JEPHSON
HOUSING ASSOCIATION GROUP

Accounts
2014

Jephson Homes Housing Association Limited (a charity)

Index | **Page**

Board and Directors

Board of Management

		Date Appointed
Chair	**M Collins DBA, MBA, LL.B, FCII**	02/03/10
Deputy	**M Summerfield FCIH**	20/01/98
	S Benson BA, FCIH	06/08/13
	S Chapman MBA, FCIS, FCMI (Retired 30/06/13)	27/11/12
	A Dokov BA, MSc, FCIPD	06/08/13
	R Green FCIH	12/02/02
	J Hibben BSc (Eng), CEng, DMS, MIET, M Inst E, MCMI	02/12/03
	M Lloyd MISM, M Inst LM (Retired 06/08/13)	26/04/94
	S Malhotra (Retired 06/08/13)	22/10/96
	B Roebuck BA, MSc, MA, CPFA	01/03/11
	C F Small ACMA	29/04/08
	D Wright D MSc, ACIB	06/08/13

Directors

Secretary and Chief Executive	**R J Strachan BArch, RIBA, ARIAS, MCIH**	11/04/88
Finance Director	**D G Blower MBA (Warwick), FCCA**	24/01/05
Management Services Director	**D J Jefferson ACA**	01/11/90
Managing Director of Marches Housing Association Limited	**P R Green MBA, FCIH**	16/08/10
Regional Director, East	**W R Philpott BA (Hons), Dip HS**	01/10/92
Regional Director, Midlands	**S C Shirt BSc (Hons), MCIH, MCMI**	09/08/10
Regional Director, North	**S Shore BA (Hons), MCIH, ACMI**	01/06/04
Regional Director, South & West	**R Glennie FCIH**	01/11/01

Registration Numbers

	Registry of Friendly Societies	The Social Housing Regulator
Jephson Homes Housing Association Limited	19412R	L0173
Jephson Housing Association Limited	18946R	L0288
Marches Housing Association Limited	27696R	LH4027

Operating and Financial Review for the year ended 31 March 2014

The Group's Business Objectives and Strategy

The Jephson Group comprises three Associations, all of which are not for profit industrial and provident societies operating under charitable rules and are registered with the Social Housing Regulator.

Jephson Homes Housing Association Limited (JHHAL) is the parent of the Group and was formed in 1970. It owned 9,923 homes of varying tenures at the year-end and has maintained an active development programme of both rented and HomeBuy homes in recent years.

Jephson Housing Association Limited (JHAL) was formed in 1969. At the year-end it owned 3,947 homes. It has historically purchased a mixture of new and existing homes from its parent JHHAL. It now has its own development programme and develops both rented and HomeBuy homes.

Marches Housing Association Limited (MHAL) was formed following the transfer of housing stock from Leominster District Council in 1994. MHAL joined the Jephson Group in 1996 as a subsidiary of JHHAL. It owned 2,480 homes for rent at the year-end, and managed a further 428 homes on behalf of both JHHAL and JHAL as well as a further 48 on behalf of private landlords. They have a small development programme in their local area.

The principal activity of the Group is the development and management of rented housing accommodation for those in most need. In addition, the Group provides assisted housing through HomeBuy and in the management of former properties that are now privately owned.

The Group's Mission

'To be a leading provider of quality homes and services for people in need.'

The Group's Ethos

'To treat others as we wish to be treated ourselves.'

Where We Operate

As the founder members of the Jephson Associations were from Leamington Spa the first Jephson schemes were built in Warwickshire. Since then we have developed over a wide geographical area, often on land provided by local authorities using subsidies provided by them.

We have divided the country into five divisions, MHAL and the four regions of the Jephson Associations: the East, North, Midlands, and South & West.

Our offices are highlighted on the following map.

Operating and Financial Review (Continued) for the year ended 31 March 2014

Map showing the locations of the regional offices and the geographical areas covered by the Group

Governance

The Boards of Management of the Associations control the work of the Group. In order to ensure effective governance the Boards of Management have delegated control of strategy, policy implementation and local performance monitoring to regional and other committees. These committees report to the Boards of Management on a periodic basis. Subsidiary Boards of Management and Regional Committees comment on new strategies and policies before they are adopted.

The Jephson Associations have a system of four Regional Committees: East, North, Midlands and South & West, which reflects our wide geographical spread.

There are other sub committees. The Establishment Committee deals with all employment policies and procedures for JHHAL and JHAL with the exception of the Chief Executive and Directors. The Finance Committee examines the financial performance of the Group, oversees the borrowing strategy and deals with loan finance proposals in detail. The Audit Committee receives regular reports from the Internal Audit team and reviews our internal control procedures.

The Board of MHAL comprises twelve places, one nominated by Herefordshire Council, one by JHHAL and ten elected by the membership, including two places reserved for tenants. The Association has its own business plan and funding arrangements, which are subject to annual review by its funder and JHHAL.

The Group has adopted the six principles of good governance set out in ‘The Good Governance Standard for Public Services’ and subscribes to the National Housing Federation’s ‘Excellence in Governance’ and Code of Conduct.

Asset Management

The Group's approach to asset management is based on maintaining the quality and value of the homes we provide. We do this by providing an effective and efficient repairs service, carrying out regular maintenance on appropriate cycles ranging from one to five years and making more strategic investment decisions on a less frequent planned basis. Annually we review each scheme and assess its financial, social and environmental return. Where the scheme does not meet our internal requirements appropriate action is taken, which may include redevelopment of the site or disposal.

At the year end all properties met the Decent Homes Standard. Furthermore, the energy efficiency rating of the Group's homes continues to show improvements.

Performance

In support of the Group's mission, the Board has developed six key objectives against which performance is measured. The objectives contained in the 2012-17 Corporate Plan are set out below.

Customer Service	We aim to ensure we understand our customers' priorities and achieve top quartile performance in our Corporate Plan Customer Satisfaction Key Performance Indicators compared with our benchmark Peer Groups by 2016.
Governance	We aim to govern the Group effectively in the best interests of our customers using our risk based approach to ensure we achieve our mission.
Growth	We aim to develop an average of 360 homes a year until 2019.
Performance	We aim to achieve top quartile performance in Corporate Plan Operational Key Performance Indicators compared to our benchmark Peer Group by 2016.
Sustainability	We aim to ensure the on-going long term sustainability of the homes and services we provide.
Viability & Resources	We aim to ensure each Group member maintains the capacity to achieve our Corporate Plan by operating efficiently, achieving value for money and making best use of the skills and experience of our people.

Value for Money (VfM)

Last year we reviewed our approach to VfM to incorporate the new regulatory standard. The Boards of Management approved a revised strategy in March 2013.

Our strategic approach to VfM

The Boards define VfM as "the delivery of our social objectives in the most cost effective way possible".

This entails:
- doing the right things – a business strategy that focuses resources on the right activities;
- investing in the right physical and human assets at the right price;
- doing things right – effective and efficient delivery;
- evaluating success – checking that the right outcomes have been delivered, what has been learnt and reinvesting gains to achieve more social value.

Operating and Financial Review (Continued) for the year ended 31 March 2014

We have a robust business planning methodology that develops a range of initiatives that should ensure that the Group's resources are focused on business and customer priorities, with measurable outcomes where they will have the most impact. These initiatives support our Corporate Objectives. We therefore base our assessment of VfM on our performance against our objectives as they support our mission. Our objectives cover the whole of our business and the Group seeks to achieve them all simultaneously. There will inevitably be trade offs between the objectives as money invested in one objective may divert resources from another. Our performance at 31 March 2014 was as follows:

Customer Service

We measure customer service by assessing tenant satisfaction overall, satisfaction with repairs and maintenance and satisfaction that the rent represents value for money.

Key Performance Indicator	Association	Top Quartile	Target 2013/14	Actual 2013/14	Prior Year 2012/13
Tenant satisfaction overall	JHAL	89.0%	88.5%	89.1%	91.1%
	JHHAL	89.0%	86.8%	82.6%	86.1%
	MHAL	89.3%	88.0%	86.4%	88.0%
Tenants satisfied with repairs & maintenance	JHAL	86.3%	84.8%	83.7%	85.8%
	JHHAL	86.3%	82.5%	76.9%	80.4%
	MHAL	88.3%	84.0%	78.3%	83.7%
Tenants satisfied their rent is value for money	JHAL	86.0%	84.4%	82.5%	84.6%
	JHHAL	86.0%	81.5%	74.3%	79.4%
	MHAL	85.9%	82.0%	78.8%	81.2%

Overall satisfaction ranged from 82.6% in JHHAL to 89.1% in JHAL and in all cases this declined from the previous year. Despite this JHAL's performance has remained within the top quartile.

Satisfaction with repairs and maintenance ranged from 76.9% in JHHAL to 83.7% in JHAL. All associations declined from the previous year and failed to meet target.

The proportion of tenants who considered their rent represented value for money ranged from 74.3% in JHHAL to 82.5% in JHAL. In all cases this was also a decline from the previous year and failed to meet our internal target.

This decline in performance was recognised earlier in the year and a number of proactive steps have been taken to address this. Included in this is more detailed analysis between these high level results and satisfaction levels when individual transactions are completed which in most cases show higher levels of performance.

Governance

Following a recent review by the Social Housing Regulator we retained our G1 grading for Governance: the highest rating possible. We believe this recognises the strong governance and performance framework in place across the Group.

Growth

During the year we developed 344 new homes, which was in accordance with our strategy. The majority of these homes were delivered through S106 schemes and therefore delivered without grant.

Operating and Financial Review (Continued) for the year ended 31 March 2014

Performance

We assess achievements in this area by looking at the level of arrears, rent lost through voids, re-let times, energy efficiency and decent homes compliance.

Key Performance Indicator	Association	Top Quartile	Target 2013/14	Actual 2013/14	Prior Year 2012/13
Current tenant rent arrears	JHAL	3.05%	3.10%	2.65%	2.38%
	JHHAL	3.05%	3.19%	2.94%	2.78%
	MHAL	1.67%	2.75%	1.43%	1.70%
Rent lost through voids	JHAL	0.61%	1.05%	1.65%	1.21%
	JHHAL	0.61%	1.01%	0.74%	0.84%
	JHHAL	0.64%	0.85%	0.95%	0.94%
Average re-let times (days)	JHAL	19.0 days	20.3 days	21.8 days	20.7 days
	JHHAL	19.0 days	20.7 days	22.8 days	19.8 days
	MHAL	16.9 days	25.0 days	22.7 days	29.2 days
Average SAP rating	JHAL	73	72.5	73.8	73.5
	JHHAL	73	72.0	72.4	72.1
	MHAL	72	71.5	72.4	71.7
Percentage of homes failing the Decent Homes standard	JHAL	0%	0%	0%	0%
	JHHAL	0%	0%	0%	0%
	MHAL	0%	0%	0%	0%

Rent arrears at the year-end ranged from 1.43% in MHAL to 2.94% in JHHAL. MHAL improved on the previous year whereas JHHAL and JHAL performance declined against last year.

Rent lost through voids ranged from 0.74% in JHHAL to 1.65% in JHAL. JHHAL performance has improved. MHAL has remained the same and JHAL has declined slightly on the previous year. JHHAL achieved target whereas JHAL and MHAL did not achieve theirs.

Our average re-let times ranged from 21.8 days in JHAL to 22.8 days in JHHAL. Performance in JHHAL and JHAL declined from the previous year and did not achieve their target, whereas MHAL improved on the previous year and achieved target.

All of the above indicators have been affected by the changes to the welfare system. When compared with the peer group's previous year's performance, rent arrears is the only indicator that is within top quartile. Void management remains an area of close scrutiny and forms part of our sustainability review.

All properties continue to meet the Decent Homes Standard, which places us within top quartile for our peers. The energy efficiency of our homes is measured through their SAP ratings. This ranged from an average of 72.4 in JHHAL to 73.8 in JHAL. All showed an improvement, met our internal target and JHAL and MHAL's performance were top quartile when compared with our peers.

Sustainability

We measure the success of our asset management strategy by determining if our homes continue to meet the needs of the business and our customers.

Annually we assess all our schemes to ensure they continue to meet the financial, social and environmental returns agreed with our Boards of Management. This year's review has shown that 98% of schemes are delivering the required return. Of the remaining schemes we have either completed actions or are undertaking options appraisals to address this. These actions include the redesign of the scheme, the change of tenure or its disposal. Where schemes are sold, the cash generated is used to fund new development.

Viability and Resources

Following a review by the Social Housing Regulator we retained our V1 grading for Viability: the highest rating possible. All three associations outperformed budgets and continued to meet their viability targets set by the respective Boards of Management.

Operating and Financial Review (Continued) for the year ended 31 March 2014

During the year we commenced a new five year procurement programme. This achieved savings of approximately £1.1 million.

Whilst driving the performance improvements discussed above, we aim to ensure that total costs grow by less than the growth in income.

Over the year our turnover grew by 9.3% compared with the previous year. Over the same period, total operating costs grew by 8.9%. After one-off costs of £0.8 million in the year this slower growth in costs contributed £0.2 million to the Group's surplus. This will contribute to our reserves and be used in the future towards the cost of maintaining our existing homes and building new ones.

In summary, during the year we have driven our VfM strategy throughout the business and we have made good progress on most of our Corporate Objectives. This has been achieved by doing the right things with the right assets. It has been assisted by reviewing our methods of delivery and has resulted in strong outcomes for the Group, which has enabled us to move closer to our mission.

Looking forward, the Group produces 30-year financial forecasts, the first five years of which are published in our Corporate Plan. In April 2014 the Boards of Management approved an updated Corporate Plan. This retains the six Corporate Objectives, sets new targets and has an updated list of actions to meet our aspirations. The new plan now extends our growth aspirations to 2019 whilst retaining our targets to achieve top quartile performance against our peer groups in all measurable performance indicators by 2016.

Our regulator's expectations on VfM

Our regulator has developed a Value for Money standard and requires that all registered providers undertake a self assessment against this standard. Our self assessment is available on our website at www.jephson.org.uk. This covers our compliance with the standard and explains our approach to VfM in more detail than is possible here. The standard sets three expectations and a summary of our compliance with these is covered below.

1. Enable stakeholders to understand the return on assets measured against the organisation's objectives

Physical Asset

Our operating surplus was 2.7% of our housing assets (2.5% in 2012/13). The improvement on this return on investment was due to an increased operating surplus, which grew by 10% during the year.

As discussed under our sustainability objective above, in order to maximise the return on physical assets we assess our schemes to ensure they meet the financial, social and environmental returns on our assets that have been agreed with our Boards of Management. These are:

- Financial – to ensure that each scheme generates a minimum contribution to central and regional overheads of at least 15%.
- Social – to ensure our properties continue to be popular and meet the needs of our customers, we aim to achieve top quartile performance for average re-let times and percentage of turnover.
- Environmental – to ensure the energy efficiency of our homes, we seek to achieve top quartile performance for the SAP ratings in our homes.

By achieving these returns each scheme is making an effective contribution to our performance and viability objectives. As can be seen from the analysis within the sustainability objective the vast majority of our schemes achieve the required return. Where this is not the case action plans are in place. These plans include selected sale and in some cases remodelling. The cash generated from sales is directed straight into new development.

These reviews are undertaken by our regional management teams who use hard data from the above performance indicators together with local knowledge of the scheme and its locality. During the coming year we plan to develop this model further and make greater use of the void process to assess if sales are appropriate.

Operating and Financial Review (Continued) for the year ended 31 March 2014

Human Assets

We also believe one of our greatest assets is our staff and ensuring they are motivated and focused is key to our success.

During the year we have undertaken a staff survey. This shows that 89% of JHHAL staff and 98% of MHAL staff are satisfied with their employer, which places us within the top quartile when compared with our peers.

Additionally, the survey showed that 93% of JHHAL staff consider they understand our Corporate Objectives and 87% feel supported by their manager to deliver them (MHAL staff 91% and 95% respectively). Although these results are very positive our managers have agreed an action plan to identify how this can be improved.

All three associations hold the Investors in People award. This award demonstrates our commitment to treating our people as a valuable resource, providing them with continuous development and support.

2. Set out the absolute and comparative costs of delivering specific services

We compare the cost of delivering our service with other providers through the Global Accounts report for the sector published by the HCA and through HouseMark where we examine our performance in more detail against our peer groups.

Comparison with Global Accounts

The following table shows the performance of the Jephson Group for 2014 and 2013 and the latest available sector averages published in the Global Accounts report.

	Jephson Group		Global Accounts
Key Financial Ratios	**2014**	**2013**	**2013**
Operating Margin	29.2%	29.0%	25.9%
Management Cost per Unit	£726	£650	£952
Routine and Planned Maintenance Cost Per Unit	£1,103	£1,022	£992
Total Major Repairs Cost per Unit (Revenue & Capital)	£1,016	£763	£989
Gearing (Adjusted Net Leverage)	40.5%	41.6%	41.3%
Interest Cover (EBITDA MRI)	162%	183%	138%

This year our operating margin was 29.2%, which was marginally up on the previous year and in excess of the sector average.

Our management cost per unit has increased compared to the previous year due to an increase in staff time spent on this activity as a result of the impact of Welfare Reform. This increased focus on housing management during this period of change has enabled us to retain our excellent arrears performance and has helped keep re-let times down although we have seen a slight reduction in performance in this area.

Routine and planned maintenance cost per unit has increased by 8%, which is largely as a result of increased void maintenance expenditure. Some of this additional expenditure is directly related to downsizing as a result of Welfare Reform. However, there was also an active decision to carry out additional decorative works to increase lettability. This additional expenditure is also reflected in the comparison with the sector average.

The total major repairs cost per unit is significantly higher than the previous year and above the sector average. This reflects an increase in works to existing properties this year, which supports our asset management strategy. The additional budget has been funded from a contingency we set aside for Welfare Reform that we identified during the year that we did not need.

Our gearing ratio has reduced by just over 1% compared to the previous year as a result of growth in our housing property assets without a corresponding increase in our loan finance. Our gearing ratio for the previous year compares favourably with the sector average.

Interest cover at 162% is lower than the previous year due to the increase in total major repairs expenditure. However, it remains well ahead of the sector average of 138%.

Operating and Financial Review (Continued) for the year ended 31 March 2014

Comparison with similar organisations through HouseMark

Through HouseMark we examine costs in more detail and comparison is made against peer groups of similar organisations. JHHAL and JHAL compare themselves against all traditional associations in England, whereas MHAL compares itself against LSVTs in the Midlands and Wales.

The latest available figures are those for 2013 and the following table shows the combined performance of JHAL & JHHAL and MHAL compared to their relevant peer group. Unless otherwise stated, figures relate to total cost per property (£).

	JHAL/JHHAL (combined)			MHAL		
Key Financial Ratios	**Top Quartile**	**Our Result**	**Quartile**	**Top Quartile**	**Our Result**	**Quartile**
Overhead costs as % adjusted turnover	10.68%	12.16%	Q2	10.4%	11.2%	Q2
Major Works & Cyclical Maintenance	£915	£1,085	Q2	£1,253	£1,098	Q1
Responsive Repairs & Void Works	£687	£885	Q3	£641	£703	Median
Housing Management	£461	£599	Q3	£346	£488	Q4
Estate Services	£145	£171	Q2	£99	£121	Q2

The last review showed that for JHHAL and JHAL, overheads, major works & cyclical maintenance and estate services fell into quartile two and the cost of responsive repairs & void works and housing management fell into quartile three. With the exception of housing management, which improved from quartile four, all other measures remained the same when compared with the previous year.

For MHAL, major works & cyclical maintenance fell into quartile one; overheads and estate services quartile two; responsive repairs & void works were at the median and housing management fell into quartile four. When compared with the previous year, responsive repairs & void works moved up from quartile three and housing management costs moved down from quartile three to quartile four.

Using HouseMark's dashboard, when the quality of the service is taken into account, JHHAL and JHAL deliver services that are good quality with a range of high and low cost. MHAL's performance is mixed with around half of the business areas giving good performance, mainly at high cost, with the remainder giving poor performance mainly at low cost. Although some business areas have moved over the year, the previous review shows a similar picture.

3. Evidence the value for money gains that have been and will be made and how these have and will be realised over time.

Using our business planning process we have developed a number of action plans to improve our performance.

2013/14 represented the first year of our new five year procurement programme. This has achieved cost savings of approximately £1.1 million, representing 4.6% of our operating surplus, as well as a range of qualitative improvements. The total savings over the lifetime of these contracts is estimated to be £7.7 million representing 14% of the contract values. Around half of these savings are within our responsive repairs & void works service. This will reduce the cost of this service and should improve our benchmark position.

We have reviewed our Anti Social Behaviour service, which was a contributing factor to our poor performance in housing management. We have taken a number of actions and expect a reduction in the cost and an improvement in the quality of the service over the coming years.

In addition, budget savings during the year have provided us with an opportunity to redeem a loan that was no longer cost efficient in the current market and bring forward £1.9 million of major repairs. We have also utilised £9 million of sales income and cash from operating activities to fund the vast majority of the development programme. This has enabled us to fund the development of 344 new homes with only a £2.7 million increase in loan debt.

Collectively the savings generated from these activities help to support the future delivery of our Corporate Objectives by releasing resources. They enable us to continue to retain the high standard of our existing properties and develop an average of 360 homes a year, principally without grant, until 2021.

Operating and Financial Review (Continued) for the year ended 31 March 2014

Additionally we have used our resources to undertake a number of initiatives that help our customers. We have:

- targeted investment at our least energy efficient properties. Work to 152 homes during the year will generate potential savings in our customers' fuel bills totalling in excess of £30k per annum.

- introduced financial inclusion officers across our business to support customers in maximising their income and managing within their budget.

- helped our customers with digital inclusion by providing them with free access to the internet through kiosks and WiFi at our offices. This enables them to access our digital services as well as government and advisory services.

These initiatives should help our customers sustain their tenancies and remain in their homes, which not only benefits them, but also reduces void turnover and arrears management which enables us to transfer resources to create further new homes.

As well as our procurement programme and action plans, over the past twelve months the Group has been exploring a potential merger with Raglan Housing Group. The business case for merger estimates that over ten years it will release more than £38 million of efficiency gains. It is estimated this would be sufficient to fund the development of 1,272 additional homes as well as introducing new and improved services to customers through the deployment of different ways of working. Over the coming years the delivery of these efficiencies, together with improving our performance, will become our main focus.

As a result of the potential merger, the Boards of Management have agreed to defer a number of actions previously identified from our business planning process. The review of tenancy management, which was scheduled to take place this year and would have driven down our housing management costs, was one of these items, but it is considered that this will be addressed as part of the merger.

However, the Boards of Management have agreed that, where appropriate, initiatives should continue, ideally on a joint basis. One of these is the procurement plan which for 2014/15 is being developed jointly with Raglan and the value of procurements offered to the market will be enhanced as a result of this joint working. It is anticipated that this will further increase the potential to achieve cost savings and efficiencies.

More details on these and other gains are shown in our self assessment, published as a separate document.

Operating Results

The Group generated a surplus of £9.2 million before tax (2012/13 £8.6 million).

Total income from lettings increased by £5.1 million (7%) during the year. In addition, income from current asset property sales increased by £1.6 million plus an increase in other income of £0.2 million has resulted in an overall increase in turnover of £6.9 million (9%).

Interest payable costs rose in the year by 8% to £15.5 million. However, interest payable as a percentage of turnover remained at the same percentage as last year, 19%. Over the same period, the Group's loans increased by £2.3 million or 0.6% and at the year end total loans stood at £361 million.

Surpluses from right to buy, homebuy and other sales reduced to £0.7 million. Current asset property sales during the year resulted in a surplus of £0.8 million, meaning the overall sales process generated a surplus of £1.5 million, 16% of the Group's surplus.

Risk Management

In order to identify and manage risks within the business and the environment in which we operate, the Jephson Group has developed a strategic risk map. Using a traffic light system, each risk is graded on the basis of the likelihood of an event occurring and its impact on the business. The map also details the controls that are in place to manage each risk.

Operating and Financial Review (Continued) for the year ended 31 March 2014

Risks that could impact on our high priority corporate outcomes and therefore have the potential to impact on our objectives are listed below, together with the controls that are in place to manage those risks.

Risk	Control mechanism
Failure to respond to the changing HCA co-regulation agenda.	Our business planning priorities for 2014/19 ensure that resources are, and focus is, directed towards co-regulation.
Housing market risks leading to uncertainty in the forecasts of S106 rented supply, home ownership supply, values and sales periods.	We record and monitor potential schemes in target local authority areas. The geographic spread of potential schemes helps spread the risk and regional growth targets will be adjusted to reflect housing market supply and demand.
Welfare Reform changes impacting on our tenants' ability to pay their rent leading to an increase in arrears.	Our business planning priorities for 2014/19 ensure that resources are, and focus is, directed towards Welfare Reform by communicating the potential impact on tenants and by working with tenants to help them maintain their payments of rent.
Welfare Reform and Tenure Reform impacting on our ability to allocate and let property promptly.	Scheme sustainability assessments, which include monitoring the time taken to let property, are regularly reviewed.
ICT Services not cost effective or not meeting the needs of the Group.	We have reviewed our IT Governance and the Group's Boards have approved in principle an IT investment strategy for 2014/19.
Housing for older people or supported housing schemes becoming unsustainable due to the withdrawal of funding.	Financial sustainability assessments have been undertaken on all schemes likely to be affected by Supporting People Grant cuts.
External factors resulting in a loss of resources and a business continuity failure.	We have reviewed and revised our approach to business continuity planning.
Treasury management risks in relation to the availability of traditional funding, economic conditions impacting on loan covenants, interest rates, mark to market risks and counterparty risks.	Our Finance Committee have oversight of Treasury Management risks and are advised by external advisers. Scenario testing allows the impact of changing economic conditions to be forecast.
Significant cost increases in relation to the under valuation of the Social Housing Pension Scheme.	Tri-annual reviews of pension arrangements supplemented by a review by an independent pensions advisor in 2013.

Reserves Strategy

Due to the differing financial structures of the Group's members, separate reserves strategies have been agreed.

In the Jephson Associations, we currently hold the equivalent of eight years programmed maintenance expenditure in designated reserves. MHAL's strategy aims to ensure that reserves will not fall below £1 million in any one year and that the level of reserves per individual property will be greater than £500.

As at 31 March 2014, the Group held total reserves of £117.5 million (2012/13 £108.2 million). As a consequence of JHHAL and JHAL's strategies, £69 million of the total reserves at 31 March 2014 were designated against future maintenance expenditure.

In accordance with this policy, during the year JHHAL transferred £2.8 million from designated to revenue reserves and JHAL transferred £2.6 million from designated to revenue reserves.

The Group's reserves are not specifically cash backed; however, a pool of unsecured properties is retained to ensure ready access to undrawn loan facilities.

Rent Strategy

The Boards of Management are aware of the tension between the increasing demands on our resources, particularly the need to maintain our properties and keeping our rents affordable to people in low paid employment and in receipt of benefits. This is particularly significant with the reforms to welfare benefits currently underway.

Operating and Financial Review (Continued) for the year ended 31 March 2014

Under HCA development agreements a small number of properties are being developed at affordable rent and some existing properties are converting to this basis when re-let. The affordability of these rents to new tenants and the potential impact that Welfare Reform will have on a tenant's ability to pay this rent is considered when the properties developed at these rents are selected.

Although the vast majority of properties are let at target rent, a small number are below target. With the introduction of the new rent regime properties currently below will move to target rent when re-let.

Treasury Management

The Boards of all three Associations in the Group are responsible for determining their own treasury management strategies and these are reviewed and normally updated annually. However, mid-year reviews will be undertaken if required.

These policies include the parameters within which treasury and cash management can be undertaken as well as strict transaction authorisation rules. The Finance Committee also approves all new borrowing facilities and receives regular portfolio and monitoring reports.

Group borrowings increased by £2.3 million during the year after repayments of £6.4 million, with JHAL drawing down £8.0 million and MHAL drawing down £0.7 million from their own facilities.

At the end of the year 49% of the Group's borrowings were on fixed interest rates for periods in excess of 10 years. A further 15% were fixed for shorter periods ranging from 2 to 10 years. The remaining 36% were on variable rates or short-term fixes. The approach is to maintain a mix of fixed and variable rates to protect the Group from the effects of extreme interest rate changes.

Cash projections cover a five-year period to continuously monitor future borrowing requirements. The Group's current policy is to only enter into development contracts that can be met from loan agreements currently in place, which are secured and from which cash is available to draw.

The Jephson Associations have adopted the wider National Housing Federation rules. This gives both Associations the ability to undertake derivatives independently of their underlying loan debt. This separation enables the Associations to secure the most competitive terms when undertaking any fixed interest rate arrangement.

MHAL retains responsibility for its own private finance, which was arranged with Nationwide on a standard stock transfer basis prior to the Association joining the Group.

Group investment activity is governed by strict credit criteria and investment limits, the objective being the preservation of capital as opposed to the maximisation of returns.

Key Accounting Policies

Summarised in note 1 are the principal accounting policies that have been used to prepare the financial statements of the Group.

Due to the nature of the business the most significant policies are those regarding the treatment of housing properties in the balance sheet and the capitalisation of expenditure on existing properties. The policies detail the property components that are capitalised and the period over which they are depreciated.

The other major accounting policy of note is the treatment of pension costs. The Group is a member of the Social Housing Pension Scheme (SHPS). As this is a multi-employer pension scheme and it is not possible to calculate a surplus or deficit applicable to the Group, the multi-employer exemption is applied. Therefore, although the Group offers a defined benefit pension scheme, it is accounted for as a defined contribution pension scheme.

Future Plans

During the past year the Group has been exploring a potential merger with Raglan Housing Group. The Boards of Management of all three associations within the Group have accepted the business case for the merger and are all represented on the Board Designate Committee created to oversee the implementation of the new Group. It is intended to seek approval from the Homes and Communities Agency during 2014 for the merger.

Report of the Board of Management for the year ended 31 March 2014

The Board of Management and Directors

The Board and Directors of the Group, who served throughout the period, unless otherwise stated, are listed on page 1. The Board Members all act under a contract for service. With the exception of the Chief Executive who was appointed as a Board Member in December 2003, the Corporate Directors of JHHAL do not have the legal status of Directors and act as Executives within the authority delegated by the Board.

Due to the potential merger with Raglan Housing Group, the Board has chosen to suspend the renewal of its membership. As a result a small number of members currently exceed their nine year period of office. If the proposed merger proceeds as planned this will be addressed in the new governance arrangements; however, if the merger does not proceed then the programme of renewal will recommence.

The Group maintains insurance to indemnify the Board and Directors against liability when acting for the Group.

Statement of Board Responsibilities

The Board is required by the Industrial and Provident Societies Acts 1965 to 2003 to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Group and of the Association as at the end of the financial year and of the surplus or deficit of the Group and of the Association for that period.

The Board confirms that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 March 2014. The Board also confirms that applicable accounting standards have been followed and that the statements have been prepared on the Going Concern basis.

The Board is responsible for ensuring proper accounting records are kept, for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Corporate Governance

The Board has adopted the National Housing Federation's (NHF) codes 'Excellence in Governance' and 'Excellence in Standards of Conduct'.

The Board currently comprises nine non-executive members, who are drawn from a wide background bringing together professional, commercial and local experience, and the Secretary of the Association who is also an executive member.

The Board meets formally six times each year. Local operational policies are delegated, subject to approved budgets, to four Regional Committees. Each of these is chaired by a Board member and the relevant Regional Director is also a member.

While the Board is responsible for the overall strategy and policy of the Group, the day-to-day matters are delegated to the Chief Executive. Directors attend Board meetings and the Chief Executive is the Company Secretary.

The Chief Executive chairs monthly Directors meetings. Additional meetings are also called to discuss corporate issues that do not fit the timetable. Directors deal with all major management decisions of the Group, and make policy recommendations to the Board.

The Finance Committee comprises six members, three of whom serve on the Group Board, with one Regional Committee member, one MHAL Board member and the Finance Director. It deals with finance matters including the raising of private finance.

The Audit Committee comprises five members, three of whom serve on the Board, with one Regional Committee member and one MHAL Board member. It receives reports from both the Internal and External Auditors and reports to the Board on systems of internal control.

The Establishment Committee comprises five Board members. It deals with all employment matters and determines the pay scales and conditions for all employees of the Jephson Associations with the exception of the Chief Executive and the Directors. These are considered by the Board.

Compliance Statement

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

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 to 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.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls, which is 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.

The process 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 includes:

- **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 ongoing process of management review in each area of the Group's activities. The Audit Committee has oversight of the risk management process and regularly considers the controls, monitoring activity and specific actions being taken by Directors to manage strategic and high priority risks.

- **Monitoring and corrective action**
  Regular management reporting on control issues provides hierarchical assurance to successive levels of management and to the Board. This includes rigorous procedures for ensuring that corrective action is taken in relation to any significant control issues, particularly those with a material impact on the financial statements.

- **Control environment and control procedures**
  The National Housing Federation codes for governance and standards of conduct adopted by the Group set out our approach to meeting the principles of good governance. The Board retains responsibility for determining our mission and ethos and setting controls in relation to strategic, operational, financial and compliance matters including treasury management, new investment projects and risk management. This is supported by a framework of policies and procedures with which employees must comply and which covers issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection and fraud prevention and detection.

- **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 also regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes. The internal control framework and risk management process are subject to regular review by Internal Audit who are responsible for providing independent assurance to the Board via its Audit Committee. The Audit Committee considers internal control and risk at its meetings during the year.

- **Fraud**
  The Group fraud policy covers the prevention, detection and reporting as well as a commitment to recover any assets lost. Where any fraud is identified it is reported to the Audit Committee and the Board at the earliest opportunity together with the actions that have been taken.

The Board has received the Directors' Group Internal Assurance report, has conducted its annual review of the effectiveness of the system of internal control and has taken account of any changes needed to maintain the effectiveness of the risk management and control process.

The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Group. This process has been in place throughout the year under review, up to the date of the annual report and is regularly reviewed by the Board.

Employment and Equal Opportunities

The staff of MHAL are directly employed by that subsidiary with the exception of the Managing Director, who, along with all Jephson Associations' staff and Directors, is employed by JHHAL.

The Group's ability to meet its objectives in an effective and efficient manner depends on the quality and commitment of its employees and their contributions. Consequently the Group uses a variety of methods to inform, consult and involve its employees. Emphasis is placed on providing training opportunities for all staff, using both internal and external facilities to encourage staff personal development. This commitment to development continues to be recognised as all Group members retain their Investors in People status.

The policies of the Group embody the principles of equal opportunity in all aspects of its work. Strong emphasis is also placed on providing a safe and healthy working environment and training employees in safe working practices in accordance with the Group's Health and Safety policy.

Donations

During the year the Group has made charitable donations of £1,000 (2012/13 £905). The Group has made no political donations.

Going Concern

Having reviewed the five-year Corporate Plan and the thirty-year financial projections, the Board is fully satisfied that the Group and each of the Group entities have adequate resources to continue trading for the foreseeable future. Accordingly, it continues to adopt the Going Concern basis in preparing the Group's Financial Statements.

Disclosure of Information

The Board Members have taken all the necessary steps to make the Auditors aware of any relevant audit information and to establish that the Auditors are aware of that information.

Auditors

A resolution will be proposed at the forthcoming Annual General Meeting to re-appoint Mazars LLP as auditors and to authorise the Audit Committee to fix their remuneration.

On behalf of the Board

M Collins
Chair

Independent Auditor's Report to the Members of Jephson Homes Housing Association Limited for the year ended 31 March 2014

We have audited the financial statements of Jephson Homes Housing Association Limited for the year ended 31 March 2014 which comprise the Group and Association Income and Expenditure Accounts, the Group and Association Balance Sheets, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of the Board and the Auditor

As explained more fully in the Statement of Board Responsibilities set out on page 13, the Board is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

This report is made solely to the Association's members, as a body, in accordance with section 9 of the Friendly and Industrial and Provident Societies Act 1968 and the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Association's affairs as at 31 March 2014 and of the Group's and the Association's income and expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts, 1965 to 2003, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2003 require us to report to you if, in our opinion:

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

Mazars LLP
Chartered Accountants and Statutory Auditor
45 Church Street
Birmingham
B3 2RT

8 July 2014

Income and Expenditure Account for the year ended 31 March 2014

		Group		Association	
		2014	**2013**	**2014**	**2013**
	Notes	**£ 000**	**£ 000**	**£ 000**	**£ 000**
Turnover	2	**81,299**	74,394	**46,386**	45,009
Cost of Sales	2	**(3,552)**	(2,190)	**(343)**	(1,067)
Operating Costs	2	**(54,024)**	(50,663)	**(31,521)**	(30,849)
Operating Surplus	2	**23,723**	21,541	**14,522**	13,093
Interest Payable	7	**(15,461)**	(14,288)	**(11,303)**	(10,350)
Sales of Housing Accommodation	8	**694**	1,312	**462**	9,742
Gift Aid Paid		**-**	-	**-**	(9,500)
Investment Income		**203**	58	**185**	41
Total Surplus for the year before taxation		**9,159**	8,623	**3,866**	3,026
Tax on surplus on ordinary activities	10	**-**	-	**-**	-
Surplus for the financial year		**9,159**	8,623	**3,866**	3,026

There are no other recognised surpluses apart from the surplus in this Income and Expenditure Account.
There is no difference between the reported surpluses/(deficits) for the year and historical cost surpluses or deficits.
The results relate wholly to continuing activities.

Balance Sheet as at 31 March 2014

		Group		Association	
		2014	**2013**	**2014**	**2013**
	Notes	**£ 000**	**£ 000**	**£ 000**	**£ 000**
Tangible fixed assets					
Housing properties at cost	11	**891,750**	863,453	**575,476**	563,976
Less: Social housing grant	11	**(335,026)**	(336,040)	**(224,953)**	(225,321)
Other subsidies	11	**(12,689)**	(12,708)	**(11,575)**	(11,575)
Depreciation	11	**(84,782)**	(77,375)	**(53,275)**	(49,023)
		459,253	437,330	**285,673**	278,057
Other assets	12	**8,422**	8,478	**5,554**	5,698
Long term investments	13	**-**	-	**4,000**	4,000
		467,675	445,808	**295,227**	287,755
Current assets					
Non liquid current assets	14	**1,442**	1,361	**1,442**	1,361
Stock	15	**3,734**	6,172	**1,768**	3,793
Debtors	16	**3,616**	3,427	**2,562**	2,610
Investments	17	**12,297**	13,338	**11,074**	10,621
Cash at bank and in hand	18	**5,756**	11,967	**4,266**	11,551
		26,845	36,265	**21,112**	29,936
Less Creditors					
Amounts falling due within one year	19	**19,946**	18,171	**15,424**	13,249
Net current assets		**6,899**	18,094	**5,688**	16,687
Total assets less current liabilities		**474,574**	463,902	**300,915**	304,442
Creditors					
Amounts falling due after more than one year	20	**357,239**	355,726	**245,859**	253,252
Capital and Reserves					
Called-up share capital	21	**-**	-	**-**	-
Designated reserves	22	**68,883**	63,471	**45,848**	43,077
Revenue reserves	22	**48,452**	44,705	**9,208**	8,113
		474,574	463,902	**300,915**	304,442

The financial statements on pages 17 to 40 were approved by the Board of Management on 8 July 2014 and were signed on its behalf by:

M Collins	Chair	**R J Strachan**	Chief Executive/Secretary
C F Small	Board Member	**D G Blower**	Finance Director

Cash Flow Statement for the year ended 31 March 2014

		2014 £ 000	2013 £ 000
Reconciliation of operating surplus to net cash inflow from operating activities			
Operating surplus		**23,723**	21,541
Depreciation charges		**12,013**	11,908
Decrease/(increase) in stock		**2,438**	(475)
Decrease/(increase) in debtors		**(189)**	687
Increase/(decrease) in creditors		**502**	198
Net cash flow from operating activities		**38,487**	33,859
Cash Flow Statement			
Net cash flow from operating activities		**38,487**	33,859
Returns on investment and servicing of finance	(Note 1)	**(15,436)**	(14,378)
Taxation		**-**	-
Capital expenditure	(Note 1)	**(33,008)**	(30,226)
		(9,957)	(10,745)
Management of liquid resources	(Note 1)	**960**	(242)
Financing	(Note 1)	**2,660**	20,792
(Decrease)/increase in cash		**(6,337)**	9,805
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash in the year		**(6,337)**	9,805
Housing loans received		**(8,668)**	(27,103)
Cash used to repay housing loans		**6,008**	6,311
Cash (received)/used to (decrease)/increase short-term investments		**(1,041)**	235
Cash (received)/used to (decrease)/increase non liquid current assets		**81**	7
Change in net debt resulting from cashflows	(Note 2)	**(9,957)**	(10,745)
Change in loan amortisation	(Note 2)	**395**	40
Change in net debt		**(9,562)**	(10,705)
Net debt at 1 April 2013	(Note 2)	**(332,571)**	(321,866)
Net debt at 31 March 2014	(Note 2)	**(342,133)**	(332,571)

Notes to the Cash Flow Statement for the year ended 31 March 2014

Note 1 – Gross Cash Flows	2014	2013
	£ 000	£ 000
Returns on investment and servicing of finance		
Interest received	**203**	58
Interest paid	**(15,639)**	(14,436)
	(15,436)	(14,378)
Capital expenditure		
Acquisition and construction of housing properties	**(40,048)**	(41,659)
Purchase of other fixed assets	**(598)**	(942)
Social housing grants received	**1,191**	5,059
Other subsidies received	**-**	74
Transferred to stock	**2,812**	3,174
Sales of housing properties	**3,627**	3,964
Sale of other fixed assets	**8**	104
	(33,008)	(30,226)
Management of liquid resources		
Net sale/(purchase) of short term deposits	**1,041**	(235)
Net sale/(purchase) of non liquid current assets	**(81)**	(7)
	960	(242)
Financing		
Housing loans received	**8,668**	27,103
Housing loans repaid	**(6,008)**	(6,311)
	2,660	20,792

Note 2 – Analysis of changes in net debt	1 April 2013 £ 000	Non-Cash Items £ 000	Cash Flows £ 000	31 March 2014 £ 000
Cash at bank and in hand	11,967	-	(6,211)	**5,756**
Overdrafts	(143)	-	(126)	**(269)**
Increase/(decrease) in cash in the year	11,824	-	(6,337)	**5,487**
Debt due within 1 year	(4,544)	(41)	(1,372)	**(5,957)**
Debt due after 1 year	(354,550)	436	(1,288)	**(355,402)**
Short-term investments	13,338	-	(1,041)	**12,297**
Non liquid current assets	1,361	-	81	**1,442**
	(332,571)	395	(9,957)	**(342,133)**

Notes to the Financial Statements for the year ended 31 March 2014

1. Principal Accounting Policies

The Association is incorporated under the Industrial and Provident Societies Act 1965 and is registered with the Social Housing Regulator as a Registered Provider (RP) as defined by the Housing and Regeneration Act 2008.

a) Basis of Accounting

The financial statements of the Group are prepared under the historical cost convention in accordance with applicable accounting standards and the Statement of Recommended Practice published by the National Housing Federation: "Accounting by registered social housing providers, update 2010". They comply with the Industrial and Provident Societies Acts 1965 to 2003, the Housing and Regeneration Act 2008 and the Accounting Direction for Social Housing in England 2012.

b) Basis of Consolidation

The consolidated accounts incorporate the financial statements of JHHAL and its subsidiary undertakings, JHAL and MHAL, made up to 31 March 2014.

JHAL has charitable status and its principal activity is the provision of rented housing for those in most need. JHHAL holds one share in the subsidiary and has control of the membership of its Board of Management.

MHAL joined the Group in 1996 and gained charitable status in 2002. MHAL is registered under the Industrial and Provident Societies Act 1965 and its principal activities are the development and management of social housing. JHHAL holds one share in the subsidiary and also has one member sitting on the Board of MHAL. JHHAL operates control over MHAL through the application of a joint arrangement deed. On this basis MHAL is consolidated into the Group accounts.

c) Turnover

Turnover represents rental income, service charge receivable and revenue grants from Local Authorities and the Homes and Communities Agency. It also includes income from Shared Ownership first tranche sales.

d) Pension Costs

The Group participates in an industry-wide defined final salary pension scheme, which is only available to staff employed prior to 1 April 2010. From 1 April 2010, new and existing employees have the option to join either a defined contribution scheme or a career averaged revalued earnings scheme.

Contributions to pension schemes are calculated as a percentage of pensionable salaries of employees and are charged to the Income and Expenditure Account so as to spread the cost of pensions over the service lives of employees in the scheme. The assets of the scheme are invested and managed independently of the finances of the Group.

e) Housing Properties, Depreciation and Impairment

Housing properties in the course of construction are stated at cost and are not depreciated. Housing properties are transferred to completed properties when they are ready for letting.

Housing properties are stated at cost less Social Housing Grant and other grants. This includes the cost of acquiring land and buildings, development costs, interest charges during the development period and expenditure incurred in respect of improvements.

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

Properties constructed by the Group	100 years
Transfer stock and improvements	85 years
Properties purchased by the Group	75 years

Notes to the Financial Statements (Continued) for the year ended 31 March 2014

e) Housing Properties, Depreciation and Impairment (Continued)

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

Major components are treated as separable assets and depreciated over their expected useful economic lives or the lives of the properties to which they relate, if shorter, at the following annual rates:

Bathrooms	25 years
Boilers	15 years
Electrical Rewiring	30 years
Heating Systems	30 years
Kitchens	20 years
Lifts	20 years
Roofs	60 years
Windows & Doors	30 years

Reviews for impairment of housing properties are carried out on an annual basis and any impairment in income generating units is recognised by a charge to the Income and Expenditure Account. Impairment is recognised where the carrying value of income generating units exceeds the higher of its net realisable value or its value in use.

f) Shared Ownership Sales

Shared ownership properties under construction are proportionally split between current and fixed assets, determined by the percentage of the properties to be sold under first tranche sales. Proceeds from the first tranche sales of shared ownership properties are accounted for in turnover in the Income and Expenditure Account in the period in which the sale occurs. The cost of sales includes the incidental costs of executing the sale and a proportion of the overall costs of the property determined by the percentage sold under the first tranche sale. The cost of sales is adjusted where necessary to ensure the surplus on sale is restricted to the overall surplus on the scheme.

g) Social Housing Grant

Where developments have been financed wholly or partly by Social Housing Grant, the cost of those developments has been reduced by the amount of the grant received. When housing properties are sold, Social Housing Grant is recycled to the Recycled Capital Grant Fund maintained in long-term creditors. The grant recyclable is usually restricted to the net proceeds of the sale. Recycled capital grants that have not been utilised within three years become repayable and would be shown in current liabilities if not repaid at the balance sheet date. Other grants received from local authorities are used to reduce the capital costs of housing properties, including land costs.

h) Works on Existing Housing Properties

Expenditure on improvements to existing property, which enhances the economic benefits of the property or extends its useful life, is capitalised as part of the cost of the property. Maintenance expenditure relating to a full replacement of a component is capitalised and depreciated over the component's expected useful economic life. Other maintenance expenditure is written off to the Income and Expenditure Account in the year in which it is incurred.

i) Sale of Housing Properties

Whilst it is not the general intention of the Group to dispose of its housing stock, properties can be sold for a number of reasons. Some tenants retain the right to buy their homes and shared ownership leaseholders can exercise a right to purchase further tranches of their homes when desired. The Group may also sell vacant properties as part of its ongoing asset management strategy, where future lettability issues or economic arguments justify sale.

The surplus or deficit on disposal of housing properties held as fixed assets, including second or subsequent tranches of shared ownership properties, is accounted for on the face of the Income and Expenditure Account.

j) Other Fixed Assets

Other fixed assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight-line basis over the expected economic useful lives of the assets at the following annual rates:

Freehold offices and shops	50 to 100 years
Improvements to leasehold properties	over the life of the lease
Office furniture and equipment (including IT equipment)	5 to 7 years
Site equipment	4 to 25 years
Motor vehicles	4 years

Expenditure on other fixed assets costing less than £1,000 is written off to the Income and Expenditure Account in the year that it is incurred.

k) Capitalisation of Development Overheads and Interest

All development costs directly attributable to bringing properties into management are identified and capitalised to schemes in construction during the year. Interest on the loan financing a development is capitalised up to the date of completion of the property.

l) Provisions

The Group only carries forward sums to meet the cost of cyclical and programmed maintenance, or to renew major items of site equipment where there is a contractual obligation to do so. The use of any other provisions is restricted to situations where a liability exists, but where there is some uncertainty as to the timing or amount of the expenditure.

m) Designated Reserves

The Group designates reserves to fund future programmed maintenance costs. The Jephson Associations seek to hold up to eight years future programmed maintenance costs within these reserves.

In MHAL, amounts are set aside for the repair and redecoration of Private Sector leased properties at the termination of the lease.

n) Value Added Tax (VAT)

The Group is registered for VAT. A large proportion of its income is exempt for VAT purposes, which gives rise to a partial exemption calculation. Expenditure is therefore shown inclusive of VAT and the input tax recovered is included in other income.

o) Housing for Older People

Housing for Older People represents housing designated for older people and includes appropriate facilities, design features and access to relevant support services.

p) Operating Leases

Rental paid under operating leases is charged to the Income and Expenditure Account on an accruals basis.

q) Loan Arrangement Fees

Loans are stated in the Balance Sheet at the amount of the net proceeds after issue. Costs directly connected the raising of finance are deducted from loans and written off over the life of the loan in the Income and Expenditure Account.

Notes to the Financial Statements (Continued) for the year ended 31 March 2014

2. Particulars of Turnover, Cost of Sales, Operating Costs and Operating Surplus – Group

	Turnover £ 000	Cost of Sales £ 000	Operating Costs £ 000	2014 Operating Surplus £ 000
Social Housing Lettings (Note 3)	74,208	-	(50,524)	**23,684**
Other Social Housing Activities:				
Current asset property sales	4,319	(3,552)	-	**767**
Charges for support services	1,077	-	(1,009)	**68**
Development administration	-	-	(566)	**(566)**
Management services	-	-	(279)	**(279)**
Other	662	-	(196)	**466**
	6,058	(3,552)	(2,050)	**456**
Non Social Housing Activities:				
Merger costs	-	-	(234)	**(234)**
Other home owners	1,033	-	(1,216)	**(183)**
Other	-	-	-	**-**
	1,033	-	(1,450)	**(417)**
Total	81,299	(3,552)	(54,024)	**23,723**

	Turnover £ 000	Cost of Sales £ 000	Operating Costs £ 000	2013 Operating Surplus £ 000
Social Housing Lettings (Note 3)	69,152	-	(46,525)	**22,627**
Other Social Housing Activities:				
Current asset property sales	2,709	(2,190)	-	**519**
Charges for support services	1,123	-	(1,050)	**73**
Development administration	-	-	(1,223)	**(1,223)**
Management services	-	-	(288)	**(288)**
Other	490	-	(310)	**180**
	4,322	(2,190)	(2,871)	**(739)**
Non Social Housing Activities:				
Merger costs	-	-	-	**-**
Other home owners	920	-	(1,267)	**(347)**
Other	-	-	-	**-**
	920	-	(1,267)	**(347)**
Total	74,394	(2,190)	(50,663)	**21,541**

Notes to the Financial Statements (Continued) for the year ended 31 March 2014

2. Particulars of Turnover, Cost of Sales, Operating Costs and Operating Surplus – Association

	Turnover £ 000	Cost of Sales £ 000	Operating Costs £ 000	2014 Operating Surplus £ 000
Social Housing Lettings (Note 3)	43,796	-	(29,501)	**14,295**
Other Social Housing Activities:				
Current asset property sales	360	(343)	-	**17**
Charges for support services	438	-	(381)	**57**
Development administration	-	-	(44)	**(44)**
Management services	-	-	-	**-**
Other	932	-	(356)	**576**
	1,730	(343)	(781)	**606**
Non Social Housing Activities:				
Merger costs	-	-	(209)	**(209)**
Other home owners	860	-	(1,030)	**(170)**
Other	-	-	-	**-**
	860	-	(1,239)	**(379)**
Total	46,386	(343)	(31,521)	**14,522**

	Turnover £ 000	Cost of Sales £ 000	Operating Costs £ 000	2013 Operating Surplus £ 000
Social Housing Lettings (Note 3)	41,697	-	(28,201)	**13,496**
Other Social Housing Activities:				
Current asset property sales	1,259	(1,067)	-	**192**
Charges for support services	431	-	(407)	**24**
Development administration	-	-	(718)	**(718)**
Management services	-	-	-	**-**
Other	876	-	(454)	**422**
	2,566	(1,067)	(1,579)	**(80)**
Non Social Housing Activities:				
Merger costs	-	-	-	**-**
Other home owners	746	-	(1,069)	**(323)**
Other	-	-	-	**-**
	746	-	(1,069)	**(323)**
Total	45,009	(1,067)	(30,849)	**13,093**

Notes to the Financial Statements (Continued) for the year ended 31 March 2014

3. Particulars of Income and Expenditure from Social Housing Lettings – Group

	Housing Accommodation £ 000	Supported Housing & Housing for Older People £ 000	Shared Ownership £ 000	Temporary Social Housing £ 000	2014 Total £ 000
Income					
Rent receivable net of identifiable service charges	57,337	7,534	3,538	197	**68,606**
Service charge income	2,963	2,205	427	7	**5,602**
Other revenue grants	-	-	-	-	**-**
Turnover from social housing lettings	60,300	9,739	3,965	204	**74,208**
Expenditure					
Management	9,089	1,556	414	186	**11,245**
Service charge costs	2,595	2,187	411	10	**5,203**
Routine maintenance	12,118	1,550	36	32	**13,736**
Programmed maintenance	6,262	1,452	10	-	**7,724**
Bad debts	410	9	57	2	**478**
Depreciation of housing properties	10,285	1,240	413	-	**11,938**
Impairment of housing properties	200	-	-	-	**200**
Operating costs on social housing lettings	40,959	7,994	1,341	230	**50,524**
Operating surplus/(deficit) on social housing lettings	19,341	1,745	2,624	(26)	**23,684**
Void losses	(549)	(219)	(4)	(2)	**(774)**

	Housing Accommodation £ 000	Supported Housing & Housing for Older People £ 000	Shared Ownership £ 000	Temporary Social Housing £ 000	2013 Total £ 000
Income					
Rent receivable net of identifiable service charges	52,843	7,513	3,310	166	**63,832**
Service charge income	2,800	2,123	390	6	**5,319**
Other revenue grants	-	-	-	1	**1**
Turnover from social housing lettings	55,643	9,636	3,700	173	**69,152**
Expenditure					
Management	7,891	1,532	337	162	**9,922**
Service charge costs	2,509	2,146	369	6	**5,030**
Routine maintenance	11,060	1,473	19	23	**12,575**
Programmed maintenance	6,390	1,154	3	1	**7,548**
Bad debts	394	26	(54)	2	**368**
Depreciation of housing properties	9,527	860	391	-	**10,778**
Impairment of housing properties	304	-	-	-	**304**
Operating costs on social housing lettings	38,075	7,191	1,065	194	**46,525**
Operating surplus/(deficit) on social housing lettings	17,568	2,445	2,635	(21)	**22,627**
Void losses	(538)	(147)	(23)	(3)	**(711)**

Notes to the Financial Statements (Continued) for the year ended 31 March 2014

3. Particulars of Income and Expenditure from Social Housing Lettings – Association

	Housing Accommodation £ 000	Supported Housing & Housing for Older People £ 000	Shared Ownership £ 000	2014 Total £ 000
Income				
Rent receivable net of identifiable service charges	36,401	1,779	2,774	**40,954**
Service charge income	1,857	635	350	**2,842**
Other revenue grants	-	-	-	**-**
Turnover from social housing lettings	38,258	2,414	3,124	**43,796**
Expenditure				
Management	6,061	663	274	**6,998**
Service charge costs	1,611	565	367	**2,543**
Routine maintenance	7,519	409	34	**7,962**
Programmed maintenance	3,937	312	8	**4,257**
Bad debts	248	(10)	54	**292**
Depreciation of housing properties	6,659	280	310	**7,249**
Impairment of housing properties	200	-	-	**200**
Operating costs on social housing lettings	26,235	2,219	1,047	**29,501**
Operating surplus/(deficit) on social housing lettings	12,023	195	2,077	**14,295**
Void losses	(331)	(18)	-	**(349)**

	Housing Accommodation £ 000	Supported Housing & Housing for Older People £ 000	Shared Ownership £ 000	2013 Total £ 000
Income				
Rent receivable net of identifiable service charges	34,548	1,676	2,694	**38,918**
Service charge income	1,846	599	334	**2,779**
Other revenue grants	-	-	-	**-**
Turnover from social housing lettings	36,394	2,275	3,028	**41,697**
Expenditure				
Management	5,462	629	256	**6,347**
Service charge costs	1,620	539	322	**2,481**
Routine maintenance	7,096	385	17	**7,498**
Programmed maintenance	4,318	282	2	**4,602**
Bad debts	258	8	(53)	**213**
Depreciation of housing properties	6,189	256	311	**6,756**
Impairment of housing properties	304	-	-	**304**
Operating costs on social housing lettings	25,247	2,099	855	**28,201**
Operating surplus/(deficit) on social housing lettings	11,147	176	2,173	**13,496**
Void losses	(361)	(20)	(3)	**(384)**

Notes to the Financial Statements (Continued) for the year ended 31 March 2014

4. Accommodation in Management – Group

	2014 Number of properties		2013 Number of properties	
	Managed by Group	Managed by Others	Managed by Group	Managed by Others
General Needs – Social Rent	11,758	37	11,672	37
– Affordable Rent	179	-	40	-
Supported Housing	155	165	154	196
Housing for Older People	1,612	-	1,630	-
Temporary Social Housing	48	-	49	-
Shared Ownership	1,526	-	1,482	-
Total Social Housing Units	15,278	202	15,027	233
Total Non-Social Housing Units	917	1	931	1
Total Housing Units	16,195	203	15,958	234

4. Accommodation in Management – Association

	2014 Number of properties		2013 Number of properties	
	Managed by Jephson	Managed by Others	Managed by Jephson	Managed by Others
General Needs – Social Rent	6,989	346	7,004	346
– Affordable Rent	56	-	2	-
Supported Housing	55	137	54	137
Housing for Older People	316	-	316	-
Shared Ownership	1,160	48	1,179	50
Total Social Housing Units	8,576	531	8,555	533
Total Non-Socal Housing Units	815	1	829	1
Total Housing Units	9,391	532	9,384	534

Notes to the Financial Statements (Continued) for the year ended 31 March 2014

5. Board and Directors' Emoluments

The emoluments of the Board of Management, the Chief Executive and the Directors of the Association were as follows:

	Group		Association	
	2014	**2013**	**2014**	**2013**
	£ 000	**£ 000**	**£ 000**	**£ 000**
Board of Management/Committee Members				
Remuneration of Non-Executive Board members (see below)	**75**	56	**75**	56
Remuneration of Non-Executive Committee Members	**31**	30	**31**	30
Directors				
Emoluments including pension contributions and benefits in kind	**1,018**	1,012	**1,018**	1,012
Emoluments of the highest paid director (Chief Executive) excluding pension contributions	**180**	175	**180**	175
Total expenses re-imbursed to the directors not chargeable to United Kingdom income tax	**23**	16	**23**	16
Average number of directors	**8**	8	**8**	8

The Chief Executive is an ordinary member of the Association's pension scheme, details of which are set out in note 23.
In addition he is contractually entitled to enhanced pension contributions of 19.3%

Remuneration of Non-Executive Board Members in respect of this Association is provided below.
Payments in respect of their work for other Associations in the Group are disclosed in the individual Association accounts.

Remuneration of Non-Executive Board members

		Board	Other Committees	2014 Total	2013 Total
		£	£	£	£
Chair	M Collins	14,333	6,041	**20,374**	12,523
Deputy	M Summerfield	4,202	3,384	**7,586**	5,029
	T Brown (Resigned 24/04/12)	-	-	**-**	1,131
	R Green	4,202	4,900	**9,102**	6,627
	J Hibben	3,266	3,973	**7,239**	6,627
	M Lloyd (Retired 06/08/13)	1,394	1,635	**3,029**	5,941
	S Benson (From 06/08/13)	2,340	1,638	**3,978**	-
	S Malhotra (Retired 09/07/13)	1,394	231	**1,625**	3,193
	A Dokov (From 06/08/13)	2,808	234	**3,042**	-
	B Roebuck	4,202	3,973	**8,175**	6,857
	C F Small	3,266	3,387	**6,653**	4,571
	D Wright (From 06/08/13)*	2,808	1,399	**4,207**	228
	S Chapman (From 26/11/12 to 30/06/13)	-	114	**114**	2,282
	S Goodrich (From 29/06/12 to 28/09/12)	-	-	**-**	1,144
		44,215	30,909	**75,124**	56,153

Board and Committee cycles consist of six meetings a year. Payment to members is based on their attendance at the respective meeting. Fees for 2013/14 are higher than the previous year due to increased governance activity as a result of the proposed merger with Raglan Housing Group.

The remuneration of Non-Executive Committee Members in the year covers 32 people who were paid between £233 and £2,563.

* Although D Wright became a Board member on 06/08/13 he did receive remuneration in 2013 in respect of work on other committees.

Notes to the Financial Statements (Continued) for the year ended 31 March 2014

6. Employee Information

The Full Time Equivalent (FTE) number of staff based on 35.5 hours per week was:	Group 2014 FTE	Group 2013 FTE	Association 2014 FTE	Association 2013 FTE
Office staff	**333**	328	**184**	185
Site staff	**76**	76	**30**	32
	409	404	**214**	217

	£ 000	**£ 000**	**£ 000**	**£ 000**
Staff costs (for the above persons)*				
Wages and salaries	**11,228**	10,915	**6,264**	6,265
Social security costs	**892**	868	**506**	510
Other pension costs (see note 23)	**1,584**	1,204	**960**	734
	13,704	12,987	**7,730**	7,509

* 2014 includes £0k (2013 £6k) in respect of redundancy payments.

The table below provides detail of the number of employees whose total remuneration was in excess of £60k during the year:

Salary Bands	Group 2014 FTE	Group 2013 FTE	Association 2014 FTE	Association 2013 FTE
£60,000 - £69,999	**-**	-	**-**	-
£70,000 - £79,999	**1**	1	**1**	1
£80,000 - £89,999	**4**	4	**4**	4
£90,000 - £99,999	**1**	1	**1**	1
£100,000 - £109,999	**1**	1	**1**	1
£110,000 - £119,999	**-**	-	**-**	-
£120,000 - £129,999	**-**	-	**-**	-
£130,000 - £139,999	**-**	-	**-**	-
£140,000 - £149,999	**-**	-	**-**	-
£150,000 - £159,999	**1**	1	**1**	1
	8	8	**8**	8

Notes to the Financial Statements (Continued) for the year ended 31 March 2014

7. Interest Payable and Similar Charges

	Group		Association	
	2014	2013	2014	2013
	£ 000	£ 000	£ 000	£ 000
On bank loans, overdrafts and other loans:				
Repayable within 5 years, by instalments	**1,029**	114	**541**	-
Repayable wholly or partly in more than 5 years	**14,432**	14,174	**10,762**	10,350
Interest charged to Income and Expenditure Account	**15,461**	14,288	**11,303**	10,350
Interest charged to capital at rates between 0.81% and 2.90% (2013 between 0.81% and 1.36%)	**178**	148	**28**	66

8. Sale of Housing Accommodation

	Group		Association	
	2014	2013	2014	2013
	£ 000	£ 000	£ 000	£ 000
Sale Proceeds	**4,701**	5,263	3,527	22,901
Less Costs	**(4,007)**	(3,951)	(3,065)	(13,159)
Surplus on Sale	**694**	1,312	462	9,742

9. Surplus/(Deficit) on Ordinary Activities before Taxation

	Group		Association	
	2014	2013	2014	2013
	£ 000	£ 000	£ 000	£ 000
Surplus/(deficit) on ordinary activities before taxation is stated after charging/(crediting):				
Depreciation on tangible owned fixed assets	**653**	831	**477**	617
Depreciation on housing properties	**11,946**	10,787	**7,257**	6,764
Impairment on housing properties	**200**	304	**200**	304
Expenditure on operating leases	**349**	349	**349**	349
Group Statutory Auditor's remuneration (exclusive of VAT):				
In their capacity as Auditors	**33**	29	**19**	16
In respect of Other Services (valuation services)	**35**	72	**21**	54
Other Auditor's Remuneration:				
In their capacity as Auditors	**4**	4	**3**	4
In respect of Other Services	**-**	1	**-**	-
Gift Aid	**-**	-	**-**	9,500
Loss/(Surplus) on disposal of properties	**(694)**	(1,312)	**(462)**	(9,742)
Loss/(Surplus) on disposal of tangible fixed assets	**(7)**	(14)	**(7)**	(12)

10. Taxation

As the Association only undertakes charitable activities it has no liability to Corporation Tax.

Notes to the Financial Statements (Continued) for the year ended 31 March 2014

11. Tangible Fixed Assets – Housing Properties – Group

	Housing Properties £ 000	Housing Properties in the Course of Construction £ 000	Shared Ownership Housing Properties £ 000	Shared Ownership Housing in the Course of Construction £ 000	Total £ 000
Cost or Valuation					
1 April 2013	775,230	15,931	69,930	2,362	**863,453**
Re-classification	392	(349)	(43)	-	**-**
Schemes completed/transferred	25,796	(25,796)	9,273	(9,273)	**-**
Additions – works to existing properties	11,330	-	7	-	**11,337**
Additions – new properties	-	22,222	-	6,667	**28,889**
Transferred stock	-	(474)	(3,712)	1,374	**(2,812)**
Disposals	(6,941)	-	(2,176)	-	**(9,117)**
At 31 March 2014	805,807	11,534	73,279	1,130	**891,750**
Social Housing Grant					
1 April 2013	315,820	4,255	15,962	3	**336,040**
Re-classification	-	-	3	(3)	**-**
Schemes completed/transferred	2,457	(2,457)	269	(269)	**-**
Received in year	-	922	-	269	**1,191**
Transferred stock	-	-	-	-	**-**
Eliminated in respect of disposals	(1,728)	-	(477)	-	**(2,205)**
At 31 March 2014	316,549	2,720	15,757	-	**335,026**
Other Subsidies					
1 April 2013	11,095	25	1,588	-	**12,708**
Re-classification	26	(26)	-	-	**-**
Schemes completed/transferred	8,634	(8,634)	973	(973)	**-**
Received in year	-	-	-	-	**-**
Eliminated in respect of disposals	(19)	-	-	-	**(19)**
At 31 March 2014	19,736	(8,635)	2,561	(973)	**12,689**
Depreciation and Impairment					
1 April 2013	74,109	826	2,342	98	**77,375**
Re-classification	-	-	-	-	**-**
Charge for year – Depreciation	11,533	-	413	-	**11,946**
Charge for year – Impairment	(345)	(136)	-	(98)	**(579)**
Transfers – Inter Company	-	-	-	-	**-**
Transferred stock	-	-	-	-	**-**
Disposals	(3,864)	-	(96)	-	**(3,960)**
At 31 March 2014	81,433	690	2,659	-	**84,782**
Net book value					
At 31 March 2014	388,089	16,759	52,302	2,103	**459,253**
Net book value					
1 April 2013	374,206	10,825	50,038	2,261	**437,330**

Notes to the Financial Statements (Continued) for the year ended 31 March 2014

11. Tangible Fixed Assets – Housing Properties – Association

	Housing Properties £ 000	Housing Properties in the Course of Construction £ 000	Shared Ownership Housing Properties £ 000	Shared Ownership Housing in the Course of Construction £ 000	Total £ 000
Cost or Valuation					
1 April 2013	501,851	6,574	55,254	297	**563,976**
Re-classification	392	(349)	(43)	-	**-**
Schemes completed/transferred	8,634	(8,634)	973	(973)	**-**
Transfers – Inter Company	-	-	-	-	**-**
Additions – works to existing properties	7,222	-	-	-	**7,222**
Additions – new properties	-	8,792	-	1,523	**10,315**
Transferred stock	-	-	(734)	158	**(576)**
Disposals	(3,461)	-	(2,000)	-	**(5,461)**
At 31 March 2014	514,638	6,383	53,450	1,005	**575,476**
Social Housing Grant					
1 April 2013	208,356	3,476	13,486	3	**225,321**
Re-classification	-	-	3	(3)	**-**
Schemes completed/transferred	1,902	(1,902)	-	-	**-**
Transfers —- Inter Company	-	-	-	-	**-**
Received in year	-	815	-	-	**815**
Transferred stock	-	-	-	-	**-**
Eliminated in respect of disposals	(730)	-	(453)	-	**(1,183)**
At 31 March 2014	209,528	2,389	13,036	-	**224,953**
Other Subsidies					
1 April 2013	9,961	26	1,588	-	**11,575**
Re-classification	26	(26)	-	-	**-**
Schemes completed/transferred	-	-	-	-	**-**
Transfers – Inter Company	-	-	-	-	**-**
Received in year	-	-	-	-	**-**
Eliminated in respect of disposals	-	-	-	-	**-**
At 31 March 2014	9,987	-	1,588	-	**11,575**
Depreciation and Impairment					
1 April 2013	46,138	826	1,961	98	**49,023**
Re-classification	-	-	-	-	**-**
Charge for year – Depreciation	6,947	-	310	-	**7,257**
Charge for year – Impairment	(345)	(136)	-	(98)	**(579)**
Transfers – Inter Company	-	-	-	-	**-**
Transferred stock	-	-	-	-	**-**
Disposals	(2,338)	-	(88)	-	**(2,426)**
At 31 March 2014	50,402	690	2,183	-	**53,275**
Net book value					
At 31 March 2014	244,721	3,304	36,643	1,005	**285,673**
Net book value					
1 April 2013	237,396	2,246	38,219	196	**278,057**

Notes to the Financial Statements (Continued) for the year ended 31 March 2014

11. Tangible Fixed Assets – Housing Properties

	Group		Association	
	2014	**2013**	**2014**	**2013**
	£ 000	**£ 000**	**£ 000**	**£ 000**
Housing Properties comprise:				
Freeholds	**430,849**	407,506	**264,511**	256,035
Long leaseholds	**28,404**	29,824	**21,162**	22,022
	459,253	437,330	**285,673**	278,057

	Group		Association	
	2014	**2013**	**2014**	**2013**
	£ 000	**£ 000**	**£ 000**	**£ 000**
Total expenditure on works to existing properties				
Amounts Capitalised: Replacement of Components	**10,854**	7,012	**7,131**	3,434
Improvements	**483**	92	**91**	-
	11,337	7,104	**7,222**	3,434
Amounts charged to Income & Expenditure Account	**21,460**	20,123	**12,219**	12,100
	32,797	27,227	**19,441**	15,534

Notes to the Financial Statements (Continued) for the year ended 31 March 2014

12. Tangible Fixed Assets – Other Assets – Group

	Freehold Offices and Shops £ 000	Improvements to Leasehold Properties £ 000	Furniture and Equipment £ 000	Motor Vehicles £ 000	Total £ 000
Cost or Valuation					
1 April 2013	4,634	1,796	8,426	277	**15,133**
Additions	120	-	478	-	**598**
Disposals	-	-	(323)	(33)	**(356)**
At 31 March 2014	4,754	1,796	8,581	244	**15,375**
Depreciation					
1 April 2013	495	382	5,612	166	**6,655**
Charge for year – Depreciation	65	59	475	54	**653**
Disposals	-	-	(322)	(33)	**(355)**
At 31 March 2014	560	441	5,765	187	**6,953**
Net book value					
At 31 March 2014	4,194	1,355	2,816	57	**8,422**
Net book value					
1 April 2013	4,139	1,414	2,814	111	**8,478**

12. Tangible Fixed Assets – Other Assets – Association

	Freehold Offices and Shops £ 000	Improvements to Leasehold Properties £ 000	Furniture and Equipment £ 000	Motor Vehicles £ 000	Total £ 000
Cost or Valuation					
1 April 2013	2,923	1,796	5,587	222	**10,528**
Additions	-	-	333	-	**333**
Disposals	-	-	(311)	(33)	**(344)**
At 31 March 2014	2,923	1,796	5,609	189	**10,517**
Depreciation					
1 April 2013	347	382	3,964	137	**4,830**
Charge for year – Depreciation	44	59	329	45	**477**
Disposals	-	-	(311)	(33)	**(344)**
At 31 March 2014	391	441	3,982	149	**4,963**
Net book value					
At 31 March 2014	2,532	1,355	1,627	40	**5,554**
Net book value					
1 April 2013	2,576	1,414	1,623	85	**5,698**

Notes to the Financial Statements (Continued) for the year ended 31 March 2014

13. Long Term Investments

Under the partnership agreement with MHAL, the Association has provided an interest-free loan facility of £4 million, which is now drawn down. This loan is repayable in May 2017.

14. Non-Liquid Current Assets

Non-liquid current assets are represented by cash at bank, which forms part of the security for loans from Housing Association Funding plc. It is not realisable within three months.

15. Stock

	Group		Association	
	2014	**2013**	**2014**	**2013**
	£ 000	**£ 000**	**£ 000**	**£ 000**
Shared ownership properties in the course of construction	**381**	1,409	370	182
Shared ownership properties for sale	**1,222**	1,184	98	32
Other properties in the course of construction*	**474**	347	-	347
Other properties for sale*	**357**	-	-	-
Land for sale	**1,300**	3,232	1,300	3,232
	3,734	6,172	1,768	3,793

* Other properties comprises properties developed on behalf of other registered providers.

16. Debtors

	Group		Association	
	2014	**2013**	**2014**	**2013**
	£ 000	**£ 000**	**£ 000**	**£ 000**
Amounts falling due within one year:				
Gross rental debtors	**2,988**	2,832	**1,870**	1,934
Less provisions	**(1,404)**	(1,192)	**(964)**	(826)
	1,584	1,640	**906**	1,108
Social housing grants receivable	**-**	20	**-**	-
Associated Companies	**-**	-	**-**	45
Prepayments and sundry debtors	**2,032**	1,767	**1,656**	1,457
	3,616	3,427	**2,562**	2,610

17. Current Asset Investments

	Group		Association	
	2014	**2013**	**2014**	**2013**
	£ 000	**£ 000**	**£ 000**	**£ 000**
Unlisted investments – bank deposits	**12,297**	13,338	**11,074**	10,621

18. Cash at Bank and in Hand

	Group		Association	
	2014	**2013**	**2014**	**2013**
	£ 000	**£ 000**	**£ 000**	**£ 000**
Cash at bank and in hand	**5,756**	11,967	**4,266**	11,551

Included in cash at bank is the Leaseholders Fund of £830k (2013 £829k).

Notes to the Financial Statements (Continued) for the year ended 31 March 2014

19. Creditors: Amounts Falling Due Within One Year

	Group		Association	
	2014	**2013**	**2014**	**2013**
	£ 000	**£ 000**	**£ 000**	**£ 000**
Housing loans	**6,046**	4,674	**6,038**	4,514
Less amortised fees	**(89)**	(130)	**(89)**	(46)
	5,957	4,544	**5,949**	4,468
Bank loans and overdraft	**269**	143	**269**	143
Trade creditors	**8,035**	6,844	**5,146**	3,555
Associated companies	**-**	-	**159**	243
Other taxation and social security payable	**72**	298	**33**	257
Accruals and sundry creditors	**5,613**	6,342	**3,868**	4,583
	19,946	18,171	**15,424**	13,249

20. Creditors: Amounts Falling Due After More Than One Year

	Group		Association	
	2014	**2013**	**2014**	**2013**
	£ 000	**£ 000**	**£ 000**	**£ 000**
Housing loans	**356,524**	355,236	**245,075**	252,631
Less amortised fees	**(1,122)**	(686)	**(695)**	(403)
	355,402	354,550	**244,380**	252,228
Other long term creditors	**1,837**	1,176	**1,479**	1,024
	357,239	355,726	**245,859**	253,252

Housing Loans – Funders

	Group		Association	
	2014	**2013**	**2014**	**2013**
	£ 000	**£ 000**	**£ 000**	**£ 000**
Bank & Building Society Loans	**326,619**	322,827	**217,421**	222,268
Fresh plc	**8,680**	8,767	**6,848**	6,928
Local Authority Loan	**-**	334	**-**	334
Housing Association Funding plc	**26,060**	27,166	**26,060**	27,166
	361,359	359,094	**250,329**	256,696

All loans are secured by specific charges on the Group's and Association's housing properties.
The loans from Fresh plc (formerly Orchardbrook Ltd) are repayable in half-yearly instalments at fixed rates averaging 11.1%.
The loan from the local authority was repaid during the year.
The Bank and Building Society loans are either at variable rates based on LIBOR or at fixed rates ranging from 5.5% to 7.8%.
The Housing Association Funding plc loans are at fixed rates averaging 7.40%.

Housing Loans – Profile

	Group		Association	
	2014	**2013**	**2014**	**2013**
	£ 000	**£ 000**	**£ 000**	**£ 000**
Due within one year	**5,957**	4,544	**5,949**	4,468
Between one and two years	**21,390**	6,066	**6,473**	5,982
Between two and five years	**36,648**	35,022	**32,358**	25,990
After five years	**297,364**	313,462	**205,549**	220,256
	361,359	359,094	**250,329**	256,696

In addition to the above, the Group had undrawn loan facilities of £108 million at 31 March 2014 (£50 million at 31 March 2013).

Notes to the Financial Statements (Continued) for the year ended 31 March 2014

20. Creditors: Amounts Falling Due After More Than One Year (Continued)

Other Long Term Creditors – Group

Other Long Term Creditors relate to monies retained from Right to Buy, Shared Ownership Further Tranche sales and Right to Acquire.		DPF Grant £ 000	RCGF Grant £ 000	Total Grants £ 000
1 April 2013		456	720	**1,176**
Inputs to reserve:	Grants recycled	284	569	**853**
	Interest accrued	1	2	**3**
	New build	(16)	(179)	**(195)**
		269	392	**661**
Repayment of grant to the Homes and Communities Agency		-	-	**-**
At 31 March 2014		**725**	**1,112**	**1,837**
Amounts due for repayment to the Homes and Communities Agency		-	-	**-**

21. Called-Up Share Capital

Allotted, issued and fully paid.

For presentation purposes this note has been shown in pounds (£).	**£**
1 April 2013	**20**
Issued during the year	**3**
Transfer to Revenue Reserve	**(8)**
At 31 March 2014	**15**

22. Designated and Revenue Reserves	**Group £ 000**	**Association £ 000**
Designated Reserve for Major Works to Housing Properties		
1 April 2013	63,471	43,077
Transferred from Revenue Reserves	5,412	2,771
Transferred to Revenue Reserves	-	-
Designated Reserves as at 31 March 2014	**68,883**	**45,848**

	Group £ 000	**Association £ 000**
Revenue Reserves		
1 April 2013	44,705	8,113
Surplus during year	9,159	3,866
Transferred to Designated Reserves	(5,412)	(2,771)
Transferred from Designated Reserves	-	-
Revenue Reserves as at 31 March 2014	**48,452**	**9,208**

23. Pension Obligations

The Group participates in the Social Housing Pension Scheme (the Scheme). The Scheme is funded and is contracted-out of the State Pension scheme.

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

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

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

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

The Group has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme based on the financial position of the Scheme as at 30 September 2013. As of this date the estimated employer debt for the Group was £46.2 million (£45.8 million at 30 September 2012).

Under the terms of their contract, three directors have enhanced pension scheme benefits which guarantee a higher pension entitlement based upon their years of pensionable employment.

24. Financial Commitments

Capital Expenditure

For schemes in progress that have been approved for purposes of Social Housing Grant the Association expects that all committed expenditure will be financed by grants and undrawn loan facilites.

	Group		**Association**	
	2014	**2013**	**2014**	**2013**
	£ 000	**£ 000**	**£ 000**	**£ 000**
Expenditure contracted but not provided for in the financial statements	**30,818**	22,200	**19,110**	8,740
Expenditure authorised by the Board but not contracted	**32,864**	28,125	**18,777**	-
	63,682	50,325	**37,887**	8,740

The capital commitments relate to development projects and will be funded by anticipated grant receipts of £2.3 million and the balance from existing loan facilities.

24. Financial Commitments (Continued)

Operating Leases

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

	Group		Association	
	2014	**2013**	**2014**	**2013**
	£ 000	**£ 000**	**£ 000**	**£ 000**
Office buildings expiring:				
Due within one year	**-**	-	**-**	-
Between two and five years	**-**	-	**-**	-
After five years	**349**	349	**349**	349
	349	349	**349**	349

25. Contingent Liabilities

None of the Associations in the Group have contingent liabilities (2013 Nil).

26. Legislative Provisions

The Group is incorporated under the Industrial and Provident Societies Act 1965.

27. Related Party Transactions

The following two members of MHAL are tenants of the Association and members of its Board: Leslie Green and Alice Ann Malone. Their tenancies are on normal terms and they cannot use their position to their advantage.

Details of related party transactions have not been provided as the exemption from disclosure under FRS 8 has been applied.

28. Controlling Interest

The Association is controlled by a Board of Management.

JEPHSON
HOUSING ASSOCIATION GROUP

Jephson Central Office

Chief Executive – Bob Strachan
Finance Director – David Blower • Management Services Director – David Jefferson

Jephson Homes Housing Association Limited (a charity) • Jephson Housing Association Limited (a charity)

Jephson House, Blackdown, Leamington Spa, Warwickshire CV32 6RE
Telephone: 01926 339 311 • Facsimile: 01926 450 164
Email: info@jephson.org.uk • Website: www.jephson.org.uk
Minicom: 0800 731 9549

Like us on Facebook: facebook.com/JephsonHousing • **Follow us on Twitter:** twitter.com/JephsonHousing

JEPHSON EAST

Director – William Philpott

5 Mill Square, Featherstone Road, Wolverton Mill South, Milton Keynes, Buckinghamshire MK12 5ZD
Telephone: 01908 628 000 • Facsimile: 01908 628 098 • Email: miltonkeynes@jephson.org.uk

JEPHSON NORTH

Director – Stuart Shore

Jephson House, Lowfields Business Park, Old Power Way, Elland, West Yorkshire HX5 9DE
Telephone: 01422 373 855 • Facsimile: 01422 373 858 • Email: north@jephson.org.uk

JEPHSON MIDLANDS

Director – Sue Shirt

Jephson House, Narrowboat Way, Hurst Business Park, Brierley Hill, West Midlands DY5 1UF
Telephone: 01384 471 000 • Facsimile: 01384 472 002 • Email: black.country@jephson.org.uk

Jephson Court, Tancred Close, Leamington Spa, Warwickshire CV31 3RZ
Telephone: 01926 831 177 • Facsimile: 01926 889 768 • Email: leamington@jephson.org.uk

JEPHSON SOUTH&WEST

Director – Roger Glennie

450 Woodlands Court, Ash Ridge Road, Bradley Stoke, Bristol BS32 4LB
Telephone: 01454 618 822 • Facsimile: 01454 620 022 • Email: bristol@jephson.org.uk

1 Warwick House, Edison Park, Hindle Way, Swindon, Wiltshire SN3 3RB
Telephone: 01793 602 199 • Facsimile: 01793 602 198 • Email: swindon@jephson.org.uk

MARCHES
HOUSING ASSOCIATION

Marches Housing Association Limited (a charity)

Managing Director – Phil Green

Benedict Court, Southern Avenue, Leominster, Herefordshire HR6 0QF
Telephone: 01568 610 100 • Facsimile: 01568 615 611 • Email: home@marchesha.co.uk
Website: www.marchesha.co.uk

Designed and produced by Marion James Design 01926 337034 © 8.2014