary's report.

Lancashire County Pension Fund

The most recent full actuarial valuation of the fund was as at 31 March 2013, the results of which were:

Valuation Method	Projected Unit
Value of Assets	£5,011 million

The Group's employers' contributions to the fund during the year were equal to 19.2% for two months and 15.9% for ten months of pensionable salary in the year, and amounted to £1,131,620. The following table details the numbers of staff who are members of the fund. The Group parent, Progress Housing Group Limited paid an additional £50k at the end of March 2015 (2014: £250k) into the fund.

	Employers' Contributions 2015 £	Employers' Contributions 2014 £	No. Staff 2015	No. Staff 2014
New Progress Housing Association	103,435	115,174	25	28
Progress Care Housing Association	114,504	128,504	28	24
Progress Housing Group	863,681	794,140	123	138
Discretionary Additional Contribution	50,000	250,000		
Total Group	1,131,620	1,287,818	176	190

Financial Reporting Standard 17 disclosures

Actuarial Assumptions	**At 31/03/15**	**At 31/03/14**
Rate of CPI Inflation	2.00%	2.40%
Rate of Increase in Salaries	3.50%	3.90%
Rate of Increase in Pensions	2.00%	2.40%
Discount Rate	3.30%	4.50%

Asset Information	Expected Rate of Return %	Market Value at 31 March 2015 £'000	% Split of Assets %	Expected Rate of Return %	Market Value at 31 March 2014 £'000	% Split of Assets %
Equities	6.50	17,249	52.40	7.00	15,911	52.40
Government Bonds	2.20	1,085	3.10	3.40	941	3.10
Other Bonds	2.90	490	9.20	4.30	2,794	9.20
Property	5.90	3,534	8.70	6.20	2,642	8.70
Cash/Liquidity	0.50	1,679	1.70	0.50	516	1.70
Other	6.50	10,951	24.90	7.00	7,561	24.90
Total Market Value of Assets		34,988	100		30,365	100
Present Value of Scheme Liabilities		45,954			36,620	
Net Pension Liability before tax asset		(10,966)			(6,255)	
Group parent allocation		(7,745)			(3,983)	
Deferred Tax Asset		1,549			800	

The allocation is based on the number of direct employees.
A deferred tax asset of £1.5 million has been recognised in respect of the parent company's LGPS deficit, being 20% (tax rate).

The following disclosures relate to the Group as a whole (excl NFH):

Balance Sheet Items as at 31 March	2015 £'000	2014 £'000
Present Value of Funded Benefit Obligations	45,715	36,406
Present Value of Unfunded Benefit Obligations	239	214
Total Present Value of Benefit Obligations	45,954	36,620
Fair Value of Plan Assets	(34,988)	(30,365)
Deficit before deferred tax asset	**10,966**	**6,255**

Components of pension cost for period to 31 March	2015 £'000	2014 £'000
Current Service Cost	1,040	1,228
Interest on Pension Liabilities	1,664	1,700
Expected Return on Assets	(1,900)	(1,610)
Effect of Curtailments or Settlements	-	39
Total pension cost recognised in Income & Expenditure	**804**	**1,357**
Statement of Recognised Total Recognised Surpluses and Deficits		
Actuarial losses/(gains)	5,044	(3,352)
Total pension cost recognised in the Statement of Total Recognised Surpluses and Deficits	**5,044**	**(3,352)**

Change in Benefit Obligation during period to 31 March	Unfunded Benefits	2015 £'000 All Benefits	Unfunded Benefits	2015 £'000 All Benefits
Benefit Obligation at beginning of period	214	36,620	66	38,380
Current Service Cost	-	1,040	-	1,228
Interest on Pension Liabilities	10	1,664	3	1,700
Member Contributions	-	405	-	360
Past Service Cost	-	-	-	-
Actuarial losses/(gains) on liabilities	20	7,007	159	(4,078)
Curtailments	-	-	-	39
Settlements	-	-	-	-
Benefits/transfers paid	(5)	(782)	(14)	(1,009)
Benefit Obligation at end of period	239	45,954	214	36,620

Change in Plan Assets during period to 31 March	Unfunded Benefits	2015 £'000 All Benefits	Unfunded Benefits	2015 £'000 All Benefits
Fair value of plan assets at beginning of period	-	30,365	-	28,795
Expected return on plan assets	-	1,900	-	1,610
Actuarial gains/(losses) on assets	-	1,963	-	(726)
Business combinations	-	-	-	-
Settlements	-	-	-	-
Employer contributions	5	1,137	6	1,335
Member contributions	-	405	-	360
Benefits/transfers paid	(5)	(782)	(6)	(1,009)
Fair value of plan assets at end of period	-	34,988	-	30,365
Actual Return on Plan Assets		3,683		1,180
Experience gains/(losses) on Assets		1,963		(726)
Experience gains/(losses) on Liabilities		-		1,136

Post retirement mortality assumptions		
Non-retired members	S1PA CMI_2012 [1.5%] (100% Males, 98% Females)	S1PA CMI_2012 [1.5%] (100% Males, 98% Females)
Retired members	S1PA CMI_2012 [1.5%] (100% Males, 98% Females)	S1PA CMI_2012 [1.5%] (100% Males, 98% Females)
Life expectancy		
of a male (female) future pensioner aged 65 in 20 years time	25.1 (27.8) years	25 (27.7) years
of a male (female) current pensioner aged 65	22.9 (25.4) years	22.8 (25.3) years
Market value of total fund assets (£ millions)	**5,643**	**4,978**

Social Housing Pension Scheme

The Association participates in the SHPS (the Scheme). The Scheme is funded and is contracted-out of the State Pension scheme.
It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to the 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 Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

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

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

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

The Group has joint and several contracts of employment for employees in the SHPS Defined Benefit Scheme. In the event of crystallisation within the Parent company, the subsidiaries will become liable for any deficit.

29. Acquisition of Key Unlocking Futures Limited

Key transferred its assets and liabilities to a newly registered charity Key Unlocking Futures Limited on 1 January 2014. Key Unlocking Futures Limited was acquired by the Group on 1 January 2014 for nil consideration which has generated a gain within Group based on the fair value of £153k.

The balance sheet as at 1 January 2014 is as stated below:

	£'000
Current Assets	
Cash at bank	153
Unrestricted reserves	144
Restricted reserves	9
	153

The above has been accounted for as an acquisition.

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and with the Homes and Communities Agency LH4189.

VAT registration number 712 6635 46.

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