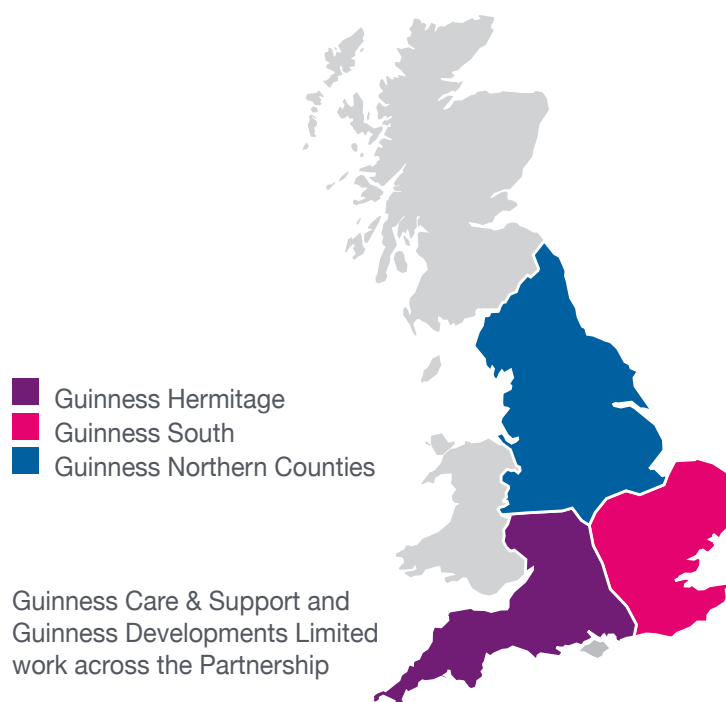


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The Guinness Partnership Limited
Consolidated Financial Statements
Year Ended 31 March 2014

The Guinness Partnership Limited is a charitable Industrial and Provident Society (No. 31693R) registered in England and is a Registered Provider of Social Housing (No. 4729).

Great service, great homes and a great place to work

Front cover: Loughborough Park, Brixton, London

All information in this report correct at time of going to print.

Report of the Board of The Guinness Partnership and Operating and Financial Review

Operating and Financial Review

Our Vision

Everything we do is about helping us to achieve our vision: **“To improve people’s lives by providing as many high quality affordable homes as possible, and the housing and care services that our customers most need.”**

While we are doing different things – and things differently, in response to our changing environment, our underlying purpose remains clear and more relevant than ever.

Our Activities and Structure

The Guinness Partnership is one of the largest providers of affordable housing and care in the country. We own and manage around 60,000 homes and provide care and support services to more than 10,000 customers across England. Our core activities comprise:

- Housing for social and affordable rent;
- Affordable home ownership;
- Housing for older people and a range of care services, including domiciliary and extra care, supported and retirement living; and
- Neighbourhood development – including a range of programmes and activities to support our customers in sustaining their tenancies.

As a business with a social purpose, any surplus we make is directly applied to investment in new and existing homes, improving services and for the benefit of our customers and communities. We provide housing services through three divisions, which together form The Guinness Partnership Limited (TGPL):

- Guinness Hermitage (GH) in the South West – around 15,000 homes;
- Guinness Northern Counties (GNC) in the North and Midlands – 26,000 homes; and
- Guinness South (GS) in the South and East – 18,000 homes.

Guinness Care and Support Limited (GCS), is a separate subsidiary company, providing care and support services across the country. During 2013/14 GCS acquired Live Well at Home Limited (LWAH), reflecting our ambition to continue to grow our care business.

The Group also comprises a number of other trading entities and subsidiaries, including:

- Guinness Developments Limited – developing homes for private sale and market renting, with any profits reinvested into existing and new affordable homes;
- Guinness Homes Limited – holding a portfolio of properties for Market Rent; and
- City Response Limited – providing responsive repairs and planned works to parts of our business.

Our activities are regulated by the Homes and Communities Agency (HCA) and the Care Quality Commission (CQC).

We are subject to the Charities Act 2011, including the obligation to demonstrate, explicitly, that our aims are for the public benefit. The Partnership Board is satisfied that, through the provision of affordable housing, care and support services, and investment in our neighbourhoods and communities, that we actively create social and financial opportunities to the benefit of our customers and to those living in the neighbourhoods in which we operate.

More detail on the Group’s structure and activities is set out in note 28 of the Financial Statements.

Our Operating Environment

Our operating environment remains challenging and uncertain. While the economic recovery gathers pace and forecasts for growth are more positive, the financial pressures on many of our customers remain.

Plans put in place by the coalition government to reduce public spending by £120 billion over five years continue to be rolled out. Wide-ranging changes to the welfare system are underway and we continue to support our customers in navigating and adapting to these changes as well as protecting income streams that enable us to deliver more homes and services.

New house building remains at levels significantly lower than those required to meet the needs of current and future households. The recovery in the housing market is fuelling price increases – and despite government initiatives to promote home ownership, it remains out of reach for large numbers. More people, in particular those on middle incomes, younger people and families with children, are locked out of home ownership – and their needs are not met through other sectors. As a result, waiting lists for social housing continue to grow.

The 2015/18 Affordable Homes Programme will see a further investment of £1.7 billion towards the delivery of 165,000 new homes by March 2018. The majority of the new programme will be made available as Affordable Rent and Affordable Home Ownership where that meets local needs.

The methods of funding our business have changed. Capital subsidies from government have significantly diminished and there is a greater reliance on generating cash surpluses to reinvest, in part through diversifying activities. This is placing an even stronger emphasis on achieving value for money, which comes under continued scrutiny from our regulator.

Report of the Board of The Guinness Partnership and Operating and Financial Review... continued

A 10-year rent settlement granted during 2013/14, enabling social landlords to increase rents by the consumer price index measure of inflation plus 1 per cent, provides greater certainty for planning income levels into the future.

The proportions of old and very old people are increasing – and the requirements of our customers are changing in line with demographic patterns. The need for services for older people, and those suffering from dementia in particular, is increasing, accentuating the pressure on health and social care budgets. The Care Bill sets out an agenda for refocusing provision and standards of care more firmly around the needs of service users – providing a further opportunity for the Group to review the range of products and services we offer and how well they fit with the needs and changing finances, lifestyles and preferences of new generations of older, retired and working households.

Our Strategic Priorities

Our Partnership Strategy covers a three year period and is reviewed annually to ensure it remains relevant. It provides context for the 2014/15 Partnership Business Plan, which sets out how we will deliver our strategy and specific objectives for the year ahead. This sits alongside our divisional and GCS Business Plans for 2014/15. The Partnership Board monitors performance against our Business Plan and receives a quarterly report on progress towards achieving our objectives.

Our 2014/17 strategy is focused on our customers, current and future – and providing them with high quality homes that meet their needs and delivering consistent, reliable services. It reaffirms four key strategic priorities, which will help us achieve this. They capture what we are here to do, where we are heading and underpin all of our plans and activities:

• Great Service

- Provide reliable, consistent services and be clear with our customers about what they can expect from us;
- Make it as easy and as convenient as possible for our customers to contact and do business with us.

• Great Homes

- Create capacity to build more new homes and maintain existing homes;
- Provide more and different types of homes to meet the needs of a wider customer base.

• A Great Place to Work

- Support our people to grow, develop their talents and achieve their full potential;
- Realise the benefits of investment in our IT systems that will give our people the tools they need to work more effectively.

• Financial Strength and Capacity

- Make the best use of resources and assets to deliver good quality, efficient and cost-effective services for our customers;
- Be more efficient by reducing our cost base, organising ourselves differently, or diversifying into profit-making activities that make good business sense.

Our 2014/17 strategy sets out the scale of our ambition. As well as delivering one of the country's largest affordable homes programmes, we are working hard to support our customers through tough economic times and to transform our business to provide more efficient, effective services and enable us to deliver even more new homes.

The majority of our current customers are those in most housing need, not able to buy or rent on the open market. Some of our housing customers, and many of our care customers, are older, vulnerable or struggling to cope with a difficult economic climate. But our customer profile is changing. In future we are likely to house a broader mix of people than ever before – and are developing a range of housing and care services to meet their needs and circumstances. This includes more homes for market rent or private sale, which in turn support the funding of new affordable homes; more care at home and supported living services; and new, innovative ways of linking our housing and care offers.

Delivering our Objectives

Great Service

Great customer service is our highest priority – and for us, that means reliability and consistency. We are focused on the services that matter most to our customers, delivering them right first time and to consistently high standards. We will be clear with our customers about what they can expect from us and ask them what we can do to improve. Other service providers are raising the bar and we are focused on making it as easy and as convenient as possible for customers to interact and transact with us, at a time they choose.

In 2013/14, we:

- Delivered a wide range of services to support our customers in dealing with changes to welfare benefits and enable them to sustain their tenancies – including assistance with Discretionary Housing Payments; support to move to more affordable homes; budgeting and debt advice; affordable warmth initiatives; and support into employment through our 'Access to Work' programme.

Great service, great homes and a great place to work

- Initiated a review of customer contact across the Group to understand how we can offer more choice to our customers in how they can transact and communicate with us – and, in doing so, deliver more efficient, cost-effective services.
- Implemented a new, streamlined approach to dealing with complaints that enables us to resolve more issues at the first point of contact, and place a sharper focus on using feedback to improve our services.
- Introduced a more robust methodology for measuring customer satisfaction that enables us to understand more about our customers and their views. Our 2014 survey indicates that overall satisfaction with our services stands at 75%, and we recognise there is still more to do to attain the consistently high standards we aspire to and that our customers expect.
- Reviewed our housing services for older people, working towards a Group-wide offer and clear standards for retirement living.

Great Homes

We are committed to maintaining and improving our existing homes; building new homes in areas where people want to live; and providing a range of tenure options that meet the needs of our current and future customers.

We aim to deliver over 2,700 new homes by 2015 through the HCA and Greater London Authority (GLA) Affordable Homes programmes. We remain focused on increasing our surpluses to create additional capacity.

We will adapt our homes so people can retain their independence by staying in them longer; improve their environmental performance to minimise costs to our customers and reduce the environmental impact of carrying out our business; and most importantly, ensure they comply with any legal or regulatory requirement.

Our homes continue to meet the Decent Homes Standard (except those included in our major regeneration programmes which are subject to a waiver from the HCA).

In 2013/14, we:

- Invested £47.6 million in maintaining and improving our existing homes – including £0.4 million on aids and adaptations.
- Delivered 730 new homes, including 61 for shared ownership, under the 2011/15 and 2008/11 Affordable Homes Programme.
- Remained on track to deliver major regeneration projects at West Gorton, Manchester and Loughborough Park, London.
- Initiated work to introduce Fixed Term Tenancies during 2014/15.
- Transferred 876 Guinness Hermitage properties to six other local housing providers, enabling customers to benefit from services delivered more locally to them. Receipts are being used to fund the development of new homes in core geographic areas.

A Great Place to Work

Our people work hard, always give their best and are ambitious for the organisation and themselves. We expect a lot from our people because our customers expect the same from us. We will continue to attract the best and support our people to grow, develop their talents and achieve their full potential. We will embed our programmes to develop and nurture our leaders and managers of the future.

We are making significant investment in our systems and strides towards single core business systems which will give our people the tools they need to work more effectively and efficiently with our customers and each other.

In 2013/14, we:

- Introduced our Leadership and Management Standard – and demonstrated our commitment by launching our Guinness Leaders and Managers Programmes.
- Rolled out the second of our Great Service at Guinness programmes to all employees to further develop their customer service skills and knowledge; and the GROW at Guinness coaching programme to further skill our managers as coaches.
- Achieved an employee engagement score of 77% (as measured by our regular survey) and continued to develop action plans in conjunction with our employees to ensure we improve.
- Deployed over 2,000 new desktop devices, implemented a new telephony infrastructure and continued our move towards single housing, finance and electronic document management systems.

Financial Strength and Capacity

We are focused on providing great homes and services to existing and new customers, both now and in the future. It is more important than ever that we maintain and improve our financial capacity and resilience. We are committed to making the best use of resources and assets to deliver good quality, efficient and cost-effective services for our customers. We will generate surpluses to re-invest in our homes and services; maintain an efficient capital structure; operate robust governance and risk management frameworks; and achieve value for money in all of our day-to-day activities.

Report of the Board of The Guinness Partnership and Operating and Financial Review... continued

In 2013/14, we:

- Generated an operating surplus of £79.9 million (2012/13: £77.9 million) and an overall surplus of £91.5 million (2012/13: £48.4 million);
- Continued to grow our care and support business – turnover increased by £1.1 million (2012/13: £2.5 million);
- Generated £6.6 million from Affordable Rent, including 680 conversions;
- Diversified our business by further developing our private sale and market rent offer in Sutton's Wharf, Mile End, London;
- Raised £86.4 million through stock optimisation programmes.

Value for Money

At Guinness we are committed to delivering and demonstrating value for money in everything we do. This is led by the Board, but is a commitment shared across the whole organisation. Every member of staff has a performance objective relating to value for money. So value for money is both at the heart of our corporate strategy and embedded in the way we do things every day.

Our Strategy

Value for Money is clearly identified in our Corporate Strategy as a key component of how we deliver our objectives: it underpins our key corporate objectives. Our approach is amplified in our Value for Money Strategy which creates a framework for our activities and helps us to think about how what we do contributes to the value for money agenda.

Our Value for Money Strategy sets out how we make the best use of our resources and assets to deliver the services our customers need most and to create new homes. We are focused on:

- Creating capacity by optimising our income and cost base
- Making best use of our assets
- Making the most of our people
- Focusing on what matters most to our customers
- Adding value for our customers, communities and wider society

Creating capacity

Our operating surplus is entirely reinvested in our business and creates the capacity to deliver more affordable homes, maintain those that we already own, and keep delivering the services we are here to deliver. This means that growing our operating surplus is critically important to us. The bigger our surplus the more homes we can provide.

Our key measures of financial performance are our surplus excluding sales and our net margin, and these have grown year on year.

	2014	2013	Benchmark ¹
Surplus before tax excluding sales	£26.8m	£23.1m	n/a
Operating Margin	27.4%	27.0%	25.9%
Net Margin	9.0%	8.0%	12.9%
Gearing ²	57.5%	61.0%	86.8%

Our turnover, excluding the proceeds of sales on first tranche shared ownership properties, which fluctuate each year, has grown by 1% year on year, despite a reduction in rental income resulting from sales of tenanted properties. Our costs, excluding the cost of sales on first tranche shared ownership properties, have grown by 0.5%.

We have continued to improve gearing through our asset management activities which have enabled us to reinvest surpluses and repay revolving credit facilities.

¹ Source: Global accounts 2013

² Loans as a proportion of the sum of loans, grant and reserves (excluding revaluation reserves)

Optimising income

	2014	2013	Benchmark ³
Current Rent Arrears	4.2%	4.1%	4.8%
Void Loss	0.9%	0.7%	1.7%
Re-let Time	4.2 weeks	3.7 weeks	4.2 weeks
Bad Debts	0.9%	0.9%	0.9%
Affordable Rent Income	£6.6m	£1.8m	n/a
Average General Needs Rent (£/week) ⁴	£94	£90	£88
Average Affordable Rent (£/week) ⁴	£127	£117	£113

Our focus on income includes:

- **Maximising rents**, within the rent framework, and by converting homes to Affordable Rent. In 2013/14 we increased our income from Affordable Rents to £6.6 million (2013: £1.8 million)
- **Minimising the time for which our homes are empty** between tenancies – this increased slightly in 2013/14 as the result of letting a number of long term voids, but remains in line with the sector average at 4.2 weeks (2013: 3.7 weeks). The resulting rent lost has increased marginally, but remains below the sector average at 0.9% (2013: 0.7%)
- **Maximising the amount of rent and service charges recovered** – in 2013/14 we invested in our rent collection services to mitigate the impact of Welfare Reform. We have done this in advance of the most significant changes associated with Welfare Reform because we believe that if we create a strong payment culture now through engagement and dialogue with our customers, this will help them and us as the challenges associated with Welfare Reform become more acute. Current tenant arrears have increased marginally to 4.2% (2013: 4.1%).
- **Investing in tenancy sustainment activities** that, as well as supporting our customers, maintain our income and minimise costs associated with ending a tenancy and re-letting a vacant property.

Optimising our cost base

	2014	2013	Benchmark ⁴
Management cost per home	£1,215	£1,138	£952
Repair cost per home	£893	£832	£992
Total operating cost per home	£3,147	£3,311	£4,213
Weighted Average Cost of Capital (WACC)	5.3%	5.4%	5.1%

Our focus on costs includes:

- **Reviewing our activities and the way we organise ourselves** to ensure they are as efficient as possible and that we deploy our resources where they are needed most. Having reviewed the structure of our operations in the North and South in previous years, in 2013/14 we implemented a new structure in the West, bringing together activities from predecessor organisations into more coherent and co-located functions. This will save us £0.5 million per year in future years. We have continued to generate savings across our core operations, including £1.4 million from our neighbourhood services in the North.
- **Extending the reach and range of works delivered by our in-house maintenance services**, City Response Limited (in the North) and Parchment Property Services (in the South). In 2013/14 this delivered a VAT saving of £1.5 million.
- **Procuring efficiently**. In 2013/14 we awarded contracts with a value of £27 million which will deliver savings of £6 million over the life of the contracts, as well as social value. These include a contract for responsive repairs in the West, and for network and telephony services nationwide.
- **Ensuring that our capital structure and financing arrangements are as efficient as possible**. In 2013/14 we were able to defer borrowings of £86.4 million and thereby save on interest payable through applying the proceeds of property sales to our development and investment programmes.
- **Reducing risk and uncertainty**. In 2013/14 we closed one of our legacy local authority pension schemes that carried a high risk of cessation in order to protect ourselves against this occurring as an uncontrolled event.

Our total operating cost indicator has improved year on year and our cost of capital has been maintained, but repair costs per home have slightly increased. Improving the cost efficiency of our housing management services will be a key focus in 2014/15.

³ Source: Global accounts 2013

⁴ Source: SDR Statistical Data Release 2012/13

Report of the Board of The Guinness Partnership and Operating and Financial Review... continued

Making the best use of our assets

Making the most of our property assets means ensuring they contribute to our financial strength effectively, but equally importantly it means ensuring we use them to best effect to provide the right homes for our customers.

Using our assets to maximise their economic value is key to creating the capacity to deliver more.

Return on investment

Group	2014	2013	Benchmark ⁵
Rented homes Return on Investment (ROI)	5.1%	5.2%	n/a
Shared ownership homes ROI	2.9%	2.4%	n/a
Total ROI (operating surplus / social housing assets)	4.7%	4.8%	4.5%
Return On Capital Employed (ROCE) (operating surplus / total assets – current liabilities)	5.6%	5.5%	4.9%

Continuing to invest in the condition of our homes and new ones but maintaining performance by making best use of our assets:

- **Converting void properties to Affordable Rent.** In 2013/14 we converted 680 homes bringing our Affordable Rent portfolio to over 1,000 homes. Overall capacity (our ability to finance additional borrowing) generated by conversions to date is £19.6m, and this is all used to fund our 2011/15 Affordable Homes Programme (AHP) which will deliver 2,700 new homes by 2015.
- **Selling 1,300 homes to other social landlords** realising proceeds of £86.4 million. In 2012 we carried out a comprehensive review of our asset performance which considered the net present value, market value and investment requirements of all our general needs homes. Where we determined that others would be better placed to manage the homes efficiently we decided we would sell those homes. In 2013/14 we completed the final phase of this stock rationalisation programme. We are investing all the proceeds in improving existing homes and creating new ones.
- **Selling 78 homes on the open market** generating proceeds of £7.6 million. Some of these homes were long term voids which were uneconomic to repair and expensive to hold void, and risked blighting the neighbourhoods they were in. In the hands of their new owners they will be repaired and occupied and will provide homes. We will reinvest the money realised in better quality and new homes.
- **Investing in the condition of our homes.** In 2013/14 we invested £30.8 million in our existing homes so that they remain in good condition and are desirable places to live. We also obtained £1.89 million funding through Energy Companies Obligation (ECO) to improve the energy efficiency of our homes.
- **Redeveloping older estates** to provide modern, new homes – including our schemes at Loughborough Park in Brixton and Guinness Court in Camden, which will increase the number of homes from 421 to 547.

We know that reviewing our asset base is an on-going process. Our assets need to be fit for purpose in an environment where demographics and customer expectations change over time, and we need to anticipate and manage the risk of obsolescence. This includes:

- **Anticipating the needs of a changing customer base.** Much of our housing for older people no longer meets the requirements of today's ageing customers and some of it has declined in popularity. In 2013/14 we started a review of our Housing for Older People looking at our accommodation in the South. We assessed what would be needed to make this into good quality accommodation for the future, and, where this could not be done economically we started to consider whether the property could be put to better use, without damaging the communities that live there. In 2014/15 we will extend this work to the North and West.

Making the most of our assets also means:

- **Providing the right sized homes,** particularly where our customers are deemed by the welfare benefits system to be under-occupying their homes. In 2013/14 we supported 234 households in their move to smaller affordable homes and facilitated 919 mutual exchanges.
- **Ensuring legitimate occupancy of our homes.** We know that everyone needs a safe secure home, but that sometimes the people living in our properties are not occupying them lawfully and are therefore depriving legitimate customers of the opportunity to live in a social home. With affordable housing in scarce supply, we invested in dedicated tenancy fraud detection in 2013/14 and recovered homes that it would have cost £7.5 million to re-provide.

Our homes are not our only property assets. Our office estate is extensive and some of it is no longer required or made best use of. In 2013/14 we started the process of rationalising our office accommodation, closing four of our administrative offices, and this will continue in 2014/15. Where we own properties or sites that can be converted into residential use, this will be our preferred option for their future use.

⁵ Source: Global accounts 2012/13

Great service, great homes and a great place to work

To improve the environmental performance of our offices we reviewed our entire office stock portfolio, selecting six pilot offices to undergo tailored eco-retrofit works. This is generating annual energy savings of 15%; a reduction in average water consumption of 14%; 74 tonnes of CO2 reductions; and a network of staff sustainability champions.

Making the most of our people

Making the most of our people means recognising that in fulfilling individual potential we are fulfilling the potential of the organisation.

We employ 2,424 people (full time equivalent (FTE)) across our housing and care businesses, and have a total salary cost of £83.0 million per annum. This is a significant financial investment and to derive real value from it means developing our people and ensuring Guinness is a great place to work. Our people investment includes:

- Promoting the Guinness Leadership and Management Standard – so that our Leaders and Managers know what is expected of them, and our staff know what to expect of them
- The Guinness Leaders Programme, designed and delivered with Henley Business School
- The Guinness Managers Programme
- The GROW at Guinness Programme – developing all our managers as coaches
- The Great Service at Guinness Programmes – developing a consistent approach to customer service and reinforcing our commitment

In 2013/14 we spent £1.4 million on Learning and Development, equating to £600 for each FTE. We have seen a rapid return on this investment. In 2012 we were awarded Investors in People Silver standard and we have recently been awarded the Investors in People Gold Standard. We have an employee engagement score of 77% which we have maintained through a period of substantial change.

The opportunity to make a contribution and fulfil individual potential motivates our people, but pay is also important, both to our people, and as an indicator of value for money. In 2013/14 we undertook a market review of pay and benefits. As a result of this we:

- Increased the geographic supplement for some of our lowest paid roles – to ensure people are paid fairly for the work that they do in the market they work in.
- Removed flexi-time as part of our benefits package – to ensure that we optimise both productivity and availability to our customers.
- Made changes to the package on offer for new senior roles – making severance terms more modest, but ensuring we maintain flexibility in respect of notice periods in order to minimise business disruption when our most senior staff leave us.
- Introduced a pension salary sacrifice scheme and a new defined benefit offering for our staff.
- Decided to continue offering holiday allowances that are at the upper end of the range typical for our sector, as well as other typical non-pay benefits.

We think this offers a balanced and fair reward package which reflects our expectations of our people but also our commitment to their health and wellbeing.

In 2013/14 our attendance levels increased by 0.1%, while voluntary turnover fell by 1.0% – both helping us to maintain our productivity and minimise recruitment costs.

	2014	2013	Benchmark ⁶
Attendance levels	97.7%	97.6%	95.9%
Turnover (voluntary)	7.4%	8.4%	7.7%

Our highest paid member of staff is our CEO and we benchmark his pay against sector averages. We also benchmark the cost of our Board Members.

	2014	2013	Benchmark ⁷
CEO pay per home	£4	£4	£4
CEO pay as a % of turnover	0.09%	0.09%	0.13% ⁶
Ratio of highest to average salary	9:1	9:1	n/a
Board and executive pay per home	£21	£20	n/a

⁶ Source: Housemark 2012/13

⁷ Source: Inside housing CEO salary survey 2012/13 – top 10 Housing Associations

Report of the Board of The Guinness Partnership and Operating and Financial Review... continued

Focusing on what matters most to our customers

We are focused on delivering great service. That means providing reliable, consistent services and being clear with our customers about what they can expect from us. It is also about knowing our customers and what they think of our services, as well as making it as easy and as convenient as possible for them to contact and do business with us.

Customer satisfaction is a significant part of how we measure our success and deliver value for money to our customers. In 2013/14 we commissioned a new external supplier to carry out a range of independent customer surveys, with the aim of:

- Improving the quality, speed and analytical insight we derive from this work
- Developing our understanding of how best to improve the design of our customer services and customer contact
- Understanding more about our customers and what drives their satisfaction
- Providing a robust baseline for benchmarking and measuring satisfaction into the future.

Overall satisfaction with the services we provide (for our General Needs customers) at March 2014 was 75% and 56% and 55% for Shared Owners and other Leaseholders respectively. We recognise this is behind our peers and we are committed to a structured improvement plan with the objective of improving customer satisfaction levels and sustaining those improvements.

Tenants	2014	Benchmark ^a
Overall satisfaction with services provided	75%	82%
Satisfaction with repairs	77%	80%

Shared Owners	2014	Benchmark ^a
Overall satisfaction with services provided	56%	62%
Satisfaction with repairs	64%	38%

Other Leaseholders	2014	Benchmark ^a
Overall satisfaction with services provided	55%	63%
Satisfaction with repairs	62%	49%

To increase focus on what matters most to our customers, we have:

- Placed renewed attention on the reliability and quality of our services and getting the basics right every time.
- Committed to carrying out regular surveys tracking overall satisfaction, as well as measuring satisfaction with those services which are most important to our customers, such as repairs.
- Introduced a new, streamlined approach that focusses on resolving problems at first point of contact. In any organisation things go wrong – and this can result in complaints. This represents poor value for money – not only in potential re-work and staff time involved but it also leads to dissatisfied customers. So far the new system is working well, with up to 80% of complaints being resolved within two working days.
- Worked with our customers to review the approach to scrutiny and as a result, we have identified a number of simple measures which will improve its effectiveness. Reviews carried out (across our housing divisions) during 2013/14 have included service charges, repairs and voids, in each case providing a strong challenge on whether these services represent good value for our customers.

Adding value for our customers, communities and wider society

Sustaining tenancies

We recognise that in a difficult economic climate, many of our tenants are finding – or will find – it harder to pay rent or to balance their household budget. We are therefore focused on cost-effective ways to offer services that help them make the most of their home and keep their tenancy. In 2013/14 we spent around £2 million on a range of activities spanning:

- **Financial Inclusion:** Programmes or support to improve household budgeting skills and access to affordable financial products, including more intensive interventions to help manage arrears or other debt, and to ensure that claims for social security benefits are made. We also manage a modest hardship fund to meet emergency requirements for essential household items. Our investment in My Home Finance is helping our customers to access more affordable credit options – and by building up their repayment history they will be more able to access a broader range of financial services in the future.

^a Source: Housemark. For comparative purposes – see section below on how we use benchmark data. Based on 2012/13 median scores for organisations with more than 10,000 properties. The survey methodology was re-designed in 2013/14 with the result that 2012/13 prior year scores are not comparable and are therefore not shown.

- **Tenancy Support:** Including the provision of information, guidance and support on meeting tenancy conditions.
- **Affordable Warmth:** Initiatives aimed at reducing heating costs or the amount of energy and water that our customers need to use. This has also included the provision of information about how to reduce costs through behaviour changes, and through switching utilities suppliers.
- **Access to Work:** Activities aimed at improving employability skills, including job clubs, access to literacy and numeracy skills classes, help to find training, opportunities for volunteering and work placements, and skills to search and apply for jobs. Any of our customers can apply for an Aspire Award to help with the cost of training or education. We have already helped almost 100 customers – and in 2013/14 we made awards to 25 customers, whether to help find a job, move up the career ladder or contribute to their communities.
- **Apprenticeships:** During 2013/14 we included social value requirements in suitable tender specifications which have provided employment and training opportunities for people in our communities. We work with our development contractors to ensure they are investing in the neighbourhoods and communities where we have substantial building programmes. This created nine employment or apprenticeship opportunities for our customers or people in the communities we operate in. There are also currently 45 apprentices working across Guinness and these opportunities are making a real difference to individuals' lives.

We are also developing a range of measures to support tenants to access and use the internet.

As well as helping our customers to improve their lives and making a wider contribution to the economic health and social capital of the places where we work, these services also help us to maintain our income by keeping rent arrears down and reducing the loss of income from empty properties.

Some services to our customers are provided by other partners – we make decisions about whether we develop our own capacity, or signpost to, or work with other organisations, based on an assessment of the most cost effective way of meeting customers' needs, and the costs of delivering good quality services to a national customer base. We are focused on designing and setting performance measures that enable us to know more about how successful our tenancy sustainment strategy is in delivering its objectives, and its contribution to the delivery of value for money.

Providing Care at Home

We provide care services to around 10,000 customers, helping them to maintain their independence and lead fulfilled lives. With people aged 65 and over making up the largest proportion of households in the future, we are ensuring that our homes provide a flexible, adaptable living environment to meet people's changing needs, reducing the likelihood of disruptive adaptations or unwanted moves.

It is estimated that dementia will cost the UK over £27 billion per annum by 2018. We are carrying out customer-focused research into how we can support people with dementia by making subtle changes to services so that they are delivered more effectively and efficiently, without significantly reducing the overall quality of care provided.

Comparing our Performance

We benchmark our performance in a number of ways:

- Against other Registered Providers (RPs) through the Housemark benchmarking groups: typically we benchmark the activities of our regional operating divisions against local RPs in their geography;
- On a service-specific basis through specialist benchmarking;
- Internally over time: one of the key measures of our performance is how it changes over time reflecting the changes we make to our business; and
- Using the HCA Global Accounts and customised benchmarking against a select peer group to compare our financial performance and capital structure.

We use comparative data to inform our target setting and to assess our performance in the context of our peer organisations.

Our housing management costs per property are high when compared to peers and we are reviewing both our organisation structure and the way we deliver services in order to improve our efficiency and also the quality of services we provide.

We benchmark our annual pay award against relevant sector awards, and we undertake a full market review of pay and benefits every three years.

Creating a Value for Money Culture

As well as everyone having an individual value for money target as one of their performance objectives, we regularly ask people for their ideas and publish suggestions on how we can deliver value for money across our business. These have included collaboration with sector partners to minimise recruitment costs and an increased use of telephone and video conferencing to reduce our travel expenses.

Report of the Board of The Guinness Partnership and Operating and Financial Review... continued

Our Value for Money Plans for 2014/15

We recognise that to fulfil the potential of our organisation and achieve the benefits of our scale we need to do things differently, and this includes how we use technology and the way we organise ourselves.

Our key value for money objectives for 2014/15 include:

- **Reorganising ourselves** along functional lines so that we reduce duplication of effort and resource across the organisation. We will also streamline our governance arrangements to support our new organisational structure. Target – transitional structures in place by November.
- **Delivery of a three year programme to implement new technologies**, enabling us to operate more efficiently, report faster and more accurately, and provide a more modern service offering to our customers. Target – go-live of single core systems.
- **Doing more to improve the cohesiveness and engagement of our people** – by continuing and embedding learning from our Leaders and Managers programmes which commenced in 2013/14; introducing stronger mechanisms for employee representation and a two-way dialogue with our staff; and providing a focus on staff health and well-being. Target – 85% employee engagement.
- **Delivering our 2011/15 Affordable Homes Programme** – and expand our pipeline of homes for future development, including opportunities for creating more homes on our existing estates. Target – 2,700 new homes 2011-2015, 1,500 new homes 2015-2018.
- **Improving customer satisfaction and finding more ways to engage with and understand the views of our customers** – with a particular focus on our home ownership services to ensure we understand and meet the needs of this group of customers – enabling us to deliver more efficient, cost-effective services. Target – 85% customer satisfaction.
- **Making our homes more available to more people** – by starting to introduce fixed term tenancies and providing affordable homes to those who may have a shorter term need for affordable housing and the understanding that there may come a time when they can afford other options and the property they have lived in could be used to house others whose immediate need is more pressing. Target – introduction of fixed term tenancies in the South.
- **Continuing to improve our operating and financial performance.** Target – operating margin 30% and target net operating margin 10%.

We will continue to develop our ability to benchmark our performance against national organisations who we consider our peer group and set challenging targets for future cost reduction.

For a full version of our Value for Money self assessment please visit: www.guinnesspartnership.com/valueformoney

Financial Review

Surplus

The Guinness Partnership has delivered another year of strong financial performance. The Group generated an overall surplus of £91.5 million (2013: £48.4 million). Our operating surplus for the year covers all investment in existing homes through a programme of planned repairs and improvements, as well as making a contribution to our affordable homes programme. Our strong financial performance further underpins our Affordable Homes Programme by enabling us to increase debt to fund new homes.

The surplus (before tax) of £92.1 million comprises an operating surplus of £79.9 million (2013: £77.9 million) plus property sales of £65.3 million (2013: £25.3 million) less net interest charges of £53.1 million (2013: £54.7 million).

Balance Sheet

The main movements in the year reflect the value of new homes completed in the year, partially offset by the sale properties in line with our stock optimisation programme. These sales proceeds have enabled us to reduce borrowing and the associated costs in the short term by repaying some revolving debt.

Great service, great homes and a great place to work

The table below provides a summary of the Group's results and key financial indicators for the last five years.

The Guinness Partnership	2014	2013	2012	2011	2010
	£m	£m	£m	as restated £m	£m
Income and Expenditure Account Summary					
Turnover	292.1	288.6	281.3	263.8	268.1
Underlying operating surplus	79.9	77.9	70.2	59.1	60.7
Exceptional item	-	-	-	(1.8)	-
Total operating surplus	79.9	77.9	70.2	60.9	60.7
Net underlying interest charges	53.1	54.7	52.3	51.1	50.6
Exceptional item: interest	-	-	-	-	(6.0)
Total net interest charges	53.1	54.7	52.3	51.1	44.6
Surplus after interest	26.8	23.2	17.9	9.8	16.1
Surplus on disposal of fixed assets	65.3	25.3	6.1	4.9	2.3
Surplus for the year before taxation	92.1	48.5	24.0	14.7	18.4
Taxation (charge)/credit	(0.6)	(0.1)	(0.4)	(0.7)	0.3
Surplus for the year after taxation	91.5	48.4	23.6	14.0	18.7
Balance Sheet Summary					
Assets less current liabilities					
Housing and other fixed assets	2,817.3	2,770.0	2,759.8	2,705.5	2,586.6
Grant	(1,423.1)	(1,444.6)	(1,448.7)	(1,430.2)	(1,349.0)
Fixed asset investment (including bond issue premium and Debt Service Reserve)	21.0	26.6	20.0	18.7	18.8
Intangible assets	2.1	-	-	-	-
Net current assets/(liabilities)	40.0	36.8	47.2	7.9	(14.5)
	1,457.3	1,388.8	1,378.3	1,301.9	1,241.9
Financed by					
Loans and other long term creditors	999.4	1,022.6	1,061.0	1,005.3	969.0
Reserves	457.9	366.2	317.3	296.6	272.9
	1,457.3	1,388.8	1,378.3	1,301.9	1,241.9

Key Financial Ratios	2014	2013	2012	2011	2010
Underlying earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) as % of interest payable (excluding loan redemption penalties)	331%	250%	201%	183%	164%
Underlying operating surplus	27%	27%	25%	23%	23%
Interest cover (underlying operating surplus + depreciation) / net interest	215%	206%	195%	175%	161%
Gearing % (total borrowing / total net worth - reserves plus capital grant)	53.4%	56.4%	60.1%	58.1%	53.3%

Treasury Management

Strong treasury management is critical to increasing our financial resilience. The Group Treasury Management Policy is updated and submitted annually to the Group Board for approval. The Group Audit and Risk Committee and the Group Board review treasury performance at each meeting. This includes a review of compliance with financial covenants, interest rate management and liquidity projections. At 31 March 2014 the Group complied with all financial covenants in place.

Financing

At 31 March 2014 the Group had total loan facilities of £1,218.6 million of which £992.2 million had been drawn (2013: £1,227.1 million, of which £1,008.2 million was drawn).

Report of the Board of The Guinness Partnership and Operating and Financial Review... continued

Interest rate management

In accordance with the Group's Interest Rate Management Strategy and in order to mitigate the risk of rises in variable interest rates, at 31 March 2014, 71.6% of the Group's debt was at rates fixed with a range of maturities between 1 and 35 years. Of this fixed rate debt, 16.0% was hedged under ISDA Agreements.

As at 31 March 2014, the Group's weighted average interest rate cost of capital was 5.3% (2013: 5.4%). At the current ratio of fixed to variable rates, a 0.5% change in interest rates would result in a change of £1.4 million (2013: £1.3 million) to interest payable over a full year.

As at 31 March 2014, 61.2% (2013: 60.7%) of the Group's properties were charged as loan security.

Liquidity

The Group's Treasury Management Policy dictates that the Group's available secured facilities and cash balances must equate to the forecast cash outflow for the next twelve months. The Group has met or exceeded this policy requirement throughout 2013/14. The Group has sufficient facilities available to meet known requirements beyond March 2017.

At the year end the Group held cash balances totalling £91.6 million (2013: £78.7 million) of which £72.0 million (2013: £50.1 million) was held on term deposits of up to 3 months at average rates of 0.5% (2013: 0.6%).

Capital and reserves

The reserves of the Group at 31 March 2014 totalled £457.9 million (2013: £366.2 million). The Group business plan achieves a surplus each year which is re-invested in existing homes, communities, services and new developments, and provides for contingencies. The Group Board is satisfied that the level of reserves recorded at 31 March 2014 is appropriate.

Operating Performance

The following table shows a range of key measures of our operational performance:

Measure	2014 Result	2014 Target	2013 Result	Target Met
Current rent arrears as % of rent debt	4.2%	5.4%	4.1%	Yes
% of rent lost due to voids	0.9%	0.9%	0.7%	Yes
Average weeks to re-let	4.2	3.8	3.7	No
% customer satisfaction	75.0%	n/a	75.0%	No
% properties meeting Decent Homes Standard	100.0%	100.0%	100.0%	Yes

- **Rent arrears:** The impact of Welfare Reform was reflected in the target, but careful management of arrears kept performance largely in line with 2013.
- **Rent loss due to voids:** Performance has slightly deteriorated since last year, but was in line with target.
- **Re-let times:** These have increased slightly over the year. Welfare Reform has had some impact in this area and will be monitored carefully as more customers are affected.
- **Customer satisfaction:** Performance is significantly below the level we aspire to, and will be a key area of focus for 2014/15.
- **Decent Homes:** We were fully compliant with the Decent Homes Standard at the end of the year.

Regulation and Governance

Regulation

The Group operates within a number of different regulatory environments. Details of the Group's principal regulators are set out below.

The Guinness Partnership Limited (TGPL) is the corporate trustee of The Guinness Trust which is registered with and regulated by the Charity Commission and the Homes and Communities Agency (HCA). The Guinness Trust does not form part of the consolidated Group financial statements. The entities within the Group which are Industrial and Provident Societies, whether charitable or non-charitable, are registered with and regulated by the Financial Conduct Authority.

Guinness Care and Support Limited is a charitable Industrial and Provident Society. It also registered with and regulated by the Care Quality Commission.

The HCA's assessment of TGPL's compliance with the Governance element of the Governance and Viability Standard is G2. This reflects a downgrading during the year which resulted from our identification of a small number of properties which had been omitted from our gas servicing regime, an issue which was promptly investigated and addressed to ensure that robust controls existed and the omissions would not be repeated. A G2 rating remains compliant with the Regulatory Standard.

The Regulator's assessment of TGPL's compliance with the financial viability element of the Governance and Viability Standard remains unchanged at V1.

Governance

The Board of The Guinness Partnership Limited is the Group's ultimate governing body and is referred to as The Guinness Partnership Board.

The Guinness Partnership Board comprises between seven and twelve members. Appointments and re-appointments to the Board are normally for a term of three years. The Board reviews its performance formally to identify where additional skills or expertise may be needed. Details of the Board are shown on page 51 and details of non-executive Board member remuneration are shown in the table below.

The Guinness Partnership Board meets seven to eight times per year and is responsible for:

- Defining the values and strategy of the Group;
- Promoting the interests of the Group and ensuring that the Group continues to be financially viable;
- Approving the structure, policies and plans to achieve Group objectives; and
- Approving the consolidated financial statements of the Group, which include those of The Guinness Partnership Limited.

Subsidiary entity and housing division boards

All legal entities within the Group have Boards which take responsibility for the strategic management and operational and financial performance of the entity.

Each of the three housing divisions within The Guinness Partnership Limited also has a divisional non-statutory Board, with responsibility for local direction and service performance.

The Boards of the trading entities within the Group include independent non-executives. The Guinness Partnership Limited's divisional Boards meet between four and ten times per year.

Delegation and Committees

The Guinness Partnership Board is supported by three functional committees.

The Group Audit and Risk Committee meets four times a year and is responsible for monitoring and reporting to the Board on the Group's systems of internal control and risk assurance, and for overseeing internal and external audit.

The Group Governance Committee meets a minimum of three times a year and is responsible to the Board for considering and making recommendations on Board and Committee membership, the appointment of the Chairs of subsidiary company Boards, senior executive remuneration and appointments, and governance standards across the Group.

The Partnership Services Committee meets a minimum of twice a year and is responsible for monitoring the delivery of back office services.

The Guinness Partnership Limited's divisional boards are also supported by functional committees as relevant.

Board Member Remuneration

The emoluments of the non-executive members of the Board of The Guinness Partnership Limited during 2013/14 were as follows:

Director	Role	Salary £	Other benefits £	Total £
Lady Amanda Ellingworth	Chair	20,400	-	20,400
Peter Cotton	Deputy Chair	15,300	-	15,300
Lloyd Clarke	Non Executive Director	15,300	-	15,300
Jim Dickson	Non Executive Director	15,300	-	15,300
Christopher Relleen	Non Executive Director	15,300	-	15,300
Dame Clare Tickell	Non Executive Director	10,200	-	10,200
Dianne Summers	Non Executive Director	8,500	-	8,500
Neil Braithwaite	Non Executive Director	4,250	-	4,250
Mike Petter	Non Executive Director	850	-	850

Report of the Board of The Guinness Partnership and Operating and Financial Review... continued

The Executive Team

The Group is managed by an Executive Team led by the Group Chief Executive and comprising the Deputy Chief Executive, Group Investment Director, Managing Directors of the three housing divisions, Guinness Hermitage, Guinness South and Guinness Northern Counties, and the Managing Director of Guinness Care & Support Limited. The Executive Team meets at least monthly and is represented at all meetings of the Group Board.

For salary disclosure purposes, members of the Executive Team are referred to as directors. However, with the exception of the Chief Executive and Deputy Chief Executive who are members of the Board of The Guinness Partnership Limited, they are not regarded as directors for legal purposes.

Code of Governance

The Group Board and the boards of the Registered Providers within the Group have adopted the recommendations of and substantially comply with the National Housing Federation's Excellence in Governance – Code for members. There are two exceptions to this:

- The Group Board has chosen to carry out a review of the Board's performance and separately that of individual Board members in alternate years rather than both annually. The Board considers that this is beneficial in that it enables clearer focus on individual and collective performance.
- In considering the terms of appointment of Board members, the Group Board has decided that terms of office for Group Board members which pre-date the formation of the Group in 2007 should be disregarded for the purposes of calculating terms of office. The Group differs so significantly from any of its predecessor organisations that this is believed to be within the spirit of the Code.

There are comprehensive governance policies in place which apply to the Group Board and Committee members as well as employees and engaged customers. Board and Committee members are remunerated and signed agreements for services are in place with all members of the Group Board, The Guinness Partnership Limited's boards and committees.

Bribery Act

Following the implementation of the Bribery Act 2010, the Group has adopted a 'zero-tolerance' anti-bribery policy, which applies to all entities within the Group and all relationships entered into between members of the Group and third parties.

Risk Management

The Group has an established and embedded risk management framework that is actively used through the business. The Partnership Risk and Risk Management Strategy is reviewed and updated annually in alignment with the Partnership Business Plan. The Strategy defines the Board's risk appetite and acceptance of risk.

The Partnership Board, Group Audit and Risk Committee and the Executive team regularly review the key risks faced by the business.

A Partnership Risk Panel meets quarterly and this officer forum plays an active part in monitoring exposure to risk, and embedding a culture of risk awareness and risk management amongst staff. All entities within the Group have detailed Risk Plans in place which include strategies for managing and mitigating key business risks. Additionally, all major projects have a risk plan.

Great service, great homes and a great place to work

The Group considers the following to be the key risks facing the business:

Risk	Mitigation
<p>Future finance - Debt is not available in the volumes or on the terms needed to develop new homes in a low grant environment, and that operating at increasing levels of gearing creates capacity constraints over time.</p>	<ul style="list-style-type: none"> • Future funding requirements identified through detailed financial planning and modelling, including stress testing, and regular cash flow monitoring. • Financing in place well ahead of requirements. • Growth in cash surpluses through increased efficiency, diversification and planned property disposals – so that surpluses can be used to fund the development of new homes and reduce reliance on debt.
<p>Interest rates - Changes in interest rates create pressure on our income and expenditure account and future cash flows or create significant mark to market exposure on our derivative positions.</p>	<ul style="list-style-type: none"> • Interest rate exposure managed through hedging and limited use of ISDAs as part of these arrangements.
<p>Health and Safety - Service loss or injury as a result of component failure.</p>	<ul style="list-style-type: none"> • Rigorous health and safety practices and comprehensive inspection and servicing regimes in place. • In-house health and safety compliance and advisory function supported by use of third party professionals as required.
<p>Income - Changes to the welfare benefits regime including the introduction of universal credit and direct payment make it harder for our customers to pay their rent and our income stream is put at risk.</p>	<ul style="list-style-type: none"> • Continued investment in our rent collection and tenancy sustainment services to engage with more customers and earlier – to support them in managing their finances and facilitate moves to smaller or more affordable homes. • Stress testing our Financial Plan to ensure it remains viable if income collection falls, and that we do not commit to build more new homes than could be delivered if our income streams were under serious pressure.
<p>Diversification - Into new activities, particularly market rent and sale, makes us more susceptible to market volatility resulting in financial losses.</p>	<ul style="list-style-type: none"> • Adherence to strict limits for the amount of non-core activity we will engage in. • Products and markets extensively researched – supported by resources and capacity within the organisation to monitor trends, appraise and manage diverse business streams. • Set appropriately testing hurdles for market schemes so that their return is commensurate with their risk. • Stress testing individual investments to ensure that any underperformance can be accommodated.
<p>Care and Support - Viability and / or growth plans of our care and support activities are threatened by changes in funding regimes or local authority commissioning strategies</p>	<ul style="list-style-type: none"> • Carefully planned growth in areas where we believe we can offer good service and economies of scale. • New business achieves (or is capable of achieving) agreed financial thresholds. • Financial performance is reviewed against five year plans. • Robust quality assurance systems are maintained.

The Group uses a 30 year financial model to analyse projections to ensure our long term financial sustainability. Guinness Care and Support Limited and Guinness Developments Limited consider their financial projections over a five year period as the nature of their businesses does not lend itself to longer range forecasting. Financial projections are stress tested to ensure we are able to withstand changes in the operating environment.

Report of the Board of The Guinness Partnership and Operating and Financial Review... continued

Internal Controls Assurance

The Board has overall responsibility for establishing and maintaining the system of internal control and for reviewing its effectiveness. This applies in respect of all companies and 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, but not absolute, 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 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.

Board meetings are held regularly and there is a defined schedule of matters reserved for decision by the Board.

The process adopted by the Board in reviewing the effectiveness of the systems of internal control, together with some of the key elements of the control framework, is set out below.

Control environment

The Board retains responsibility for a schedule of matters covering strategic, operational, financial, and compliance issues, including treasury strategy and new investment projects. The Board has adopted the NHF Excellence in Governance – Code for members. This is supported by a framework of policies and procedures which employees and Board members must comply with and together cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection, money laundering, fraud prevention and detection and bribery.

Identification and evaluation of key risks

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and on-going process of management review in each area of the Group's activities. The Executive Team, TGPL Audit and Risk Committees and the Group Audit and Risk Committee also consider risks throughout the year. Both TGPL Audit and Risk Committees and the officer Risk Panel report to the Group Audit and Risk Committee. The Group Chief Executive and the Group Audit and Risk Committee are responsible for reporting to the Group Board any significant changes affecting key risks.

Monitoring and taking corrective action

An assurance framework including control, self-assessment and regular management reporting on risk and control issues provides a hierarchy of assurance to successive levels of management, the Group Audit and Risk Committee 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.

Financial reporting systems and management information

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 through the Group Audit and Risk Committee.

The Group Audit and Risk Committee reviews reports received from internal and external auditors. It makes regular reports to the Board on the extent to which internal controls continue to take account of the major risks facing the Group. The Group Audit and Risk Committee submits an annual report, summarising its work and conclusions, to the Board.

In reviewing the effectiveness of internal controls, the Board has reference to a range of evidence that include independent sources, management assurances and outcomes from a range of risk management activities.

The Group has adopted a comprehensive fraud policy and procedures to prevent, detect and report on fraud and recover assets as appropriate. This is supported by a positive anti-fraud and corruption culture amongst staff, contractors and Board members. The Group does not tolerate fraud. A proactive approach is taken to reduce the risk of fraud through maintaining robust control systems. During the year the individual boards have reviewed their fraud registers. No frauds resulting in a material loss have occurred during the year.

Equality and Diversity

The Guinness Partnership believes that a commitment to equality and embracing diversity is fundamental to our effectiveness as a business and supports us to achieve our vision and strategic objectives.

The principal aims of our Equality and Diversity Strategy are to ensure that:

- Services are designed to respond to the needs of our current and new customers, and delivered so as to promote a culture of mutual respect and understanding between customers, employees and partners;
- Managers and Board members demonstrate effective leadership on equality and diversity; and
- The Group provides a working environment where employees succeed and feel valued.

Equality and diversity objectives are integrated into operational plans both in respect of service provision to our customers, and our functions as an employer.

Health and Safety

The Group recognises and accepts its legal and moral responsibilities, as defined by Health and Safety law and associated regulations, to ensure the health, safety and welfare of all of its employees, customers and other persons who may be affected by the way it carries out its activities. Strong emphasis is placed on providing a safe and healthy working environment which includes training in safe working practices in accordance with the Group's health and safety policies.

Following our identification of a small proportion of properties with out-of-date gas certificates during 2013/14, we have intensified our focus on a comprehensive health and safety management system that ensures we comply with all legal and regulatory obligations; maintain a robust policy and procedural framework; and continuously reinforces responsibilities among our employees and contractors.

Donations

We have made no (2013: £nil) political donations in the year.

Statement of Board Members' Responsibilities

The Group Board, which is the Board of The Guinness Partnership Limited, is responsible for preparing the financial statements. The financial statements are prepared in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in operation.

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group. The Board is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the detection of fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the Group's website.

After making all reasonable enquiries, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the Board continues to adopt the going concern basis in preparing the financial statements.

The Board confirms that to the best of its knowledge:

- The financial statements, prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and surplus or deficit of the Group; and
- The Report of the Board includes a fair review of the development and performance of the Group and the position of the Group, together with a description of the principal risks and uncertainties that the Group faces.

Report of the Board of The Guinness Partnership and Operating and Financial Review... continued

Disclosure of information to the auditors

At the date of making of this report, each of the Board members of The Guinness Partnership Limited, acting in their capacity as the Group Board, confirm:

- So far as each Board member is aware, there is no relevant audit information needed by the Group's auditors in connection with preparing their report of which the Group's auditors are unaware; and
- Each Board member has taken all steps that he or she ought to have taken as a Board member in order to make himself or herself aware of any relevant information needed by the Group's auditors in connection with their report and to establish that the Group's auditors are aware of that information.

External auditors

Nexia Smith & Williamson are the appointed auditors for the Group. They have expressed their willingness to continue in office. Accordingly a resolution is to be proposed for the re-appointment of Nexia Smith & Williamson as auditors of the Group.

On behalf of the Board



Lady Amanda Ellingworth, Chair of The Guinness Partnership Limited

23 July 2014

The Guinness Partnership Limited is an Industrial and Provident Society with charitable objects (No. 31693R) and a Registered Provider of Social Housing (No. 4729).

Independent Auditors' Report for the year ended 31 March 2014

Independent auditors' report to the members of The Guinness Partnership Limited

We have audited the financial statements of The Guinness Partnership Limited (the Partnership) for the year ended 31 March 2014 which comprise the Consolidated and Association Income and Expenditure Account, the Consolidated and Partnership Balance Sheet, the Cash Flow Statement, the Consolidated and Partnership Statement of Total Recognised Surpluses and Deficits, and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Partnership's members, as a body, in accordance with the requirements of statute. Our audit work has been undertaken so that we might state to the Partnership's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the board and the auditor

As explained more fully in the Statement of Board's Responsibilities set out on page 19, the Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- Give a true and fair view of the state of the Group's and the Partnership's affairs as at 31 March 2014 and of the Group's and the Partnership's income and expenditure for the year then ended; and
- Have been properly prepared in accordance with the Industrial and Provident Societies Acts, 1965 to 2002, the Industrial and Provident Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and The Accounting Direction for Private Registered Providers of Social Housing 2012.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts, 1965 to 2002 requires us to report to you if, in our opinion:

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

Nexia Smith & Williamson

Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants
25 Moorgate, London EC2R 6AY
23 July 2014

Financial statements for the year ended 31 March 2014

Group Income and Expenditure Account

Year ended 31 March 2014

	Note	2014 £m	2013 £m
Turnover	2	292.1	288.6
Cost of sales	2	(4.6)	(4.2)
Operating costs	2	(207.6)	(206.5)
Operating surplus		79.9	77.9
Surplus on disposal of tangible fixed assets	4	65.3	25.3
Interest receivable and similar income		1.6	0.7
Interest payable and similar charges	7	(54.7)	(55.4)
Surplus on ordinary activities before taxation	8	92.1	48.5
Taxation charge on surplus on ordinary activities	9	(0.6)	(0.1)
Surplus for year		91.5	48.4

All amounts relate to continuing activities. The notes on pages 26 to 49 form part of these financial statements.

Group Statement of Total Recognised Surpluses and Deficits

For the year ended 31 March 2014

	Note	2014 £m	2013 £m
Surplus for the year, as reported in the income and expenditure account above		91.5	48.4
Actuarial gains on pension schemes	22	0.2	0.5
Total recognised surpluses relating to the year		91.7	48.9

The Guinness Partnership Limited Income and Expenditure Account

Year ended 31 March 2014

	Note	2014 £m	2013 £m
Turnover	2	273.3	270.1
Cost of sales	2	(4.1)	(3.8)
Operating costs	2	(195.5)	(188.6)
Operating surplus		73.7	77.7
Surplus on disposal of tangible fixed assets	4	64.9	24.1
Gift Aid		0.5	0.5
Interest receivable and similar income		1.6	0.6
Interest payable and similar charges	7	(54.0)	(54.6)
Surplus on ordinary activities before taxation	8	86.7	48.3
Taxation charge on surplus on ordinary activities	9	-	-
Surplus for year		86.7	48.3

All amounts relate to continuing activities. The notes on pages 26 to 49 form part of these financial statements.

The Guinness Partnership Limited Statement of Total Recognised Surpluses and Deficits

For the year ended 31 March 2014

	Note	2014 £m	2013 £m
Surplus for the year, as reported in the income and expenditure account above		86.7	48.3
Actuarial gains on pension schemes	22	0.2	-
Total recognised surpluses relating to the year		86.9	48.3


Group Balance Sheet

At 31 March 2014

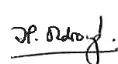
	Note	2014 £m	2014 £m	2013 £m	2013 m
Tangible fixed assets	10				
Housing properties – depreciated cost		2,781.7		2,740.7	
Less Social Housing Grant		(1,305.8)		(1,326.9)	
Less other grants		(117.3)		(117.7)	
			1,358.6		1,295.8
Other fixed assets	12		35.6		29.6
Fixed asset investments	13		21.0		26.6
Intangible assets	14		2.1		-
Total fixed assets			1,417.3		1,352.0
Current assets					
Work in progress	15	22.8		6.8	
Debtors due within one year	16	21.8		32.4	
Bank balances and deposits		91.6		78.7	
			136.2		117.9
Creditors: amounts falling due within one year	17	(96.2)		(81.1)	
Net current assets			40.0		36.8
Total assets less current liabilities			1,457.3		1,388.8
Creditors: amounts falling due after more than one year	18		989.5		1,011.2
Provisions for liabilities and charges	19		0.7		1.9
Pension liability	22		9.2		9.5
Reserves	20				
Revenue reserves		457.4		365.4	
Designated reserves		0.3		0.3	
Restricted reserves		0.2		0.5	
Total reserves			457.9		366.2
Total			1,457.3		1,388.8

The notes on pages 26 to 49 form part of these financial statements.

These financial statements were approved by the Board on 23 July 2014 and signed on its behalf by:


Board Member


Board Member


Secretary

Financial statements for the year ended 31 March 2014... continued

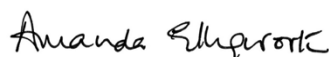
The Guinness Partnership Limited Balance Sheet

At 31 March 2014

	Note	2014 £m	2014 £m	2013 £m	2013 £m
Tangible fixed assets	11				
Housing properties – depreciated cost		2,702.9		2,661.6	
Less Social Housing Grant		(1,261.3)		(1,282.2)	
Less other grants		(117.3)		(117.7)	
			1,324.3		1,261.7
Other fixed assets	12		33.9		27.8
Fixed asset investments	13		29.0		31.5
Total fixed assets			1,387.2		1,321.0
Current assets					
Work in progress	15	7.2		3.4	
Debtors due within one year	16	23.3		34.8	
Bank balances and deposits		80.1		61.6	
			110.6		99.8
Creditors: amounts falling due within one year	17	(80.4)		(71.9)	
Net current assets			30.2		27.9
Total assets less current liabilities			1,417.4		1,348.9
Creditors: amounts falling due after more than one year	18		975.7		997.1
Provisions for liabilities and charges	19		0.7		1.8
Pension liability	22		8.5		4.4
Reserves	20				
Revenue reserves		432.0		344.8	
Designated reserves		0.3		0.3	
Restricted reserves		0.2		0.5	
Total reserves			432.5		345.6
Total			1,417.4		1,348.9

The notes on pages 26 to 49 form part of these financial statements.

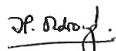
These financial statements were approved by the Board on 23 July 2014 and signed on its behalf by:



Board Member



Board Member



Secretary

Group and The Guinness Partnership Limited Cash Flow Statements

For the year ended 31 March 2014

	Note	Group 2014 £m	TGPL 2014 £m	Group 2013 £m	TGPL 2013 £m
Net cash inflow from operating activities	23(a)	116.7	121.8	112.7	104.5
Returns on investments and servicing of finance	23(b)	(58.5)	(57.8)	(53.9)	(53.1)
Taxation	23(c)	(0.3)	(0.1)	(0.6)	(0.4)
Capital expenditure	23(d)	(32.0)	(31.2)	(28.6)	(29.1)
Cash outflow before management of liquid resources and financing		25.9	32.7	29.6	21.9
Acquisition and disposals	23(e)	(2.0)	(3.0)	-	-
Management of liquid resources	23(f)	5.4	5.3	(6.7)	(6.7)
Financing	23(g)	(16.6)	(16.5)	(39.5)	(34.5)
Increase/(decrease) in cash		12.7	18.5	(16.6)	(19.3)
Reconciliation of Net Cash Flow to Movement in Net Debt					
Increase/(decrease) in cash in the year		12.7	18.5	(16.6)	(19.3)
Cash outflow from debt net of loan issue costs		16.6	16.5	39.5	34.5
Cash outflow from acquisitions		2.0	3.0	-	-
Cash (decrease)/increase from liquid resources		(5.4)	(5.3)	6.7	6.7
Changes in net debt resulting from cash flows	23(h)	25.9	32.7	29.6	21.9
Other changes	23(h)	(0.6)	(0.2)	-	(0.2)
		25.3	32.5	29.6	21.7
Net debt at 1 April		(909.0)	(906.3)	(938.6)	(928.0)
Net debt at 31 March		(883.7)	(873.8)	(909.0)	(906.3)

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Financial Reporting Standards, the Statement of Recommended Practice: Accounting by Registered Housing Providers 2010, (SORP 2010), the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2012 and the Industrial and Provident Societies Acts 1965 to 2002. The principal accounting policies are set out below. These accounting policies have been consistently applied during the current and preceding period unless otherwise stated.

Basis of preparation

The financial statements have been prepared on a going concern basis under the historical cost convention. The Group has disclosed the balances and nature of transactions with entities that form part of the Group as required by the Direction.

Basis of consolidation

The Group financial statements incorporate the financial statements of The Guinness Partnership Limited (TGPL) and other entities controlled by The Guinness Partnership Limited. The entities are controlled and managed by non-executive boards and committees and executive management teams. Details of the individual entities can be found at note 28. All intra-group transactions, balances and income are eliminated on consolidation.

Business combinations

When a new entity joins the Group, if the business combination meets the definition of a merger under FRS 6 – Acquisitions and Mergers, the entity has been consolidated using the merger accounting method. Accordingly the results, balance sheets and cash flows of the combining entities are brought into the financial statements of the combined entity from the beginning of the financial year in which the combination occurred. The corresponding figures are restated by including the results of all entities for the previous period and their balance sheets for the previous balance sheet date. With merger accounting the carrying values of the assets and liabilities of the parties to the combination are not required to be adjusted to fair value on consolidation.

If the business combination does not meet the criteria for merger accounting under FRS 6, then the entity is consolidated using acquisition accounting rules. This requires the new entity's assets and liabilities to be initially recognised at fair value. Goodwill is calculated as the difference between the fair value of consideration and the fair value of net assets acquired. Positive goodwill is amortised evenly over the Directors' estimate of its useful economic life. The Directors consider whether an impairment has taken place at each balance sheet date by reference to the income streams being generated. Impairment losses are recognised in the Income and Expenditure Account.

Where the nature of the combination is of one entity gifting its net assets to the other, the fair value of the gifted assets and liabilities are recognised as a gain or loss in the Income and Expenditure Account in the year of the transaction.

Turnover

Turnover represents rental and service charge income receivable from properties owned, fees and contract income when they fall due and revenue grants from public bodies which are credited to the Income and Expenditure Account in the same period as the expenditure to which they relate. It also includes proceeds from properties developed for outright sale and first tranche sale proceeds from properties developed for shared ownership which are recognised on legal completion.

Income from Supporting People and support services

Block gross contracts are used by local authorities for floating support services. The income is invoiced annually in advance based on contract price and is receivable from Administrative Authorities in instalments in advance. Income receivable and costs incurred from block gross contracts are recognised on receivable and accruals bases and are included within 'Other social housing activities' and are described as 'Supporting people contract income'.

Block subsidy contracts are contracts, which are used for chargeable services where the provider collects the charges. The provider will receive Supporting People grant for eligible service users and will collect charges from other service users through a separate support agreement. Income receivable and costs incurred from block subsidy contracts are recognised on receivable and accruals bases and are included within 'Other social housing activities' and are described as 'Other supporting people income'.

Where users are not eligible for Supporting People grant, the Group will collect charges from the service users through a separate support agreement. The related income and costs are included within 'Other social housing activities', if services are provided under a contract separate from a tenancy agreement they are described as 'Other supporting people income' and if services are provided within a tenancy agreement they are described as 'Charges for support services' (see note 2).

Property managed by others

The Group has a number of agreements with third parties to manage schemes on its behalf. Where a transfer of the risks and benefits attached to schemes has taken place, the transactions managed by the agents are not included in these financial statements.

Property managed for others

The Group manages some schemes on behalf of third parties. Where a transfer of the risks and benefits attached to schemes has taken place, the transactions managed by the Group are included in these financial statements.

Repairs

In addition to capitalising component replacements, expenditure on housing properties which is capable of generating increased future rents, extends their useful life, or significantly reduces future maintenance costs, is capitalised.

Sale of tangible fixed assets

Sales of tangible fixed assets, including second and subsequent tranches of shared ownership properties are dealt with in the income and expenditure account and separately disclosed after the operating surplus for the year.

First tranche shared ownership property sales are included in turnover. The related portion of the cost of the asset is recognised as cost of sales. Any surpluses recognised in the income and expenditure account are restricted by the extent to which they subsidise the social rented portion of a scheme.

Taxation

The charge for corporation tax is based on the surplus/deficit arising from non-charitable activities for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of timing differences between the treatment of certain items for taxation and accounting purposes which have arisen, but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Value added tax (VAT)

The majority of the Group's income, being rents, is exempt for VAT purposes and this gives rise to a partial exemption calculation for VAT recovery. Expenditure is therefore primarily recorded inclusive of VAT with the small proportion that can be recovered credited to the income and expenditure account. Where VAT can be recovered in full, expenditure is recorded excluding VAT. The balance of VAT payable or recoverable at the year end is included as a current liability or asset.

Fixed assets and depreciation

Depreciation is charged so as to write down the cost (net of Social Housing Grant) of freehold housing properties, other than freehold land, to their estimated residual value on a straight line basis over their expected useful economic lives.

Housing properties are split between land, structure and major components which require periodic replacement. Freehold land is not depreciated.

The Group depreciates freehold housing properties by component on a straight line basis as follows:

Component	Useful economic life
Pitched roofs	60 years
Flat roofs	25 years
External doors	25 years
Windows	30 years
Electrical installation	30 years
General heating (excluding boilers)	30 years
Boilers	15 years
Lifts	25 years
Kitchens	20 years
Bathrooms	30 years
Residual structure (building)	100 years

The Group depreciates housing properties held on long leases over the shorter of the lease term or the useful economic life of the relevant component category.

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

Freehold office premises	1% to 2%
Leasehold office premises	over the period of the lease
Plant, machinery, fixtures and fittings	5% to 33%

Improvements to office premises are capitalised where the expenditure provides an enhancement of economic benefits in excess of the previously assessed standard of performance.

The useful economic lives of all fixed assets are reviewed annually.

Impairment of housing properties and land held for future development

Impairment reviews are carried out for completed properties and properties under construction where there are indicators of impairment. Impairments arising from a major reduction in service potential are charged to the income and expenditure account to the extent that the carrying value exceeds the recoverable amount. The recoverable amount is the higher of its net realisable value and value in use. Value in use is the present value of future cash flows obtainable as a result of the continued use of the property.

Principal accounting policies... continued

Impairment reviews are carried out at least annually on unsold shared ownership and outright sale properties held as current assets. These reviews ensure that they are valued at the lower of cost and net realisable value.

Impairment reviews for land held for future development take into account existing plans for developing the land (holdings for social housing and shared ownership). Where there is agreement with the Homes and Communities Agency for a development and the scheme meets our internal criteria for approval, no impairment is made. However, if there is a high level of uncertainty over the use of the land or where internal criteria are not met then impairment would be recognised. Impairment would be recognised to the extent that market valuations are lower than the carrying value of the asset.

Housing properties

Carrying value: housing properties are stated at cost less accumulated depreciation, impairment and capital grants. Cost comprises of purchase price and building costs together with directly attributable incidental and administrative costs in bringing them into working condition for their intended use. Directly attributable costs are staff costs arising directly from construction or acquisition of the property and incremental costs that would have been avoided only if the property had not been constructed or acquired.

Land acquired is recorded at its purchase price, which is usually the open market value. Land acquired at less than open market value or donated, is stated at current value at the date it was acquired or received taking account of any restrictions on land use. Where material land values do not reflect the amount paid, the carrying value is confirmed by an independent valuer. If land is acquired from a non public body, any excess of the value over purchase price is recognised in turnover, and where donated or acquired from central or local government the difference between the value when received, and price paid is treated as a government grant.

Interest on borrowings used to finance housing developments and regeneration projects is capitalised only when development activity is in progress and up to the date of practical completion or the end of the regeneration period.

Directly attributable development overheads are capitalised only when development activity is in progress and up to the date of practical completion or the end of the regeneration period.

Improvements are capitalised only when they result in an increase in the net rental income, such as direct increase in rental income, a reduction in future maintenance costs or in a significant extension of the useful economic life of the property.

Costs of replacing major components are capitalised and depreciated over their estimated useful economic lives. The net book value of components replaced is written off and disclosed as depreciation in the year of replacement.

Properties under construction: housing properties in the course of construction, excluding the expected first tranche element of properties developed for shared ownership, are included within fixed assets and stated at cost less Social Housing Grant received against expenditure less any provision for impairment and are not depreciated. When expenditure is incurred in advance of the transfer of title, the amounts are capitalised and, if applicable, provisions made to reflect the level of uncertainty over the continuation of the scheme.

The cost of properties under construction is transferred to completed rental or shared ownership properties on practical completion or transfer of title.

The costs of shared ownership properties under development are split between fixed assets and current assets in proportion to the expected share percentage to be retained and the first tranche percentage expected to be sold.

The expected retained share percentage after first tranche disposal is classified within fixed assets as completed shared ownership properties upon practical completion.

The expected first tranche element of properties developed for shared ownership either completed or under construction is shown within work in progress in current assets at the lower of cost and net realisable value.

Social Housing Grant and other grants: where developments have been financed wholly or partly by Social Housing Grant (SHG) and other grants, the cost of these developments is reduced by the amount of the grant receivable. For properties developed for shared ownership, social housing grant receivable is set against the fixed asset element.

For schemes funded under the Affordable Homes Programme (AHP), Homes and Communities Agency (HCA) pay grant using the Grant Payment Rate. There is a different Grant Payment Rate for Social Rent, Affordable Rent and Home Buy units and may change throughout the duration of the programme as the actual delivery profile changes. The amount recorded as grant and deducted from the cost of the property it funds is calculated in accordance with specific scheme allocations. A debtor or creditor is recognised for the difference between this and the amount the HCA has paid based on the average grant rate. Where a scheme has reached the trigger point at which further tranche of SHG is receivable, but the amount was not received at the balance sheet date, the amount is included in debtors as SHG receivable. The amount of SHG in advance or included in debtors is calculated by reference to the aggregate of all schemes in the SHG funded programme.

If a property is sold or if another relevant event takes place, the Group can recycle the capital grant to fund certain eligible projects or, in certain circumstances, repay the recoverable capital grant back to HCA or Greater London Authority (GLA) as appropriate. Where SHG is recycled it is credited to Recycled Capital Grant Fund (RCGF) which is included in creditors falling due within one year or creditors due after more than one year as appropriate. When SHG

becomes repayable it is considered to be a subordinated unsecured repayable debt and included in creditors falling due within one year until repaid.

Receipts from certain property sales are required to be retained in a ring-fenced Disposal Proceeds Fund (DPF) that can be used for providing replacement housing. The gross disposal proceeds less eligible deductions are credited to DPF. The DPF can be included in creditors falling due within one year or creditors due after more than one year as appropriate. If disposal proceeds are not used within three years, the HCA may direct recovery of the proceeds. When disposal proceeds becomes repayable it is considered to be a subordinated unsecured repayable debt and included in creditors falling due within one year until repaid.

Stock and work in progress

Stock and work in progress are stated at lower of cost (including attributable overheads) and net realisable value.

Liquid resources

Liquid resources include cash flows arising from one month deposit transactions.

Service charge sinking funds

Amounts are set aside for future maintenance of certain properties subject to leasehold arrangements. The amounts are held in a separate bank account. Amounts accumulated within the fund are included within creditors due within one year.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the Group, are capitalised in the balance sheet and depreciated over their useful lives. The corresponding lease or hire purchase obligation is treated in the balance sheet as a liability. The interest element of the rental obligations is charged to the Income and Expenditure Account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to the Income and Expenditure Account as incurred.

Loan issue costs, premiums and discounts

Costs incurred arising on the issue of loan finance are initially recorded as a deduction from the gross proceeds of the loan and included in creditors greater than one year. The costs are then subsequently amortised in the income and expenditure account over the term of the loan.

Premiums or discounts arising on financial instruments are similarly included in creditors greater than one year and subsequently amortised over the life of the instrument.

Financial instruments

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument. A previously recognised financial asset is derecognised when either contractual rights to the cash flows from that asset expire, or the Group transfers the asset such that the transfer qualifies for derecognition. The Group undertakes interest rate swaps utilising ISDA agreements. These are valued at cost.

The Group also utilises cancellable options where the issuer has the right at agreed periodic intervals to terminate the fixed rate within the loan and substitute a variable rate. This right, once exercised, is irreversible. Where these represent embedded derivatives the economic characteristics and risks are closely related to the economic characteristics and risks of the host contract. As such, they are not separated from the host contract and are treated as one. They are accounted for at amortised cost using the effective interest method.

Financial liabilities measured at amortised cost include trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate.

Provisions against tenant arrears

The Group provides for bad and doubtful debts (note 16) relating to rents and service charges receivable at the following rates:

Former tenant arrears – 100%

Current tenant arrears – 20% to 100%

Charitable reserve

The charitable reserve was created from charitable donations. The reserve is available to meet expenditure which falls within the Group's objectives. Donations received for specific housing projects are applied to the cost of the schemes to which they relate at the date of practical completion.

Other donations received are transferred to the Income and Expenditure Account to match expenditure in the year in which it is incurred.

Designated reserve

This reserve is designated for specific purposes and is only expendable in respect of the purposes for which the reserve was intended.

Principal accounting policies... continued

Pension costs

The Group has applied the disclosure requirements of FRS 17 - Retirement Benefits.

The Group is a member of a multi-employer defined benefit pension scheme where it is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis, and therefore, as required by FRS 17, accounts for the scheme as if it were a defined contribution scheme. As a result the amounts charged to the Income and Expenditure Account represent the contributions payable to the scheme in respect of the accounting period.

The Group is also a member of other pension schemes where the Group is able to identify its share of the underlying assets and liabilities.

Under FRS 17, pension scheme assets are measured using fair values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term to the scheme liabilities.

When the last active member of a defined benefit pension scheme ceases to be in employment, additional liabilities may be incurred from the requirement to settle the liability on a different basis to its measurement in the financial statements under FRS 17. Any such additional liabilities are recognised only at the point at which the Group is demonstrably committed to actions that will make such a cessation event inevitable. Until then, the respective pension liabilities are recognised in accordance with FRS 17.

The pension scheme surplus/deficit is recognised in full and presented on the face of the Balance Sheet. The movement in the scheme surplus/deficit is split between operating and financing items in the Income and Expenditure Account and the Statement of Total Recognised Surpluses and Deficits.

The full service cost of the pension provision is the increase in the pension value of the liabilities expected to arise in the future as a result of the benefits earned during the year by employees and is charged to operating surplus.

The net impact of the unwinding of the discount rate on scheme liabilities and the expected return of the scheme assets is charged/credited to other finance costs. Actuarial gains or losses, arising from any difference between the expected return on assets and that actually achieved and any differences that arise from experience or assumption changes are charged through the Statement of Total Recognised Surpluses and Deficits.

Contributions to defined benefit pension schemes are calculated by applying to pensionable salaries of employees a percentage determined in accordance with actuarial advice.

Where pension liabilities are acquired as a result of housing associations joining the Group these are measured at fair value at the date of acquisition.

2 Particulars of turnover, cost of sales, operating costs and operating surplus/(deficit) | Group

	2014			
	Turnover £m	Cost of sales £m	Operating costs £m	Operating surplus/ (deficit) £m
Social housing lettings (see note 3)	273.4	-	(187.7)	85.7
Other social housing activities:				
First tranche property sales	5.1	(4.1)	-	1.0
Charges for support services	2.3	-	(2.2)	0.1
Development costs not capitalised	-	-	(1.8)	(1.8)
Care and support services	6.5	-	(7.1)	(0.6)
Other	2.3	-	(6.7)	(4.4)
Total other social housing activities	16.2	(4.1)	(17.8)	(5.7)
Non-social housing activities	2.5	(0.5)	(2.1)	(0.1)
Total	292.1	(4.6)	(207.6)	79.9

	2013			
	Turnover £m	Cost of sales £m	Operating costs £m	Operating surplus/ (deficit) £m
Social housing lettings (see note 3)	269.5	-	(185.0)	84.5
Other social housing activities:				
First tranche property sales	4.3	(4.0)	-	0.3
Charges for support services	2.4	-	(2.3)	0.1
Supporting People contract income	0.2	-	(0.2)	-
Development costs not capitalised	0.9	-	(2.8)	(1.9)
Care and support services	5.4	-	(5.4)	-
Other	3.3	-	(8.8)	(5.5)
Total other social housing activities	16.5	(4.0)	(19.5)	(7.0)
Non-social housing activities	2.6	(0.2)	(2.0)	0.4
Total	288.6	(4.2)	(206.5)	77.9

Particulars of turnover, cost of sales, operating costs and operating surplus/(deficit) | TGPL

	2014			
	Turnover £m	Cost of sales £m	Operating costs £m	Operating surplus/ (deficit) £m
Social housing lettings (see note 3)	260.7	-	(177.4)	83.3
Other social housing activities:				
First tranche property sales	5.1	(4.1)	-	1.0
Charges for support services	1.6	-	(1.6)	-
Development costs not capitalised	-	-	(1.8)	(1.8)
Other	5.4	-	(14.5)	(9.1)
Total other social housing activities	12.1	(4.1)	(17.9)	(9.9)
Non-social housing activities	0.5	-	(0.2)	0.3
Total	273.3	(4.1)	(195.5)	73.7

	2013			
	Turnover £m	Cost of sales £m	Operating costs £m	Operating surplus/ (deficit) £m
Social housing lettings (see note 3)	256.4	-	(170.6)	85.8
Other social housing activities:				
First tranche property sales	4.1	(3.8)	-	0.3
Charges for support services	1.6	-	(1.6)	-
Supporting People contract income	0.2	-	(0.2)	-
Development costs not capitalised	0.9	-	(2.8)	(1.9)
Other	5.8	-	(13.0)	(7.2)
Total other social housing activities	12.6	(3.8)	(17.6)	(8.8)
Non-social housing activities	1.1	-	(0.4)	0.7
Total	270.1	(3.8)	(188.6)	77.7

Notes to the financial statements year ended 31 March 2014

3 Particulars of income and expenditure from social housing lettings | Group

	General needs £m	Supported/ housing for older people £m	Care homes £m	Shared ownership £m	Total 2014 £m	Total 2013 £m
Income from social housing lettings						
Rent receivable net of identifiable service charges and voids	207.0	24.2	8.7	12.4	252.3	248.9
Service charges receivable	13.8	6.2	-	1.1	21.1	20.6
Net rents receivable	220.8	30.4	8.7	13.5	273.4	269.5
Revenue grants from local authorities and other agencies	-	-	-	-	-	-
Total income from social housing lettings	220.8	30.4	8.7	13.5	273.4	269.5
Expenditure on social housing letting activities						
Services	11.9	5.6	6.4	0.9	24.8	28.8
Management	51.2	13.7	2.9	4.6	72.4	68.7
Planned repairs	7.9	0.7	0.4	0.1	9.1	9.2
Routine repairs and maintenance	31.4	4.7	0.2	0.2	36.5	34.0
Major repairs expenditure	7.3	0.4	-	-	7.7	7.0
Rent losses from bad debts	2.2	0.2	-	0.2	2.6	2.5
Depreciation of housing properties	27.1	2.8	0.3	2.1	32.3	32.9
Impairment charge	2.3	-	-	-	2.3	1.9
Total expenditure on social housing letting activities	141.3	28.1	10.2	8.1	187.7	185.0
Operating surplus/(deficit) on social housing lettings	79.5	2.3	(1.5)	5.4	85.7	84.5
Rent losses from voids (included in rent receivable above)	1.8	0.4	0.7	0.3	3.2	1.9

		Total 2014 Number	Total 2013 Number
Housing accommodation	General needs housing at social rent	39,826	41,366
	General needs housing at affordable rent	1,662	558
	Supported housing and housing for older people	7,702	7,940
Other housing properties	Low Cost Home Ownership	5,115	5,152
	Care homes	349	372
	Other	4,955	4,971
		59,609	60,359
Being:	Owned and managed	57,079	57,526
	Owned but managed by others	959	1,179
	Managed only	1,571	1,654
		59,609	60,359

Particulars of income and expenditure from social housing lettings | TGPL

	General needs £m	Supported/ housing for older people £m	Care homes £m	Shared ownership £m	Total 2014 £m	Total 2013 £m
Income from social housing lettings						
Rent receivable net of identifiable service charges and voids	205.7	20.3	2.9	12.3	241.2	237.3
Service charges receivable	13.7	4.7	-	1.1	19.5	19.1
Net rents receivable	219.4	25.0	2.9	13.4	260.7	256.4
Revenue grants from local authorities and other agencies	-	-	-	-	-	-
Total income from social housing lettings	219.4	25.0	2.9	13.4	260.7	256.4
Expenditure on social housing letting activities						
Services	11.8	3.9	-	0.9	16.6	17.3
Management	52.5	13.2	2.8	4.6	73.1	68.0
Planned repairs	7.9	0.4	-	0.1	8.4	8.5
Routine repairs and maintenance	31.6	3.8	-	0.2	35.6	33.9
Major repairs expenditure	7.3	0.3	-	-	7.6	6.9
Rent losses from bad debts	2.2	0.2	-	0.2	2.6	2.5
Depreciation of housing properties	26.9	2.2	-	2.1	31.2	31.9
Impairment charge	2.3	-	-	-	2.3	1.6
Total expenditure on social housing letting activities	142.5	24.0	2.8	8.1	177.4	170.6
Operating surplus/(deficit) on social housing lettings	76.9	1.0	0.1	5.3	83.3	85.8
Rent losses from voids (included in rent receivable above)	1.8	0.3	0.1	0.3	2.5	1.9

		Total 2014 Number	Total 2013 Number
Housing accommodation	General needs housing at social rent	39,826	41,366
	General needs housing at affordable rent	1,662	558
	Supported housing and housing for older people	7,687	7,926
Other housing properties	Low Cost Home Ownership	5,115	5,152
	Care homes	68	90
	Other	4,955	4,971
		59,313	60,063
Being:	Owned and managed	55,452	55,851
	Owned but managed by others	918	1,154
	Managed only	2,943	3,058
		59,313	60,063

Notes to the financial statements year ended 31 March 2014

4 Disposal of tangible fixed assets

Group	Right to acquire/ buy £m	Second & subsequent staircasing £m	Disposal of surplus properties £m	Other fixed assets £m	Group Total 2014 £m	Group Total 2013 £m
Proceeds	1.0	9.1	95.6	-	105.7	47.4
Other costs	-	(0.9)	(1.1)	-	(2.0)	(1.1)
Disposals at cost	(0.7)	(5.4)	(72.2)	(0.1)	(78.4)	(41.4)
SHG transferred	0.1	0.3	30.8	-	31.2	15.3
Depreciation on disposals	0.1	0.2	8.5	-	8.8	5.1
Surplus/(deficit) on disposal of tangible fixed assets	0.5	3.3	61.6	(0.1)	65.3	25.3

The Guinness Partnership Limited	Right to acquire/ buy £m	Second & subsequent staircasing £m	Disposal of surplus properties £m	Other fixed assets £m	TGPL Total 2014 £m	TGPL Total 2013 £m
Proceeds	1.0	9.0	94.2	-	104.2	45.5
Other costs	-	(0.9)	(1.1)	-	(2.0)	(1.0)
Disposals at cost	(0.7)	(5.4)	(70.4)	(0.1)	(76.6)	(39.1)
SHG transferred	0.1	0.3	30.8	-	31.2	14.1
Depreciation on disposals	0.1	0.2	7.8	-	8.1	4.6
Surplus/(deficit) on disposal of tangible fixed assets	0.5	3.2	61.3	(0.1)	64.9	24.1

5 Directors' emoluments

The directors are defined as the members of the Board and the Executive Team. Board members received payments of £105,400 in their capacity as members of The Guinness Partnership Limited Board (2013: £134,000). No members have been paid in their capacity as members of other boards of the Group (2013: nil).

There were 7 members of the Executive Team in 2014 (2013: 7).

Group and TGPL	2014 £000	2013 £000
Aggregate emoluments payable to the Executive Team, excluding non-executive directors:		
Emoluments	1,170	1,074
Benefits in kind	7	4
Pension contributions	59	51
	1,236	1,129
Aggregate emoluments payable to Board and Executive Team, including non-executive directors:		
Emoluments	1,240	1,196
Benefits in kind	7	4
Pension contributions	59	51
	1,306	1,251
Expenses reimbursed to directors not Chargeable to United Kingdom Income Tax	13	18
Highest paid director – Chief Executive	262	256
Benefits in kind	2	1
Pension equivalents	17	17
	281	274

In May 2014 a payment was made to the Chief Executive for pension equivalents in relation to 2012/13 and 2013/14. The 2012/13 comparatives have been restated taking into account the payment made in May 2014.

6 Employee information

	Group 2014 Number	TGPL 2014 Number	Group 2013 Number	TGPL 2013 Number
The average number of persons employed expressed in full time equivalents, whose remuneration payable fell within the following bands:				
Other employees	2,344	1,456	2,239	1,372
£60,001 to £70,000	33	32	34	32
£70,001 to £80,000	16	14	21	19
£80,001 to £90,000	11	10	9	9
£90,001 to £100,000	7	7	9	9
£100,001 to £110,000	2	2	1	1
£110,001 to £120,000	1	1	1	-
£120,001 to £130,000	2	1	2	2
£130,001 to £140,000	2	2	1	1
£140,001 to £150,000	1	1	1	1
£150,001 to £160,000	1	1	1	1
£160,001 to £170,000	-	-	1	1
£170,001 to £180,000	1	1	1	1
£180,001 to £190,000	1	1	1	1
£200,001 to £210,000	1	1	-	-
£250,001 to £260,000	1	1	1	1
Total employees	2,424	1,531	2,323	1,451

Full time equivalents have been calculated on the basis that 35 working hours per week is equal to one full time equivalent.

	Group 2014 £m	TGPL 2014 £m	Group 2013 £m	TGPL 2013 £m
Staff costs – excluding non-executive directors				
Wages and salaries	69.6	48.8	65.5	46.3
Redundancy costs	0.9	0.9	1.7	1.5
Social security costs	5.4	3.9	5.3	3.8
Pension costs (employer's contributions)	6.5	5.9	2.3	1.9
FRS 17 service costs (see note 22)	0.5	0.5	0.6	0.1
	82.9	60.0	75.4	53.6
Staff costs – non-executive directors				
Wages and salaries	0.1	0.1	0.1	0.1
Redundancy costs	-	-	-	-
Social security costs	-	-	-	-
Pension costs (employer's contributions)	-	-	-	-
FRS 17 service costs (see note 22)	-	-	-	-
	0.1	0.1	0.1	0.1
Total staff costs				
Wages and salaries	69.7	48.9	65.6	46.4
Redundancy costs	0.9	0.9	1.7	1.5
Social security costs	5.4	3.9	5.3	3.8
Pension costs (employer's contributions)	6.5	5.9	2.3	1.9
FRS 17 service costs (see note 22)	0.5	0.5	0.6	0.1
	83.0	60.1	75.5	53.7

Notes to the financial statements year ended 31 March 2014

7 Interest payable and similar charges

	Group 2014 £m	TGPL 2014 £m	Group 2013 £m	TGPL 2013 £m
On loans repayable on maturity within five years	1.6	0.8	32.0	31.9
On loans wholly or partly repayable in more than five years	52.7	52.6	23.1	22.3
To other group entities	-	0.2	-	0.2
Amortisation of loan issue costs	0.5	0.4	0.3	0.3
Cancellation of a RPI linked swap	2.8	2.8	1.3	1.3
Other finance costs charged in respect of FRS 17 (note 22)	0.2	0.2	0.2	0.1
	57.8	57.0	56.9	56.1
Interest capitalised in respect of housing properties	(3.1)	(3.0)	(1.5)	(1.5)
Total interest payable and similar charges	54.7	54.0	55.4	54.6

The rate of interest in respect of capitalised interest for the Group is 5.3% (2013: 5.4%). The rate of interest in respect of capitalised interest for TGPL is 5.3% (2013: 5.4%).

8 Surplus on ordinary activities before taxation

	Group 2014 £m	TGPL 2014 £m	Group 2013 £m	TGPL 2013 £m
Surplus for the year is stated after charging/(crediting):				
Depreciation of freehold housing properties	32.2	31.2	32.3	31.5
Depreciation of other fixed assets	2.5	2.2	2.4	2.3
Impairment of housing properties charge	2.3	2.3	2.0	1.7
Auditors' remuneration in their capacity as auditors, excluding VAT, including expenses	0.3	0.3	0.4	0.4
Auditors' remuneration in respect of other services, excluding VAT, including expenses	0.1	0.1	0.1	0.1
Surplus on disposal of tangible fixed assets	(65.3)	(64.9)	(25.3)	(24.1)
Rent payable under operating leases	1.2	0.7	1.0	0.9

9 Taxation on surplus on ordinary activities

The Guinness Partnership Limited and Guinness Care and Support Limited have charitable status and are not subject to corporation tax on surpluses derived from their charitable activities.

	Group 2014 £m	TGPL 2014 £m	Group 2013 £m	TGPL 2013 £m
Current tax:				
UK corporation tax on surplus for the year	0.6	-	0.1	-
Adjustments in respect of previous years	-	-	-	-
Current tax charge on surplus on ordinary activities	0.6	-	0.1	-
Deferred tax:				
Recognition of timing differences	-	-	-	-
Adjustments in respect of previous years	-	-	-	-
Deferred tax charge	-	-	-	-
Total tax charge on surplus on ordinary activities	0.6	-	0.1	-
Factors affecting tax charge for the year:				
Surplus on ordinary activities before tax	92.1	86.7	48.5	48.3
Adjustment for surpluses not subject to tax	(89.6)	(86.7)	(48.3)	(48.3)
Surplus on ordinary activities before tax in taxable entities	2.5	-	0.2	-
Surplus on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24% (2013: 26%)	0.6	-	0.1	-
Current tax charge for the year	0.6	-	0.1	-

10 Tangible fixed assets | Group

	Housing Properties			Total £m
	Completed rented £m	Shared ownership £m	Under construction £m	
Cost				
At 1 April 2013	2,718.9	263.5	95.7	3,078.1
Additions – components capitalised	30.8	-	-	30.8
Additions – properties under construction	-	-	114.0	114.0
Schemes completed	80.7	7.4	(88.1)	-
Disposals at cost	(80.9)	(9.3)	(0.5)	(90.7)
Reclassification by category	2.6	0.7	(3.3)	-
At 31 March 2014	2,752.1	262.3	117.8	3,132.2
Social Housing Grant				
At 1 April 2013	(1,190.0)	(81.3)	(55.6)	(1,326.9)
Social Housing Grant receivable	-	-	(13.9)	(13.9)
Social Housing Grant transferred at completion	(16.6)	(0.4)	17.0	-
Social Housing Grant transferred on disposals	31.3	3.9	(0.2)	35.0
Social Housing Grant reclassification by category	(1.9)	(0.4)	2.3	-
At 31 March 2014	(1,177.2)	(78.2)	(50.4)	(1,305.8)
Other capital grants				
At 1 April 2013	(61.7)	(52.7)	(3.3)	(117.7)
Other grants movement	-	-	0.4	0.4
At 31 March 2014	(61.7)	(52.7)	(2.9)	(117.3)
Depreciation and leasehold amortisation				
At 1 April 2013	(313.3)	(8.3)	-	(321.6)
Depreciation charge for year	(28.8)	(1.2)	-	(30.0)
Disposals	18.7	0.1	-	18.8
Reclassification	2.7	(2.7)	-	-
At 31 March 2014	(320.7)	(12.1)	-	(332.8)
Impairment				
At 1 April 2013	(8.7)	(3.2)	(4.2)	(16.1)
Charge for year	-	-	(1.9)	(1.9)
Released in year	-	-	0.3	0.3
At 31 March 2014	(8.7)	(3.2)	(5.8)	(17.7)
Net book value				
At 31 March 2014	1,183.8	116.1	58.7	1,358.6
At 31 March 2013	1,145.2	118.0	32.6	1,295.8

	2014 £m	2013 £m
Total accumulated Social Housing Grant receivable at 31 March:		
Revenue grants	-	16.6
Capital grants	1,305.8	1,326.9
Total accumulated Social Housing Grant receivable	1,305.8	1,343.5
Expenditure on completed housing properties comprises the following:		
Capitalised costs in respect of existing properties	30.8	12.1
Costs charged to Income and Expenditure Account	16.8	16.2
Total costs in year incurred on existing properties	47.6	28.3
Completed housing properties at net book value comprise:		
Freeholds	1,136.7	1,151.1
Long leaseholds	47.1	122.8
Short leaseholds	-	0.3
Total net book value of completed housing properties	1,183.8	1,274.2
The following amounts have been included within the fixed asset table above:		
Short leasehold office premises at net book value	0.2	0.3
Capitalised development administration costs included in additions in the year	3.3	4.1
Non-social housing within completed rented schemes at net book value	-	8.3

The Group's completed housing and shared ownership properties have been insured at a restatement value which together with a 25% notional assumed land value would amount to £6,569 million (2013: £6,472 million) compared with a cost of £3,014 million (2013: £2,982 million).

11 Tangible fixed assets | TGPL

	Housing Properties			Total £m
	Completed rented £m	Shared ownership £m	Under construction £m	
Cost				
At 1 April 2013	2,633.3	262.6	95.4	2,991.3
Additions – components capitalised	28.0	-	-	28.0
Additions – properties under construction	-	-	114.8	114.8
Schemes completed	81.3	7.4	(88.7)	-
Disposals at cost	(79.4)	(9.3)	-	(88.7)
Reclassification by category	2.6	0.7	(3.3)	-
At 31 March 2014	2,665.8	261.4	118.2	3,045.4
Social Housing Grant				
At 1 April 2013	(1,145.8)	(80.9)	(55.5)	(1,282.2)
Social Housing Grant receivable	-	-	(13.9)	(13.9)
Social Housing Grant transferred at completion	(16.6)	(0.4)	17.0	-
Social Housing Grant transferred on disposals	31.1	3.9	(0.2)	34.8
Social Housing Grant reclassification by category	(1.9)	(0.4)	2.3	-
At 31 March 2014	(1,133.2)	(77.8)	(50.3)	(1,261.3)
Other capital grants				
At 1 April 2013	(61.7)	(52.7)	(3.3)	(117.7)
Other grants movement	-	-	0.4	0.4
At 31 March 2014	(61.7)	(52.7)	(2.9)	(117.3)
Depreciation and leasehold amortisation				
At 1 April 2013	(306.1)	(8.1)	-	(314.2)
Depreciation charge for year	(27.9)	(1.2)	-	(29.1)
Disposals	18.0	0.2	-	18.2
Reclassification	2.6	(2.6)	-	-
At 31 March 2014	(313.4)	(11.7)	-	(325.1)
Impairment				
At 1 April 2013	(8.4)	(3.2)	(3.9)	(15.5)
Charge for year	-	-	(2.2)	(2.2)
Released in year	-	-	0.3	0.3
At 31 March 2014	(8.4)	(3.2)	(5.8)	(17.4)
Net book value				
At 31 March 2014	1,149.1	116.0	59.2	1,324.3
At 31 March 2013	1,111.3	117.7	32.7	1,261.7

	2014 £m	2013 £m
Total accumulated Social Housing Grant receivable at 31 March:		
Revenue grants	-	16.6
Capital grants	1,261.3	1,282.2
Total accumulated Social Housing Grant receivable	1,261.3	1,298.8
Expenditure on completed housing properties comprises the following:		
Capitalised costs in respect of existing properties	28.0	11.4
Costs charged to Income and Expenditure Account	16.0	15.4
Total costs in year incurred on existing properties	44.0	26.8
Completed housing properties at net book value comprise:		
Freeholds	1,102.0	1,181.1
Long leaseholds	47.1	69.3
Short leaseholds	-	0.2
Total net book value of completed housing properties	1,149.1	1,250.6
The following amounts have been included within the fixed asset table above:		
Short leasehold office premises at net book value	0.2	0.2
Capitalised development administration costs included in additions in the year	3.3	4.1
Non-social housing within completed rented schemes at net book value	-	8.3

TGPL's completed housing properties have been insured at a restatement value which together with a 25% notional assumed land value would amount to £6,440 million (2013: £6,268 million) compared with a cost of £2,927 million (2013: £2,896 million).

12 Other tangible fixed assets

Group	Freehold and leasehold offices £m	Plant vehicles and equipment £m	Total £m
Cost			
At 1 April 2013	32.6	25.0	57.6
Additions	1.6	6.9	8.5
Disposals at cost	(0.1)	(0.1)	(0.2)
At 31 March 2014	34.1	31.8	65.9
Depreciation, impairment and leasehold amortisation			
At 1 April 2013	(9.2)	(18.8)	(28.0)
Depreciation charge for year	(0.9)	(1.6)	(2.5)
Disposals	-	0.2	0.2
At 31 March 2014	(10.1)	(20.2)	(30.3)
Net book value			
At 31 March 2014	24.0	11.6	35.6
At 31 March 2013	23.4	6.2	29.6

TGPL	Freehold and leasehold offices £m	Plant vehicles and equipment £m	Total £m
Cost			
At 1 April 2013	30.5	22.8	53.3
Additions	1.5	6.9	8.4
Disposals at cost	(0.1)	(0.1)	(0.2)
At 31 March 2014	31.9	29.6	61.5
Depreciation, impairment and leasehold amortisation			
At 1 April 2013	(8.6)	(16.9)	(25.5)
Depreciation charge for year	(0.8)	(1.4)	(2.2)
Disposals	-	0.1	0.1
At 31 March 2014	(9.4)	(18.2)	(27.6)
Net book value			
At 31 March 2014	22.5	11.4	33.9
At 31 March 2013	21.9	5.9	27.8

13 Fixed asset investments

	Group 2014 £m	TGPL 2014 £m	Group 2013 £m	TGPL 2013 £m
Debt service reserve investments	17.7	17.7	23.1	23.0
Homebuy and equity loans	13.9	13.8	15.1	15.1
Less: Social housing Grant	(10.9)	(10.9)	(12.0)	(12.0)
Investments in subsidiaries	-	8.0	-	5.0
Other investments	0.3	0.4	0.4	0.4
	21.0	29.0	26.6	31.5

Notes to the financial statements year ended 31 March 2014

14 Intangible assets

On 6 September 2013, Guinness Care and Support Limited acquired Live Well at Home Limited (LWAH) and Independent Home Life Services Limited (IHLS). The acquisition has been incorporated into these financial statements using the acquisition method of accounting. The provisional amount of the assets and liabilities of Live Well at Home Limited and Independent Home Life Services Limited at 6 September 2013 are set out below:

	Book value of LWAH & IHLS £000	Provisional fair value adjustments £000	Fair value £000
Assets			
Tangible Fixed Assets	14	-	14
Goodwill	106	(106)	-
Debtors	654	-	654
	774	(106)	668
Liabilities			
Creditors less than one year	(596)	-	(596)
Bank loan	(82)	-	(82)
Net assets/(liabilities)	96	(106)	(10)
Consideration			2,070
Goodwill			2,080

The surplus for LWAH and IHLS for the year ended 31 March 2013 was £13,868. The deficit for the period before acquisition to 6 September 2013 was £63,444. Separate disclosure on the Income and Expenditure Account has not been made for this acquisition as it is not material to the Group.

The provisional useful economic life of goodwill is five years which will be amortised from 1 April 2014.

15 Work in progress

	Group 2014 £m	TGPL 2014 £m	Group 2013 £m	TGPL 2013 £m
Properties completed for outright sale	0.1	0.1	0.3	0.2
Properties completed for shared ownership	1.2	1.2	2.6	2.7
Properties under development for outright sale	15.1	-	2.9	-
Properties under development for shared ownership	5.9	5.9	0.5	0.5
Stocks of maintenance materials	0.5	-	0.5	-
Total work in progress	22.8	7.2	6.8	3.4

16 Debtors

	Group 2014 £m	TGPL 2014 £m	Group 2013 £m	TGPL 2013 £m
Amounts falling due within one year				
Rents and service charges receivable	13.2	12.7	16.3	15.9
Less: provision for bad and doubtful debts	(7.7)	(7.5)	(8.7)	(8.5)
	5.5	5.2	7.6	7.4
Social Housing Grant receivable	2.1	2.1	12.4	12.4
Amounts due from subsidiary undertakings	-	4.6	-	4.2
Other debtors and prepayments	14.2	11.4	12.4	10.8
	21.8	23.3	32.4	34.8

17 Creditors: amounts falling due within one year

	Group 2014 £m	TGPL 2014 £m	Group 2013 £m	TGPL 2013 £m
Bank overdraft	0.2	-	-	-
Loans repayable within one year	15.8	14.6	9.5	8.6
Grants received in advance	0.9	0.9	1.4	1.4
Social Housing Grant repayable	0.3	0.3	1.0	1.0
Trade creditors	8.8	4.7	8.5	4.0
Corporation tax	0.6	-	0.3	0.1
Other taxation and social security	2.1	1.7	1.9	1.5
Amounts due to subsidiary undertakings	-	2.3	-	2.8
Other creditors	22.0	20.8	17.3	15.3
Accruals and deferred income	42.6	32.5	38.6	34.7
Disposal Proceeds Fund	0.2	0.2	0.4	0.5
Recycled Capital Grant Fund	2.7	2.4	2.2	2.0
	96.2	80.4	81.1	71.9

As at 31 March 2014 the Group held £4.8 million (2013: £8.8 million) relating to tenants sinking funds within other creditors. TGPL held £4.8 million at 31 March 2014 (2013: £8.8 million). These funds are held as cash.

18 Creditors: amounts falling due after more than one year

	Group 2014 £m	TGPL 2014 £m	Group 2013 £m	TGPL 2013 £m
Loans				
Repayable by annual instalments:				
Within one to two years	10.8	10.1	8.2	7.7
Within two to five years	73.2	70.8	59.5	57.0
In five years or more	687.4	673.1	726.0	711.2
	771.4	754.0	793.7	775.9
Repayable on maturity:				
Within two to five years	15.0	15.0	-	-
In five years or more	190.0	190.0	205.0	205.0
	976.4	959.0	998.7	980.9
Other loans	0.9	4.8	0.9	4.8
Bond issue premium	11.8	11.8	12.6	12.6
Loan issue costs	(7.4)	(7.3)	(7.6)	(7.5)
	981.7	968.3	1,004.6	990.8
Disposal Proceeds Fund	0.2	0.2	0.2	0.1
Recycled Capital Grant Fund	7.6	7.2	6.4	6.2
	989.5	975.7	1,011.2	997.1

Loan portfolio: During the year, the Group decreased its borrowing by £16.0 million (TGPL: £15.9 million) (2013: Group £32.3 million, TGPL £33.7 million). At 31 March 2014 Group borrowing totalled £992.2 million (TGPL: £973.6 million) (2013: Group £1,008.2 million, TGPL: £989.5 million).

The loans repayable by instalments after five years are due for repayment within 34 years. The loans repayable on maturity after five years are due for repayment within 20 years.

Loans are secured by specific charges on the Group's housing properties.

Borrowings include The Guinness Trust first mortgage debenture stock of £100 million, issued in two tranches of £60 million in November 1997 and £40 million in February 2001. The term of the Bond is 40 years from issue, interest is payable at a fixed coupon of 7.5% and capital repayments commenced in November 2008. The Partnership maintains a Debt Service Reserve (DSR) in a charged account equivalent to one year's interest and capital payments.

The outstanding borrowings also include the Harbour (Hermitage Housing Association) first mortgage debenture stock of £45 million raised in August 2003. The term of the Bond is 30 years from issue, interest is payable at a fixed coupon of 5.28% and the capital is repayable in full at the end of the term. The Partnership maintains a DSR in a charged account equivalent to fifteen months' interest payments.

The Partnership's principal outstanding also includes Guinness Northern Counties Limited first mortgage debenture stock of £110 million raised in 1995. The term of the Bond is 30 years from issue and capital repayments into a sinking fund commence in 2015. Interest is payable at a fixed coupon of 9.125%.

Balances on DSR are shown within fixed asset investments (See Note 13).

Notes to the financial statements year ended 31 March 2014

18 Creditors: amounts falling due after more than one year ...continued

	Financial liabilities £m	Undrawn facilities £m	Total facilities £m
As at 31 March 2014			
Within one to two years	24.7	5.2	29.9
Within two to five years	72.2	83.1	155.3
In five years or more	895.3	138.1	1,033.4
	992.2	226.4	1,218.6
As at 31 March 2013			
Within one to two years	22.3	5.6	27.9
Within two to five years	45.4	32.3	77.7
In five years or more	940.5	181.0	1,121.5
	1,008.2	218.9	1,277.1

At 31 March 2014, 71.6% (2013: 74.9%) of the Group's borrowing was at fixed rates of interest. TGPL's borrowing at fixed rates of interest was 71.4% (2013: 75.0%). The period for which interest rates are fixed is up to 35 years (TGPL: 35 years). The figures for financial liabilities above exclude a sale and lease back agreement of £0.8 million (2013: £0.8 million).

Fixed rate maturities for the Group were as follows:

	Fixed rate maturities £m	Average interest
As at 31 March 2014		
Within one to two years	12.0	5.3%
Within two to five years	50.0	5.1%
In five years or more	641.8	6.7%
	703.8	6.6%
As at 31 March 2013		
Within one to two years	15.0	5.3%
Within two to five years	36.0	4.9%
In five years or more	653.0	6.7%
	704.0	6.2%

At 31 March 2014, 28.4% (TGPL: 28.6%) of borrowing was at variable rates of interest. The weighted average interest rate for all loans at 31 March 2014 including margin was 5.3% (TGPL: 5.3%).

Hedging instruments: The Group and TGPL utilise a range of hedging instruments embedded and transacted under ISDA Agreements and including term fixes and cancellable options. Cancellable options as at 31 March 2014 totalled £67.0 million (2013: £67.4 million) covering terms of between eight and twenty five years and option periods from three months to five years.

At 31 March 2014 transactions under ISDA Agreements totalled £112.5 million (2013: £123.0 million). The mark-to-market exposure on these was adverse to the value of £23.6 million (2013: £37.5 million). Positions in excess of unsecured threshold levels are secured by property.

Fair value: The Guinness Trust £100 million debenture stock has a market value at 31 March 2014 of £125.8 million (2013: £135.8 million). The Harbour (Hermitage) £45 million debenture stock has a market value at 31 March 2014 of £50.6 million (2013: £53.7 million). The Northern Counties £110 million debenture has a market value at 31 March 2014 of £158.1 million (2013: £170.7 million).

The fair value of the liability in respect of fixed interest rate loans is equivalent to the sum of principal and net notional breakage costs that would be payable by the Group if, theoretically, the fixed interest rate agreements were terminated or redeemed at the year end. The fair value of the Group's liability in respect of fixed interest rate loans excluding The Guinness Trust Bond, Harbour Bond and Northern Counties Bond detailed above, as at 31 March 2014, is estimated at £658.6 million (2013: £705.6 million).

19 Provisions for liabilities and other charges

	Group 2014 £m	TGPL 2014 £m	Group 2013 £m	TGPL 2013 £m
At 31 March 2013	1.9	1.8	4.1	4.0
Provided during the year	-	-	1.3	1.3
Released during the year	(1.2)	(1.1)	(3.5)	(3.5)
At 31 March 2014	0.7	0.7	1.9	1.8

In the prior year TGPL ceased operating from four of its offices and recognised onerous lease provisions of £1.3 million in respect of these office closures and additional costs of closure.

20 Reserves

	Revenue reserves £m	Designated reserves:	Restricted reserves:	Total £m
		Major repairs £m	Charitable reserve £m	
Group				
At 1 April 2013	365.4	0.3	0.5	366.2
Result for the year	91.5	-	-	91.5
Transfer between reserves	0.3	-	(0.3)	-
Pension scheme actuarial gains	0.2	-	-	0.2
At 31 March 2014	457.4	0.3	0.2	457.9
The Guinness Partnership Limited				
At 1 April 2013	344.8	0.3	0.5	345.6
Result for the year	86.7	-	-	86.7
Transfer between reserves	0.3	-	(0.3)	-
Pension scheme actuarial gains	0.2	-	-	0.2
At 31 March 2014	432.0	0.3	0.2	432.5

21 Disposal Proceeds Fund and Recycled Capital Grant Fund

	Group DPF £m	TGPL DPF £m	Group RCGF £m	TGPL RCGF £m
At 1 April 2013	0.6	0.6	8.6	8.2
Inputs to fund:				
Grants recycled during the year	0.1	0.1	5.0	4.7
Recycling of grant:				
New build	(0.3)	(0.3)	(3.2)	(3.3)
At 31 March 2014	0.4	0.4	10.4	9.6
Amount due for repayment to HCA/GLA	-	-	-	-

22 Pension obligations

The Group and The Guinness Partnership Limited contribute to a number of defined benefit pension schemes for staff, the assets of which are held in separate trustee administered funds. The total contributions to these schemes by the Group for the year ended 31 March 2014 amounted to £6.5 million (2013: £2.3 million).

A summary of the Group pension liabilities from the Social Housing Pension Scheme (SHPS) and other defined benefit schemes is included below:

	Group 2014 £m	TGPL 2014 £m	Group 2013 £m	TGPL 2013 £m
SHPS – acquired in previous years	1.4	0.7	1.6	0.9
Defined benefit schemes	7.8	7.8	7.9	3.5
	9.2	8.5	9.5	4.4

Social Housing Pension Scheme (SHPS)

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%.

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 funding update revealed an increase in the assets of the Scheme to £2,718 million (2013: £2,327 million) and indicated a decrease in the shortfall of assets compared to liabilities to approximately £1,151 million (2013: £1,241 million), equivalent to a past service funding level of 70% from 65% in the prior year.

Prior to April 2007, it was a defined benefits final salary scheme with a 1/60th accrual rate. From April 2007, SHPS has been operating three benefit structures for participating employers.

Notes to the financial statements year ended 31 March 2014

Pension obligations ...continued

TGPL elected to operate the existing final salary with a 1/60th accrual rate benefit structure for active members as at 31 March 2007 and the career average revalued earnings scheme (CARE) with a 1/60th accrual rate benefit structure for new entrants from 1 April 2007. For the final salary with a 1/60th accrual rate benefit structure, and the career average revalued earnings with a 1/60th accrual rate benefit structure, future employer contributions will be equal to 6.3% of pensionable salaries.

Contributions to the Scheme are based on applicable pension costs across the participating associations taken as a whole and are charged to the Income and Expenditure Account so as to recognise the costs over the members' working lives.

The contributions payable by TGPL during the accounting period, which were assessed in accordance with the advice of a qualified actuary, were equal to 12.1% (2013: 12.9%) of total pensionable salaries. The pensions charge recorded by TGPL during the accounting period was equal to the contributions payable, taking into account benefit changes subsequent to the valuation and the spreading of the deficit over future service lives of employees.

The Scheme is a multi-employer scheme where the share of assets and liabilities applicable to each employer is not identified. TGPL therefore accounts for its pension costs on a defined contribution basis as required by FRS17 'Retirement Benefits'.

Other defined benefit pension schemes

The Group and TGPL also contribute to a number of defined benefit pension schemes where the Group's share of the assets and liabilities can be identified. The pension costs are assessed in accordance with the advice of a qualified actuary. The latest full actuarial valuations for the schemes were carried out at 31 March 2010 and have been updated by the actuaries to 31 March 2014 on an FRS 17 basis.

The defined benefit pension liability comprises the following schemes:

	Group 2014 £m	TGPL 2014 £m	Group 2013 £m	TGPL 2013 £m
London Pensions Fund Authority	4.3	4.3	4.4	-
Hampshire County Council	2.8	2.8	2.8	2.8
Unfunded scheme	0.7	0.7	0.7	0.7
	7.8	7.8	7.9	3.5

The London Pensions Fund Authority (LPFA) pension liability is made up of schemes from TGPL and Guinness Care and Support Limited. In previous years it has not been possible to separately identify on a reasonable and consistent basis the underlying assets and liabilities belonging to the individual employers. The resulting combined pension scheme liability for both TGPL and Guinness Care and Support Limited was previously recognised in the Group accounts only. During the year, the underlying assets and liabilities were separately identified and the defined benefit pension scheme liability recorded in the results of TGPL.

TGPL has provided a guarantee to Guinness Care and Support Limited that it will meet the defined benefit pension liability of the Guinness Care and Support Limited LPFA pension scheme. Accordingly, a liability of £0.5 million in relation to the Guinness Care and Support Limited scheme has been recorded within TGPL.

On 31 January 2014, TGPL's participation in the Hampshire County Council pension fund ceased. The defined benefit deficit pension liability in relation to this scheme has been calculated at 31 January 2014 when TGPL's Admission Agreement ceased. The additional cessation liability of £1.6 million is included as part of accruals within Creditors: amounts falling due within one year.

The main weighted average assumptions used within the remaining schemes are as follows::

	2014 p.a.	2013 p.a.	2012 p.a.	2011 p.a.	2010 p.a.
Group					
Price increases	3.7%	3.5%	3.4%	3.5%	3.9%
Salary increases	4.7%	4.4%	4.5%	4.8%	5.4%
Pension increases	2.7%	2.6%	2.5%	2.7%	3.9%
Discount rate for scheme liabilities	4.5%	4.5%	4.6%	5.5%	5.5%
TGPL					
Price increases	3.7%	3.6%	3.5%	3.6%	3.9%
Salary increases	4.7%	4.6%	5.0%	5.1%	5.4%
Pension increases	2.7%	2.7%	2.5%	2.7%	3.9%
Discount rate for scheme liabilities	4.5%	4.3%	4.7%	5.5%	5.5%

The fair value of the assets in the scheme and the assessed present value of the liabilities in the scheme are as follows:

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Group balance sheet					
Estimated employer assets	12,851	11,907	10,670	10,100	13,108
Present value of scheme liabilities	20,612	19,784	18,708	15,249	22,915
Present value of unfunded liabilities	-	-	-	-	112
Total value of liabilities	20,612	19,784	18,708	15,249	23,027
Net pension liability	7,761	7,877	8,038	5,149	9,919
TGPL balance sheet					
Estimated employer assets	12,851	4,680	4,312	4,227	7,585
Present value of scheme liabilities	20,612	8,203	7,749	6,898	13,320
Present value of unfunded liabilities	-	-	-	-	112
Total value of liabilities	20,612	8,203	7,749	6,898	13,432
Net pension liability	7,761	3,523	3,437	2,671	5,847

Recognition in Income and Expenditure Account

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Group					
Current service cost	(507)	(591)	(498)	(1,606)	(295)
Past service gain/(cost)	-	-	-	1,814	-
Losses on curtailments	(33)	(28)	-	-	-
Expected return on scheme assets	420	635	708	677	614
Interest on pension scheme liabilities	(576)	(849)	(834)	(969)	(1,049)
	(696)	(833)	(624)	(84)	(730)
TGPL					
Current service cost	(507)	(70)	(66)	(913)	(68)
Past service gain	-	-	-	777	-
Losses on curtailments	(33)	-	-	-	-
Expected return on scheme assets	420	260	298	315	352
Interest on pension scheme liabilities	(576)	(342)	(366)	(387)	(679)
	(696)	(152)	(134)	(208)	(395)

Analysis of Amount Recognised in Statement of Total Recognised Surpluses and Deficits

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Group					
Actuarial gains/(losses)	166	490	(2,905)	1,861	(4,298)
Cumulative actuarial losses recognised in Statement of Total Recognised Surpluses and Deficits	(5,672)	(5,838)	(6,328)	(3,423)	(5,284)
TGPL					
Actuarial gains/(losses)	166	(34)	(735)	766	(1,526)
Cumulative actuarial losses recognised in Statement of Total Recognised Surpluses and Deficits	(3,059)	(3,225)	(3,191)	(2,456)	(3,222)

Reconciliation of defined benefit obligation

	2014 £000	2013 £000
Group		
Opening defined benefit obligation	19,784	18,708
Current service cost	507	591
Interest cost	576	849
Contributions by members	138	163
Actuarial (gains)/losses	(170)	398
Losses on Curtailments	33	28
Estimated unfunded benefits paid	(28)	(33)
Estimated benefits paid	(228)	(791)
Scheme cessation – liability transferred to accruals	-	(129)
Closing defined benefit obligation	20,612	19,784
TGPL		
Opening defined benefit obligation	8,203	7,749
LPFA defined benefit obligation recognised in year	11,581	-
Current service cost	507	70
Interest cost	576	342
Contributions by members	138	20
Actuarial (gains)/losses	(170)	394
Estimated unfunded benefits paid	(28)	(33)
Estimated benefits paid	(228)	(210)
Losses on curtailments	33	-
Scheme cessation – liability transferred to accruals	-	(129)
Closing defined benefit obligation	20,612	8,203

Notes to the financial statements year ended 31 March 2014

Pension obligations ...continued

Reconciliation of fair value of employer assets

	2014 £000	2013 £000
Group		
Opening fair value of employer assets	11,907	10,670
Expected return on plan assets	420	635
Contributions by members	138	163
Contributions by employers	618	464
Actuarial (losses)/gains	(4)	888
Estimated benefits paid	(228)	(791)
Scheme cessation – liability transferred to accruals	-	(122)
Closing fair value of employer assets	12,851	11,907

TGPL		
Opening fair value of employer assets	4,680	4,312
LPFA assets recognised in year	7,227	-
Expected return on plan assets	420	260
Contributions by members	138	20
Contributions by employers	618	60
Actuarial (losses)/gains	(4)	360
Estimated benefits paid	(228)	(210)
Scheme cessation – liability transferred to accruals	-	(122)
Closing fair value of employer assets	12,851	4,680

History of experience gains and losses

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Group					
Difference between expected and actual return on scheme assets	191	888	(445)	(1,073)	2,450
Value of scheme assets	12,851	11,907	10,670	10,100	13,108
Percentage of scheme assets	1.5%	7.5%	(4.2%)	(10.6%)	18.7%
Experience gains/(losses) on scheme liabilities	1,179	10	(61)	(1,293)	89
Total present value of scheme liabilities	20,612	19,784	18,708	15,249	23,037
Percentage of total present value of scheme liabilities	5.7%	0.1%	(0.3%)	(8.5%)	0.4%
Actuarial gains/(losses) recognised in statement of total recognised surpluses and deficits	166	490	(2,905)	1,861	(4,298)
Percentage of total present value of scheme liabilities	0.8%	2.5%	(15.5%)	12.2%	(18.7%)

TGPL					
Difference between expected and actual return on scheme assets	191	360	(95)	(707)	1,519
Value of scheme assets	12,851	4,680	4,312	4,227	7,585
Percentage of scheme assets	1.5%	7.7%	(2.2%)	(16.7%)	20.0%
Experience gains/(losses) on scheme liabilities	1,179	10	(61)	816	89
Total present value of scheme liabilities	20,612	8,203	7,749	6,898	13,432
Percentage of total present value of scheme liabilities	5.7%	0.1%	(0.8%)	11.8%	0.7%
Actuarial gains/(losses) recognised in statement of total recognised surpluses and deficits	166	(34)	(735)	766	(1,526)
Percentage of total present value of scheme liabilities	0.8%	(0.4%)	(9.5%)	11.1%	(11.4%)

23 Notes to the cash flow statement

	Group 2014 £m	TGPL 2014 £m	Group 2013 £m	TGPL 2013 £m
a) Reconciliation of operating surplus to net cash inflow from operating activities				
Operating surplus	79.9	73.7	77.9	77.6
Depreciation, impairment and amortisation	42.7	41.4	36.7	35.4
Gift aid received	-	0.5	-	0.5
(Increase)/decrease in work in progress	(16.0)	(3.8)	(1.9)	0.7
Increase in debtors	0.3	1.2	(1.8)	(5.2)
Increase/(decrease) in creditors	9.8	8.8	1.8	(4.5)
	116.7	121.8	112.7	104.5
b) Returns on investments and servicing of finance				
Interest received	1.6	1.6	0.7	0.6
Interest paid	(60.1)	(59.4)	(54.6)	(53.7)
	(58.5)	(57.8)	(53.9)	(53.1)
c) Taxation				
Taxation paid	(0.3)	(0.1)	(0.6)	(0.4)
d) Capital expenditure				
Payments to acquire and construct housing property	(150.2)	(147.9)	(88.8)	(87.4)
Net receipts of Social Housing Grant	19.7	19.6	15.9	15.8
Homebuy loans redeemed	1.2	1.3	0.9	0.9
Payments to acquire other tangible fixed assets	(8.4)	(8.4)	(4.0)	(3.9)
Receipts from sale of tangible fixed assets	105.7	104.2	47.4	45.5
	(32.0)	(31.2)	(28.6)	(29.1)
e) Acquisitions and disposals				
Investment in subsidiaries	(2.0)	(3.0)	-	-
f) Management of liquid resources				
Cash placed on deposit accounts	5.4	5.3	(6.7)	(6.7)
g) Financing				
Loans drawn	(36.6)	(36.5)	11.3	11.3
Loans repaid	20.6	20.6	(49.9)	(44.9)
Loan issue costs	(0.6)	(0.6)	(0.9)	(0.9)
	(16.6)	(16.5)	(39.5)	(34.5)
h) Analysis of changes in net debt – Group				
Cash in hand and at bank	78.6	12.7	0.3	91.6
Net debt due in one year	(9.5)	5.7	(10.8)	(14.6)
Net debt due after one year	(999.6)	10.3	12.0	(977.3)
Housing loans	(998.7)	10.3	12.0	(976.4)
Other loans	(0.9)	-	-	(0.9)
Bond issue premium net of loan issue costs	(5.0)	0.6	-	(4.4)
Bank deposits and investments	26.5	(3.4)	(2.1)	21.0
	(909.0)	25.9	(0.6)	(883.7)
i) Analysis of changes in net debt – TGPL				
Cash in hand and at bank	61.7	18.5	(0.1)	80.1
Net debt due in one year	(8.6)	4.1	(10.1)	(14.6)
Net debt due after one year	(985.7)	11.8	10.1	(963.8)
Housing loans	(980.9)	11.8	10.1	(959.0)
Other loans	(4.8)	-	-	(4.8)
Bond issue premium net of loan issue costs	(5.1)	0.6	-	(4.5)
Bank deposits and investments	31.4	(2.3)	(0.1)	29.0
	(906.3)	32.7	(0.2)	(873.8)

Notes to the financial statements year ended 31 March 2014

24 Capital commitments

	Group 2014 £m	TGPL 2014 £m	Group 2013 £m	TGPL 2013 £m
Capital expenditure that has been contracted for but has not been provided for in these financial statements	263.4	144.3	136.1	106.8
Capital expenditure that has been authorised by the Board but has not been contracted for	31.6	23.9	40.2	40.2

The financing of capital expenditure that has been contracted for but has not been provided for in these financial statements will be provided through a combination of:

	Group 2014 £m	TGPL 2014 £m	Group 2013 £m	TGPL 2013 £m
Social Housing Grant	29.9	29.9	14.2	14.2
Loan finance	156.8	89.7	82.4	82.4
First tranche sales/outright sales	51.7	24.7	32.0	10.2
Other	25.0	-	7.5	-
	263.4	144.3	136.1	106.8

25 Operating leases

The Group leases some of its office accommodation on non-cancellable operating leases.

At 31 March 2014, the Group had annual commitments under such leases as set out below:

	Group 2014 £m	TGPL 2014 £m	Group 2013 £m	TGPL 2013 £m
Operating leases which expire:				
Within one year	0.4	0.1	0.4	0.1
In two to five years	1.1	0.6	1.0	0.3
After five years	0.6	0.5	0.4	0.4
	2.1	1.2	1.8	0.8

26 Managing agents

Certain accommodation owned by the Group is managed on its behalf under management agreements or short term leases by other bodies. The principal agencies are listed below:

Agency	Units/bedspaces Group		Units/bedspaces TGPL	
	2014 Number	2013 Number	2014 Number	2013 Number
Homes For Change	75	75	75	75
Stonham Housing Association	63	63	63	63
Turning Point	21	35	21	35
Bangla	42	42	42	42
Great Places	39	39	39	39
Salford University	-	118	-	118
Mencap	45	53	45	53
Sanctuary Housing Association	38	38	38	38
Others	636	710	595	691
	959	1,173	918	1,154

27 Legislative provisions

The Guinness Partnership Limited is a charitable Industrial and Provident Society (No 31693R).

28 Subsidiary undertakings

Subsidiary	Note	Status	Activity
City Response Limited	1	Registered under the Companies Act 2006	Property Maintenance Services
Devon Sheltered Homes Trust	3	Registered Charity	Provision of Care and Support Services
Guinness Care and Support Limited		Registered Provider	Provision of Care and Support Services
Guinness Developments Limited	1	Registered under the Companies Act 2006	Property Development
Guinness Homes Limited (formerly Encore Homes Ltd)	1	Registered under the Companies Act 2006	Property Development
Guinness Housing Association Limited		Registered Provider	Supplier of Social Housing
Independent Home Life Services Limited	2	Registered under the Companies Act 2006	Provision of Care and Support Services
Live Well at Home Limited	2	Registered under the Companies Act 2006	Holding company

Notes to table:

- 1 City Response Limited, Guinness Homes Limited and Guinness Developments Limited are private companies limited by shares and of whom The Guinness Partnership Limited is the parent entity.
- 2 Live Well at Home Limited is a wholly owned subsidiary of Guinness Care and Support Limited. Independent Home Life Services is a wholly owned subsidiary of Live Well at Home Limited.
- 3 Guinness Care and Support Limited is the Corporate Trustee Devon Sheltered Homes Trust.

29 Related party transactions

At 31 March 2014, there were 2 members (2013: 4) of the boards and other committees within the Group who had tenancy agreements with the Group. The tenancy agreements have been granted on the same terms as for all other tenants and the housing management procedures, including those relating to the management of arrears if applicable, have been applied consistently to those tenants.

Transactions between TGPL and other members of The Guinness Partnership:

	Services received 2013/14 £000	Services provided 2013/14 £000	Debtor / (Creditor) balances as at 31 March 2014 £000
Regulated			
Guinness Care and Support Limited	1,546.3	1,609.1	267.9
Guinness Housing Association	-	468.6	(568.5)
Non-Regulated			
Guinness Developments Ltd	40,656.0	39,858.6	(58.8)
City Response Ltd	27,971.0	587.5	1,593.4
Devon Sheltered Housing Trust	-	-	1.6
Guinness Homes Limited (formerly Encore Homes Limited)	-	9.3	-

Included in the figures above, TGPL has a £4.0 million loan with Guinness Care and Support Limited on which it pays 5.0% interest per annum. The £0.2 million interest cost is shown within 'Services Received' in the year. The registered care activities carried out by Guinness Care and Support Limited are regulated by the Care Quality Commission.

Guinness Developments Limited (GDL) has a £25.0 million loan facility with TGPL of which £3.4 million is drawn and included in the debtor balance above. TGPL has a £5.0 million equity investment in GDL which is also included in the same balance. These are offset by an amount owed by TGPL to GDL for design and build contract work for which GDL charges a mark-up of 2.0% on costs.

Where possible, services are recharged between entities at the cost at which they were originally incurred. Back office costs and other management costs are charged on a range of apportionment bases such as number of FTEs, number of units in management and total loan facilities.

The Guinness Partnership Limited paid Penny Hayes Associates £3,060 (2013: £11,142) for work carried out during the year by Penny Hayes, a Guinness Care and Support Limited Board Member, mainly relating to advice on HR matters.

During the year, TGPL increased its equity investment in Guinness Homes Limited (GHL) by £3.0 million to £3.0 million. During the year, TGPL and GHL have jointly entered into a contract to purchase properties for market rent.

Boards and Group Committees

The Guinness Partnership Ltd Guinness Hermitage

Lady Amanda Ellingworth – Chair
Mr Peter Cotton – Deputy Chair
Mr Lloyd Clarke
Mr Christopher Relleen
Ms Diane Summers
Mr Jim Dickson
Dame Clare Tickell
Mr Neil Braithwaite
Mr Mike Petter
Mr Anthony Bell
Mr Simon Dow
Ms Catriona Simons

Guinness Care & Support Ltd

Mr Peter Cotton – Chair
Dr Claire Feehily
Ms Penny Hayes
Ms Jane Herbert
Mr Jeremy Robinson
Mr Simon Sweetinburgh
Mr Paul Watson

Guinness Developments Ltd

Mr Stephen Clark – Chair
Mr Leslie Deane
Mr Simon Dow
Mr Richard Reynolds
Mr Raj Upadhyaya

Guinness Homes Ltd

Mr Christopher Relleen – Chair
Mr Peter Cotton
Mr Simon Dow
Ms Catriona Simons
Mr Raj Upadhyaya

The Guinness Housing Association Ltd

Mr Paul Avis – Chair
Mrs Tamsin Clive
Dr Debbie Hay
Dr Michaela Jordan
Mr Mike Petter
Mrs Carol Speare
Mr Robert Stronge

City Response Ltd

Mr Malcolm Rogers – Chair
Mr Colin Greenwood
Mr Mike Heath
Mr Ian Beck
Mr Andy Plant

Guinness Northern Counties

Mr Lloyd Clarke – Chair
Mr Anthony Bell
Mrs Pauline Davis
Mr Ted Hamilton
Mrs Margaret May
Mr Malcolm Rogers

Mr Jim Dickson – Chair
Mr Paul Avis
Mrs Tamsin Clive
Dr Michaela Jordan
Mr Mike Petter
Mrs Carol Speare
Mr Robert Stronge
Dr Debbie Hay

Guinness South

Mr Christopher Relleen – Chair
Ms Nicola Bastin
Mr Stephen Clark
Mrs Margaret Dodwell
Mr Mike Harling
Mr Dick Panter
Mr Ricky Scipio
Miss Tatiana von Preussen
Mr Mike Petter

Partnership Services Committee

Mr Jim Dickson – Chair
Mr Lloyd Clarke
Mr Peter Cotton
Lady Amanda Ellingworth
Mr Christopher Relleen
Ms Nicola Bastin
Mr Paul Avis

Group Audit & Risk Committee

Mr Christopher Relleen – Chair
Mr Anthony Bell
Mr Michael Biles
Dr Claire Feehily
Mr Dick Panter
Mr Paul Avis
Mr Neil Braithwaite

Group Governance Committee

Mr Lloyd Clarke – Chair
Mr Peter Cotton
Mr Jim Dickson
Lady Amanda Ellingworth
Mr Christopher Relleen

Funding Committee

Mr Christopher Relleen – Chair
Mr Peter Cotton
Mr Neil Braithwaite
Mr Simon Dow
Ms Catriona Simons

The Guinness Partnership Limited Executive Team

Group Chief Executive

Simon Dow

Appointed: April 2001

Deputy Chief Executive

Catriona Simons

Appointed: December 2009

Group Investment Director

Guinness Developments

Raj Upadhyaya

Appointed: November 1997

Managing Director

Guinness Hermitage

Robert Stronge

Appointed: November 2012

Managing Director

Guinness Northern Counties

Paul Roberts

Appointed: June 2012

Managing Director

Guinness Care and Support Limited

Paul Watson

Appointed: December 2007

Managing Director

Guinness South

Margaret Dodwell

Appointed: December 2008

Registered office, principal advisors and lenders

Registered Office

The Guinness Partnership Limited
17 Mendy Street, High Wycombe,
Bucks HP11 2NZ
Tel: 01494 535823

Statutory Auditor

Nexia Smith & Williamson,
25 Moorgate, London EC2R 6AY

Solicitors

Trowers & Hamlin LLP
3 Bunhill Row, London EC1Y 8YZ

Bankers

Barclays Bank plc
HSBC Bank plc
Royal Bank of Scotland plc
Lloyds TSB Bank plc
National Westminster Bank plc

Lenders

Halifax Bank of Scotland plc
Barclays Bank plc
The Co-operative Bank plc
Dexia Public Finance Bank
Lloyds Banking Group
Nationwide Building Society
Orchardbrook Limited
The Royal Bank of Scotland plc
Santander UK plc
Yorkshire Building Society

The Guinness Partnership Limited Board

Lady Amanda Ellingworth

Chair, The Guinness Partnership Limited. Appointed 02.04.07

Member of the Group Governance Committee; Member of the Partnership Services Committee; Trustee of Barnardo's and Sir Ernest Cassell Education Trust. Previously Chair of Southwest Pathology; Chair of Caldecott Foundation and Deputy Chair Yeovil Hospital Foundation Trust.

Mr Peter Cotton

Deputy Chair, The Guinness Partnership Limited. Appointed 09.12.09, effective from 01.04.10

Chair of Guinness Care and Support Ltd Board; Board Member of Guinness Homes Ltd; Member of the Group Governance Committee; Member of the Partnership Services Committee; Member of the Funding Committee; former Non-Executive Director and member of audit, remuneration and customer service committees, Eurostar. Former MD, Scotrail, Gatwick Express, Del Monte UK. Volunteer and Ambassador for Florence Nightingale Hospice. Bereavement counsellor.

Mr Lloyd Clarke

Appointed 24.09.08, effective from 01.10.08, resigned 03.06.14

Member of the Group Governance Committee; Chair of Guinness Northern Counties Board; Member of the Partnership Services Committee; Former Member of the Committee of Standards in Public Life. Non-Executive Director, Curve Interior Design Ltd, Manchester. Retired Chief Executive and Chief Constable of the Ministry of Defence Police; former Deputy Chief Constable West Yorkshire Police.

Mr Christopher Relleen

Appointed 02.04.07

Chair of the Group Audit & Risk Committee; Chair of Guinness South Board; Chair of Guinness Homes Ltd; Chair of the Funding Committee; Member of the Group Governance Committee; Member of the Partnership Services Committee; Retired Chartered Accountant; former Partner of PricewaterhouseCoopers; Director of Camellia plc; Director of Duncan Lawrie Ltd.

Ms Diane Summers

Appointed 09.12.09, effective from 01.04.10, resigned 13.02.14

Partnership Board Equality and Diversity Champion; Member of the Partnership Services Committee; Non-Executive Director of Guy's & St Thomas' NHS Foundation Trust and Chair of Community Services; Governor of King's College Hospital NHS Foundation Trust; Independent Adviser to the BBC Trust; Member of Complaints and Appeals Committee, Resolution (Solicitors Family Law Association); former Managing Editor of the Financial Times.

Mr Jim Dickson

Appointed 21.07.10, effective from 01.09.10

Chair of Guinness Hermitage Board; Chair of the Partnership Services Committee; Member of the Group Governance Committee; Retired Managing Director of Oxboode Housing Association; Trustee of First Base (London); Board Member of Severn Vale Housing Society.

Dame Clare Tickell

Appointed 09.12.09, effective from 01.10.10, resigned 31.05.14

Chief Executive, Hanover HA; Member, Office for Public Management's Public Interest General Council; Chair, CVLS Honours Committee; Chair, Help the Hospices Commission into End of Life Care; former Chief Executive of Stonham Housing Association; former Chief Executive of Phoenix House Housing Association.

Mr Neil Braithwaite

Appointed 17.10.13, effective from 01.11.13

Member of the Group Audit and Risk Committee; Member of the Funding Committee. Trustee of both Barnardo's and its pension scheme; Chairman of the Brathay Trust; Governor of a number of primary & secondary Co-operative Academies in Leeds and Stoke-on-Trent. Former Managing Director - Specialist Retail Businesses for the Co-operative Group.

Mr Mike Petter

Appointed 13.02.14, effective from 01.03.14

Member of Guinness Hermitage Board; Member of Guinness South Board; Chartered Engineer; Deputy Chair and Senior Independent Director of the Southern Health NHS Foundation Trust; Director and Deputy Chair of the Considerate Constructors Scheme.

Mr Anthony Bell

Appointed 03.06.14, effective from 03.06.14

Interim Chair of Guinness Northern Counties; Member of the Partnership's Group Audit and Risk Committee; Vice Principal – Grimsby Institute of Further and Higher Education; Former Director of Finance at City College Manchester.

Mr Simon Dow

Appointed 01.10.12

Chief Executive The Guinness Partnership Limited; Board Member of Guinness Developments Ltd; Board Member of Guinness Homes Ltd; Member of the Funding Committee; Board Member of Homeless International; Chair of London Housing Foundation.

Ms Catriona Simons

Appointed 01.10.12

Deputy Chief Executive The Guinness Partnership Limited; Board Member of Guinness Homes Ltd; Member of the Funding Committee; Board Member of Richmond Housing Partnership Limited.

Great service, great homes and a great place to work

The Guinness Partnership

17 Mendy Street, High Wycombe,
Buckinghamshire HP11 2NZ
Email: info@guinness.org.uk
www.guinnesspartnership.com



The Guinness Partnership Ltd is a charitable Community Benefit Society No. 31693R registered in England and is a Registered Provider of Social Housing No. 4729.

