

Company registered number: 4557701  
Charity registered number: 1104746  
Homes and Communities Agency registered number: LH4428

# Cross Keys Homes Limited

Report and financial statements

Year ended March 31, 2015

THURSDAY



A25 20/08/2015 #35  
COMPANIES HOUSE

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## Board members, executive directors, advisors and bankers

### Board

		<i>Appointed</i>	<i>Resigned</i>
Chair	Angus Kennedy		
Vice chair	Terry Parker		
Other members	Claire Higgins	16 March 2015	
	Christine Cunningham		
	Councillor Wayne Fitzgerald		
	Councillor John Holdich		
	Jason Merrill		16 March 2015
	John Bradbury		
	Carl Larter		
	Sue Nightingale		16 March 2015
	Amanda Rawlings†		
	Bill Samuel†		

\* Chair finance & development committee

‡ Chair performance & governance committee

† Chair audit & risk committee

### Executive directors

Chief Executive & Company	Mick Leggett	<i>to 31 October 2014</i>
Secretary	Claire Higgins	<i>from 17 November 2014</i>

Deputy Chief Executive	Claire Higgins	<i>To 31 October 2014</i>
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Executive Director of	Julian Foster
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Resources

<b>Registered office</b>	Shrewsbury Avenue Peterborough PE2 7BZ
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<b>Company registered number</b>	4557701
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<b>Charity registered number</b>	1104746
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### Homes and Communities

<b>Agency registered number</b>	LH4428
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<b>External auditors</b>	Grant Thornton UK LLP 101 Cambridge Science Park Milton Road Cambridge CB4 0FY
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<b>Solicitors</b>	Trowers & Hamblins 3 Bunhill Row London EC1Y 8YZ
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<b>Bankers</b>	Royal Bank of Scotland Corporate Banking 1st Floor Conqueror House Vision Park Histon Cambridge CB24 9NL
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## Chairman's statement

The last year has brought further challenges to the social housing sector and my concern in leading our board has been to ensure that we continue to adapt and develop the organisation to respond to emerging challenges and opportunities. From a board perspective, this has included a full review of governance with an emphasis on relevant skills development both on the main and the resident boards.

Our regulator continues to stress the importance of risk management and mitigation and the delivery of value for money against a backdrop of increased social and political demands on the sector. The evolution and further implementation of Welfare Reform has already presented challenges to our tenants and with the government austerity programme demanding further tightening of benefit rules, we expect further difficulties ahead for many residents over the coming year. We remain committed to supporting our tenants as much as possible and will continue to invest in positive action such as employment programmes, financial inclusion and debt advice initiatives. We have also successfully progressed our PV Panel roll-out to over 4,500 homes and once this completes, the lifetime contribution back into these households will equate to well over £50 million over the project lifetime.

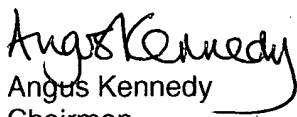
Our combined approach of supporting our tenants whilst robustly managing rent collection is once again reflected in a marginal reduction in arrears over the year.

The organisation celebrated its tenth anniversary during the year and said farewell to our first Chief Executive, Mick Leggett who has successfully led us since before transfer from the City Council. In his place we were able to appoint Claire Higgins (previously Deputy Chief Executive) and we have subsequently appointed Claire to the board. The group has gone through major evolution with the appointment of a residents board and the expansion of the group with three additional corporate entities to facilitate future growth. We completed 330 new homes, more than any other year in our history and issued our first capital markets bond backed by a very positive AA- rating from Standard and Poors. Our ability to raise affordable funds and continue to develop reflects our sound financial management throughout this and former years; a platform we will maintain in order to support future growth. As part of our aspirations for future growth we incorporated three new subsidiaries to assist our ability to raise finance and develop new market rent properties.

The financial statements which follow show we made a net surplus of £6.1 million in this financial year, well ahead of our business plan projections. Our commitment to delivering value for money has been maintained throughout and is reflected in the successes outlined in the operating and financial review and strategic report.

My board have provided strong support in relation to these challenges and opportunities in the past year and are committed to supporting the Director team in delivering on the potential for Cross Keys to become an even more important regional force. The board look forward to continuing to support Claire and the staff team through the challenges to come.

Finally I would like to thank our directors and staff for their contribution to the success of Cross Keys Homes over the past year.

  
Angus Kennedy  
Chairman

## Operating and financial review and strategic report

### Principal activities

Cross Keys Homes opened for business in 2004, having accepted the transfer of housing stock previously owned by Peterborough City Council. Since transfer we have lost a significant number of properties through right to buy, however, we have also developed well over 1,300 new properties and these now comprise 13% of total properties in management. To date, the majority of our stock has been centred within the city boundary; however we are increasingly considering opportunities in surrounding areas where these are viable in terms of scale and financial return. The association recently incorporated a new subsidiary with the objective of providing market rate rented homes reflecting our aims to build up a modest portfolio in order to cross subsidise the provision of affordable homes. In addition to the provision of general needs, affordable, sheltered and shared ownership housing; the association operates a portfolio of community based shops, a community alarms service for tenants and private clients and a domiciliary care service. The combined turnover of these diversified activities represents less than 4% of the total turnover in the year.

### Business and financial review

The group generated a surplus of £6.1 million for the year (2014: £9.5 million) which was £2million in excess of our most recent business plan projections mainly as a result of lower interest payments from the bond issue in September. The business maintained its programme of ongoing maintenance to our housing stock in line with the latest business plan. The rent increases we implemented for 2014/15 and for 2015/16 comply with Government requirements and are in line with those implemented by other housing associations.

Over the course of the year we have strengthened our development team and in order to provide capital for future development, undertook a bond issue via the new treasury subsidiary; Cambridgeshire Housing Capital Plc (CHC). The approved issue amount was £150million, of which £45million was retained. The funds raised were immediately on-lent to the parent Cross Keys Homes Ltd and part used to repay £56million of existing bank lending as an outcome of refinancing agreements with existing lenders, with the residual retained for future development.

In addition to CHC, the group structure further expanded with the incorporation of Cambridgeshire Housing LLP and Cross Keys Property Ltd in order to deliver a modest programme of market rented property. Cross Keys Properties went on to acquire a scheme of 12 units during the year, funded by an intra-group loan from Cross Keys Homes Ltd.

Although we have experienced an uplift in average cost of capital as a consequence of the bond issue related refinancing, our weighted average cost of capital remains well within our cost tolerance for the appraisal of new developments and our ongoing focus on efficiency has allowed us to build up a capacity profile which will be capable of absorbing additional future funding costs. The financial strength of the organisation is reflected in the board decision to increase the target levels of affordable housing built in future years from the current average level of 250 to 500 per year by 2018-19. Inevitably this will lead to reduced surpluses as a consequence of higher funding costs.

In total, the group invested more than any previous year in the delivery of 330 new homes and at March 31, 2015 owned 10,414 housing properties (2014: 10,142). The affordable homes were built with the support of £8.1million of grant funding and all properties are carried in the balance sheet at cost (after depreciation) of £301.5million (2014: £270.4 million).

We continue to pursue grant funded development opportunities within the city and surrounding local authority areas. Through our development partnership with the Homes and Communities Agency we have secured an allocation of £1.3million of grant towards up to 200 homes included under affordable housing programme 2 bid. During 2015 we secured a contract for the provision of 263 affordable homes as part of a section 106 agreement at Bearscroft Farm site in Godmanchester; this represents a significant expansion outside of Peterborough and towards the end of the year we entered into negotiation for a further 360 unit development in Buckinghamshire.

The economic environment for many of our residents has continued to be challenging as the impact of Welfare Reform through benefit capping and "the bedroom tax" impacts on available income. We have continued to provide advice and support through initiatives such as back to work programmes and partnering

## Operating and financial review and strategic report

### Business and financial review (continued)

with financial institutions for the access to credit union accounts where appropriate. These support initiatives play a key part of our communities' strategy. At a rent collection level, we have once again achieved a modest reduction in net arrears to 2.25% (2014 2.4%) despite the obvious challenges faced by many of our customers. Headline void rates as indicated in the table below have risen in the year to 1.9% (2014 1.6%) however, this reflects in part a managed programme of occupancy into our new extra care scheme, where although properties had been handed over we planned a staged release to allow us to absorb the level of care need at a manageable rate. If we adjust for the impact of this deliberate action; voids across our stock were marginally down year on year at (1.4%).

We have continued to play a role in environmental sustainability through the delivery of our service plans and strategies for areas including development, procurement and the communities and all of the new build homes have been developed to the equivalent of code level 3 or above. The roll out of PV panels has been well received by our residents, putting almost £2 million worth of savings back into relatively low income households through the provision of 'free' sustainable energy. Once the roll out is complete, the value provided to households will be well in excess of £50 million and represents another example of us maximising the total return on our asset base.

We are confident that we have continued to meet the expectations of our Regulator and in particular continue to focus on the delivery of value for money through all of our activities as measured in economic, social and environmental terms. Further information on our approach is included in the VFM section of the operating and financial review and strategic report and a report to stakeholders will once again be published on our website during September.

## Operating and financial review and strategic report

### Group highlights – financial trend summary

For the year ended March 31	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000 (Restated)
<b>Income and Expenditure account (£'000)</b>					
Total turnover	51,887	48,315	45,931	41,447	39,587
Income from social housing lettings	46,801	44,481	42,455	38,807	36,861
Operating surplus	14,242	14,925	13,743	11,013	10,459
Surplus for the year	6,094	9,511	6,595	4,147	6,705
<b>Balance Sheet (£'000)</b>					
Housing properties, net of depreciation	301,480	270,429	245,533	222,833	210,315
Social housing grant	(37,707)	(29,682)	(25,556)	(22,608)	(18,158)
Other fixed assets	4,395	4,560	4,622	4,778	4,790
Fixed assets net of capital grants and depreciation	268,168	245,307	224,599	205,003	196,947
Net current assets (liabilities)	30,693	(6,871)	(6,397)	(4,057)	(186)
Total assets less current liabilities	298,861	238,436	218,202	200,946	196,761
Loans (due over one year)	242,513	188,261	177,753	167,244	167,235
Pensions liability	9,835	6,719	5,615	4,632	3,175
Provisions for liabilities	12	-	-	-	-
Designated reserves	4,000	4,000	4,000	4,000	4,000
Revenue reserve	42,501	39,456	30,834	25,070	22,351
	298,861	238,436	218,202	200,946	196,761
<b>Accommodation figures</b>					
Total housing stock owned at year end (number of dwellings):	10,414	10,142	10,042	9,911	9,827
<b>Statistics</b>					
Surplus for the year as % of turnover	11.7%	19.7%	14.4%	10.0%	16.9%
Surplus for the year as % of income from social housing lettings	13.0%	21.4%	15.5%	10.7%	18.2%
Rent losses (voids and bad debts as % of rent and service charges receivable)	1.9%	1.6%	1.2%	2.3%	2.8%
Net Arrears (rents and service charge overdue less housing benefit as a % of annual receivable)	2.2%	2.4%	2.6%	2.9%	3.1%
Liquidity (current assets divided by Current liabilities)	393%	43%	46%	61%	98%
Total long-term loan debt per home owned	£23,287	£18,563	£17,701	£16,875	£17,018

## Operating and financial review and strategic report

### Group highlights – financial trend summary (continued)

The comparatives for the year ended March 31, 2011 have been restated to reflect the change in accounting policy to component accounting used since 2012.

### Value for Money (VfM)

Cross Key Homes is committed to delivering best value in achieving its strategy and sets out to provide excellent levels of customer service in an efficient and effective way. The leveraging of our assets, capabilities and competence in delivering economic and social value is a key driver within our corporate planning process and informs the strategic objectives set by the board. Our comprehensive VFM statement is published at <https://www.crosskeyshomes.co.uk/investor-relations>.

Our strategy is further illustrated within the corporate plan by our strategic bridges statement, which is reviewed and approved by the board each year. The overarching objectives of the strategic bridges statement is summarised below. These cascade through departmental service plans and into individual objectives. Key achievements against these objectives are summarised in the tables on pages 12 to 24.

### Strategic Objectives

Landlord services	•To manage and maintain our homes to the highest standard
Our communities / quality of life	•To improve residents' quality of life and make communities places where people want to live
New services / Innovation	•To provide a range of services through opportunity, excellence and innovation
Our growth	•To offer opportunities to all through developing a larger forward thinking organisation
Finance and governance	•To achieve the highest level of business excellence
Our customers	•To deliver the highest standards of customer care and to promote diversity, equality and social cohesion
Our people	•To be a caring and motivating employer of choice

### Key VfM successes for 2014/15

We recognise that value can be delivered incrementally from the bottom up by instilling a culture of considering value for money in everything we do. Achievements of various impact levels are included in the tables on pages 10 to 12. The delivery of larger initiatives often crosses multiple functional objectives and departments and we have listed some of these major initiatives with their impact below: -

- AA- Standard & Poor's rating achieved. This positive rating, driven by robust financial management and governance structures, enabled the refinancing of £70m of bank debt through the sector's first Environmental, Social & Governance (ESG) bond issue and the achievement of a competitive rate of 4.29% with an excellent spread of 1.20% over the corresponding UK Government Gilt rate.



## Operating and financial review and strategic report

### Key VFM successes for 2014/15 (continued)

- 330 new property completions in 2014/15 including 2 city centre residential conversions and our first extra care scheme, Kingfisher Court.
- 98% of works were delivered on time under our £11 million planned works programme, with an overall customer satisfaction rate of 99.5%.
- £1.8million saved by tenants in fuel bill costs through our PV panel programme, reducing poverty amongst some of our most vulnerable tenants, with 2,000 additional properties fitted in the year. Once complete the financial benefits will be enjoyed by over 6,000 households and deliver lifetime savings of over £50 million in energy costs.
- 89% of all participants of our growing pre-apprenticeships scheme moved into Employment, Education or Training representing 42 young people against whom the lifetime social value of improving their work chances will far outstrip our investment.

All critical and strategic reports and project proposals to board and other decision making bodies are required to outline the impact of any operational strategy or initiative on our overarching obligation to deliver value for money.

### **Decision making and the management of assets in support of Vfm**

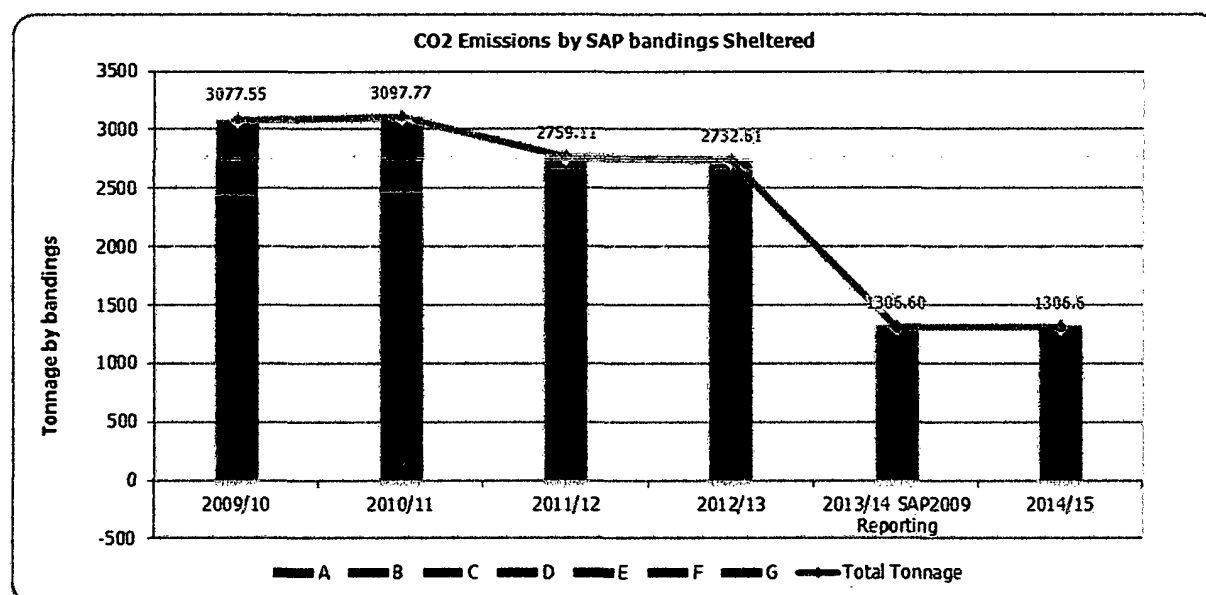
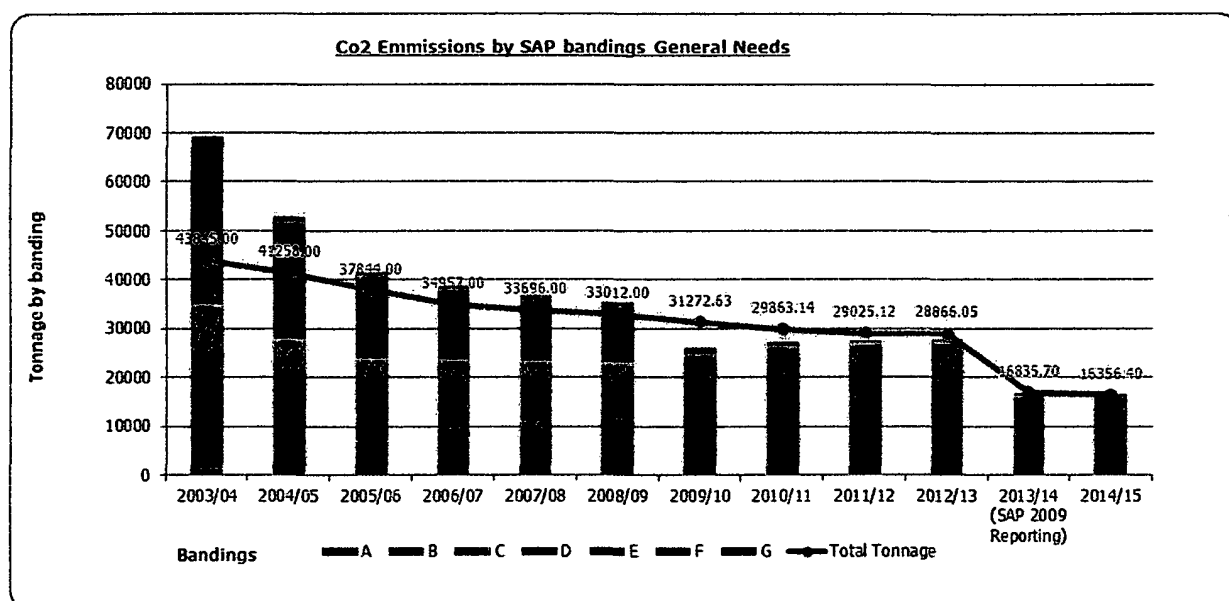
We endeavour to make best use of our scarce resources, by investing in maintaining and improving existing stock, developing new properties and investing in our communities through provision of community related services that provide real social value and return. Our re-investment panel periodically reviews the viability of existing housing stock and as a direct result, we have to date redeveloped a large block of flats and a number of sheltered housing schemes. During 2014/15 we completed our first 79 unit Extra Care scheme, providing domiciliary care to over 60 residents, as well as a further 70 within the communities we serve.

New development projects are assessed by an appraisal panel to ensure that they will make an adequate return on investment, by meeting tests for net present value (NPV), rental yield and payback period. We have invested in and implemented specialist development appraisal and cashflow software and continued the development of our keystone strategic asset management software to support future development, investment and reinvestment decision making. We have also further developed our sustainability model which as the data builds up will provide additional intelligence to target investment in actions or assets to reduce lifetime costs of maintaining our stock and surrounding environments.

Our commitment to promoting energy efficiency is demonstrated by the CO2 emission graphs below which show how the targeted improvements in energy efficiency have resulted in reductions in average emissions and improvements in SAP bandings. Further improvements are expected as a result of the PV panel installation programme which has been carried out under a lease arrangement which does not involve Cross Keys in the financial investment required.

## Operating and financial review and strategic report

### Decision making and the management of assets in support of VfM (continued)



### Understanding the relationship between cost and service outcome

As part of our annual budget and service planning programme, our senior management team set out performance and efficiency targets for the year ahead and these filter down into objectives for each member of staff. Our budget review process particularly considers the impact of cost against service delivery targets where decisions impact the strategic performance indicators detailed at the end of this section.

Our Board review budget proposals in detail and this includes benchmark cost comparative information. Full analysis of discretionary expenditure is also presented and this is assessed against strategic objectives. Resident inclusive neighbourhood panels review and prioritise discretionary estate improvement projects. A circle of continuous review and improvement is maintained with regular reporting to board on qualitative KPIs and financial performance in the context of our strategy. Directors understand the key drivers of cost in their areas. Service costs and business stream costs are allocated according to activity and new business, such as

## Operating and financial review and strategic report

### Understanding the relationship between cost and service outcome (continued)

our community and extra care services, attract fully allocated costs to ensure management are appraised of cost and investment levels.

An annual value for money update is provided to stakeholders that is accessible to residents and explains how their rents have been applied to services.

### Performance Management and Scrutiny in the delivery of VfM

Achievement of operational and strategic objectives is assessed through clear reporting and measurement systems and by benchmarking qualitative and cost results against our own historic performance and that of similar organisations via HouseMark and other platforms. Benchmarking and KPI's are covered in more detail, from page 13. The following is a high level summary of key achievements, performance and further action planned against our strategic bridges objectives which will ultimately enhance or maintain our performance against our objectives.

#### **Landlord services - To manage and maintain our homes to the highest standard.**

<b>Achievements</b>	100% decent homes achieved and maintained throughout the year.
<b>Performance</b>	Under our £11million planned works programme, we delivered 98% of works on time, with an overall customer satisfaction rate of 99.5%.
	Local lettings plans in place for all new development sites to ensure effective management of the stock and for the people living in those communities.
	Satisfaction levels and emergency, urgent and routine repairs exceed NUQ performance.
	Exceeded the target of 72 and achieved an average of SAP rating of 81.28 for benefitting from our major solar panel installation programme.
<b>Further Action</b>	Gas safety certification ended the year at 100%, as a result of continual review and improvement of our internal practices.
	Combined re-let times and number of properties vacant and available achieved NUQ, indicative of timely void turnaround and neighbourhood desirability.
	Continue to refine the sustainability model, to show high turnover and maintenance properties and so inform and identify any opportunities to rationalise the housing stock and optimise return on assets.

#### **Communities / quality of life - To improve our residents' quality of life and make communities places where people want to live**

<b>Achievements</b>	Secured over £130k in external funding and supported over 150 jobseekers into employment, 68 through our European Social Fund families programme. A further 68 people entered into full time education and training.
<b>Performance</b>	An additional 2,000 PV panels have been installed throughout the year, taking the total to 4,800, providing significant ongoing savings to tenants' fuel bills and going some way in reducing fuel poverty amongst some of our more vulnerable tenants. The average saving per household is approximately £404. Once complete the lifetime value to residents of this initiative will be in excess of £50million.
	£400k invested in area panel projects in the community, tackling issues identified and prioritised by stakeholders including tenants, police, council officers and other partners.
	Increased ASB case handling satisfaction by 3% to 91%, above the HouseMark national upper quartile target (89%).
	Achieved 81% ASB case outcome against an 87% target and continue to strive to meet this, often in very challenging circumstances, where our control over outcome or customer expectations can be limited. Improvement initiatives ongoing into the new year.

## Operating and financial review and strategic report

### Performance Management and Scrutiny in the delivery of VfM (continued)

<b>Further Action</b>	<b>Take on 86 pre-apprentices during 2015/16, 20 at Cross Keys Homes and 16 placed at external organisations, using the additional £50k external funding raised.</b>
	Utilised £64k of external funding to deliver programmes for those on disability benefit and to tackle worklessness.
	Subject to securing funder/investor approval, continue with the PV panel installation programme, with a further potential suitable 1,700 properties having been identified.

### **New service / innovation - To provide a range of services through opportunity, excellence and innovation**

<b>Achievements</b>	Our first Extra Care (79 unit) housing project was delivered on time and within budget.
	Maintained Care Quality Commission registration & developed our domiciliary care service out of pilot and into full delivery, providing 3,365 hours of care per month to over 130 clients by the end of the year.
	Created our market rent subsidiary Cambridgeshire Homes LLP for future tax efficient development of market rent homes through £10m intergroup loan.
<b>Performance</b>	As the Care service matures and the client base grows, continue to improve the staff productivity/chargeable delivery percentage and be self-sustaining as a non-core activity with a targeted net productivity or > 75%.
<b>Further action</b>	Progress our second, 54 unit Extra Care project (Lapwing) in line with budget and timescale.
	Develop a further 48 market rent homes and seek further capacity to gear up on intergroup loan.
	Deliver improved website functionality, increasing opportunities for tenant self-servicing and access to information.

### **Our growth - To offer opportunities to all through developing a larger, forward thinking organisation**

<b>Achievements</b>	Following handover of 117 properties the previous year, over 300 units were handed over in 2014/15, including 2 city centre conversions and our first extra care scheme.
	Added to our market rent portfolio making a total of 96 homes not grant funded.
	Revised staffing structure to create new internal Employer's Agent and Clerk of Works teams, to improve efficiency and quality of development schemes.
	Achieved handover of 314 new units against a target of 252 for the year.
<b>Performance</b>	Created pipeline in excess of 250 new homes for future years with a target of 500 by 2018-19.
<b>Further action</b>	Continue to work with our development partners and contractors to continue to drive down the number of defects per new build property.
	To achieve a portfolio of 60 new market rent units in management by the end of 2017-18.

### **Finance and governance - To achieve the highest level of business excellence**

<b>Achievements</b>	Achieved rating of AA- through Standard & Poors.
	Refinanced £70m of bank debt through £150m bond issue at competitive rate of 4.29% with excellent spread of 1.20%.
	Adjusted EBITDA % maintained > 30%.
	Achieved a surplus of 12% of turnover against a target of >5%. (£6m, down from £9.5 million in 2014).
	Leveraged debt per unit of £23k against a ceiling of £40k.

## Operating and financial review and strategic report

### Performance Management and Scrutiny in the delivery of VfM (continued)

	£150k of tax savings achieved through group structure arrangements and careful tax planning.
<b>Performance</b>	£82k of savings achieved through risk financing arrangements. Current and former arrears were below the NUQ, however, against a backdrop of challenging circumstances, overall arrears consistently improved throughout the year, indicative of good performance.
<b>Further action</b>	Sale of £45m of retained bonds in the capital markets at competitive rate. Complete pay and benefits review to include future approach to defined benefit pension arrangements

### **Our customers – To deliver the highest standards of customer care and to promote diversity, equality and social cohesion**

<b>Achievements</b>	Customer insight collection and ongoing analysis achieved targets set of 20% yearly refresh. As part of a wider restructure, created a Quality Service Manager role, with a view to embedding a right first time approach into all aspects of our interactions with residents and other stakeholders.
<b>Performance</b>	Satisfaction levels from the most recent STAR survey for overall landlord services were 90.2%, above the 89% target.
<b>Further action</b>	Develop the use of mobile data and further application of CRM technology to improve our effectiveness, as well as enhance the customer experience through a fully functional website portal for residents.

### **Our people - To be a caring and motivating employer of choice**

<b>Achievements</b>	Maintained inclusion in the Times 100 Best Not for Profit companies, ranking 36 <sup>th</sup> (67 <sup>th</sup> in 2014). Working with the City College Peterborough and Jobcentreplus, Cross Keys Academy delivered level 1 care and sector based academies, helping 7 people into our own Care service and 4 into our Kingfisher Catering service. Continued our programme of pre-apprenticeships, with 89% of all participants moving into Employment, Education or Training, including 10 young people moving into employment. Introduced a staff exit interview format to help inform the on-going analysis staff turnover as we strive to retain and develop our staff and meet our objective to be an employer of choice.
<b>Performance</b>	Staff turnover ended the year at 33.3% against a target of 8% and is reflective of the more transient movement of staff in our new Care service. Restructuring of the organisation also contributed to the increase in turnover last year. Sickness absence levels were 9.53 days against a target of 7.40 and we continue to take steps to address the root causes and ensure that we are managing absence appropriately.
<b>Further action</b>	In 2015-17, we will review and develop the working environment for our employees to reflect our values and create working spaces that enable us to collaborate, work cross-functionally and provide more modern ways of working, including improvements to systems and technology ultimately enabling the delivery of improved and more efficient service delivery. In 2015-17, we will deliver further improvements to our recruitment and selection processes to further establish CKH as an employer of choice. Further develop a management training and succession planning programme.

## Operating and financial review and strategic report

### Benchmarking & Performance monitoring

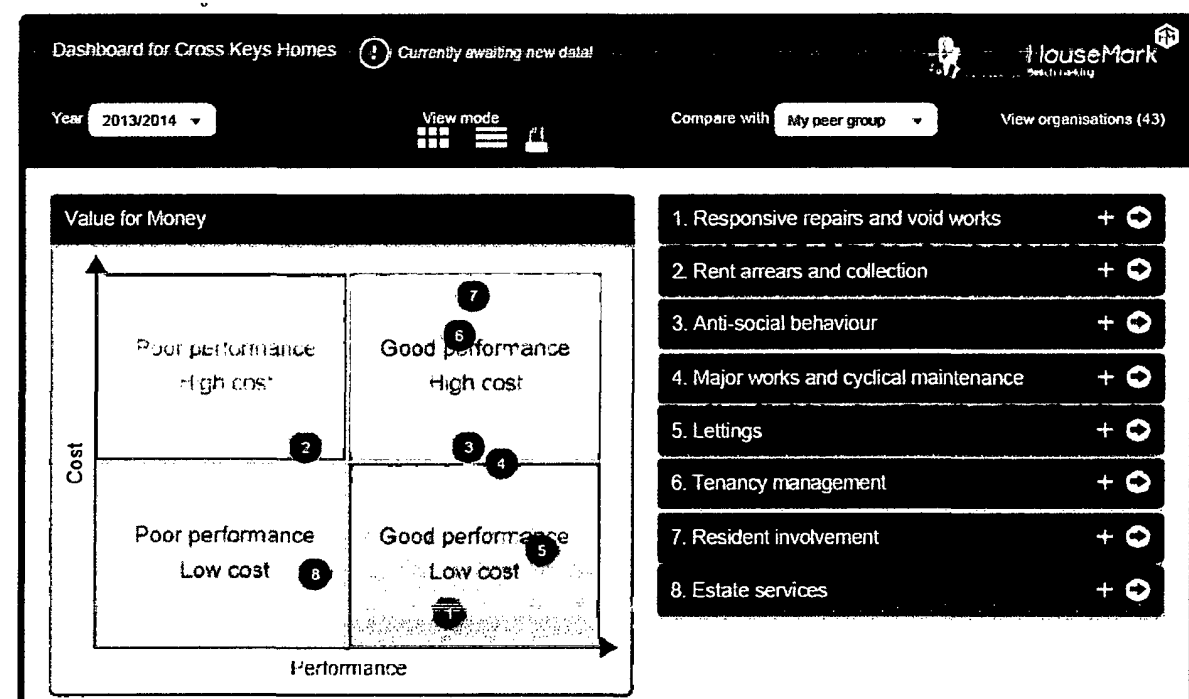
We have been a subscriber to HouseMark for many years and participate in their annual Core benchmarking exercise to compare against our peers. The dashboard below shows our comparative 2013/14 cost and quality performance against stock transfer housing associations managing >7,500 units.

We have and will continue to use the benchmarking data as a guide, but then investigating more deeply to understand where we are deviating from others and to take corrective action, where necessary. For example, our highest cost indicator on the dashboard was resident involvement; as well as being an area of high discretionary spend also covering community investment activity, costs relating to our successful apprentice programme are included here, contributing to the high cost indicator. These areas of spend are considered excellent use of our resources and complement our housing activities.

Our anti-social behaviour area performs well in terms of quality, with higher costs coming from legal fees, which we ensure are separately accounted for and visible, rather than being subsumed into global legal fee budgets.

Whilst appearing out of step with our peers at first glance, having an understanding of our costs and being in alignment with our strategic aims, we are comfortable with, and understand our position relative to our peer group in these areas but will continue to adopt a process of continuous improvement using peer information and advice where appropriate opportunities emerge.

As well as regularly reporting benchmarking and performance information to our board as part of our governance and assurance arrangements, we have included the HouseMark dashboard on both our corporate intranet and our website.



We will include the most up to date 2014/15 benchmarking data as part of our annual Value for Money report to be published and available on our website, by September 2015.

## Operating and financial review and strategic report

### Key Performance Indicators

Overall results for 2014/15 against our key indicators show 20 out of 25 KPI's (21 of 25 2013/14) as meeting or exceeding the upper quartile target and these are summarised in the table below.

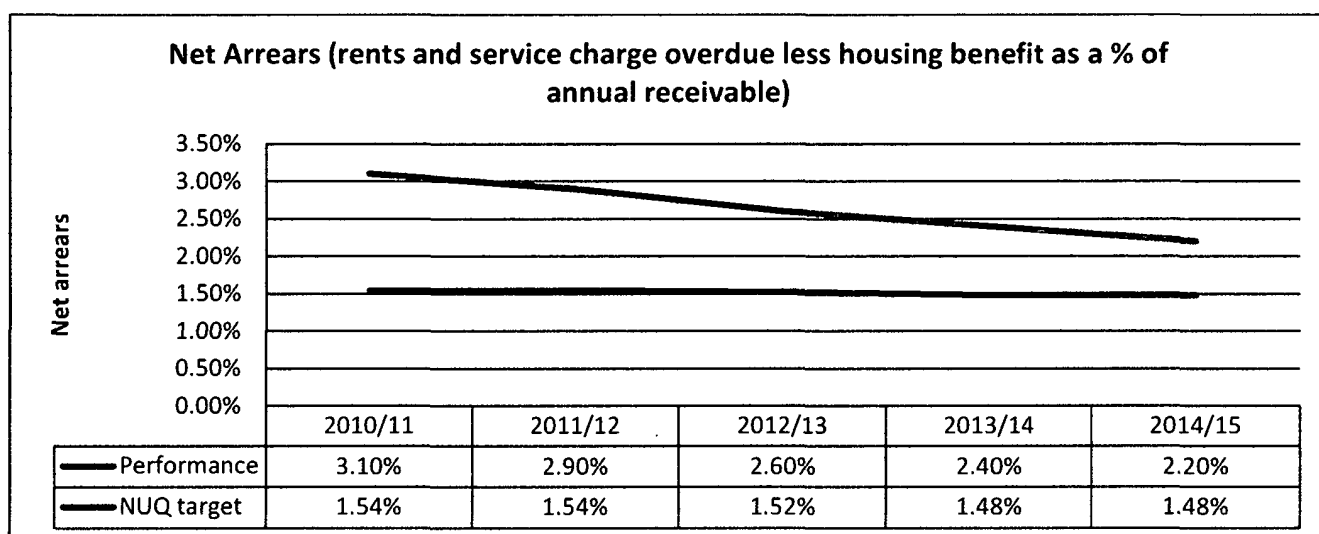
Indicator/Performance	12/13 out turn	13/14 out turn	14/15 target	14/15 out turn/trend	
% of tenants satisfied with repairs & maintenance	89.03%	86.63%	83.70%	86.63%	✓
% of dwellings with a valid gas safety certificate	99.92%	99.99%	100.00%	100%	✓
% of emergency repairs completed within target time	100%	99.72%	99.70%	99.95%	✓
% of urgent repairs completed within target time	99.85%	99.59%	99.10%	99.66%	✓
% of routine repairs completed within target	97.90%	99.15%	98.80%	99.62%	✓
Appointments kept as a % of appointments made	99.05%	99.24%	99.20%	99.84%	✓
Average energy efficiency rating of dwellings (SAP 2009)	75.3	75.1	72.00	81.28	✓
% of homes failing to meet Decent Homes Standard	0.00%	0.00%	0.00%	0.00%	✓
% of dwellings vacant and available to let-GN & HfOP	0.16%	0.12%	0.30%	0.11%	✓
Average re-let time (calendar days) - GN & HfOP	15.6	16.45	20.58	16.68	✓
Complaints closed stage 1, 2 and 3	100.00%	100.00%	100.00%	100%	✓
Weighted average cost of capital	3.73%	3.28%	4.6%	3.8%	✓
Average working days lost due to sickness absence	5.53	6.08	7.40	9.53	✗
% New build satisfaction	97.87%	95.38%	95%	98.28%	✓
Satisfaction with the services provided by CKH	90.86%	90.20%	89%	90.20%	✓
Tenants satisfaction that their views are being taken into account	81.27%	77.70%	73.70%	77.70%	✓
% of rent lost through dwellings being vacant-GN only	0.49%	0.51%	0.71%	0.48%	✓
% of dwellings that are vacant and available to let-GN only	0.16%	0.11%	0.30%	0.08%	✓
Average re-let time (calendar days) - GN only	13.89	16.34	20.6	15.87	✓
Current tenant arrears (excluding HB) GN & HfOP	2.63%	4.52%	1.89%	3.24%	✗
Net current arrears	2.59%	2.42%	1.52%	2.25%	✗
Former tenant arrears	1.06%	1.13%	0.68%	1.00%	✗
% sheltered props vacant/available	0.18%	0.26%	0.30%	0.33%	✗
Sheltered re-let time	18.3	18.04	22.67	20.46	✓
% Shared ownership satisfaction – intermediate tenure	100.00%	95.65%	85.00%	88.00%	✓

## Operating and financial review and strategic report

### **Key Performance Indicators** (continued)

Our performance has remained well within upper quartile on the majority of areas and we are satisfied that this provides assurance against other organisations in the sector.

Through ongoing monthly monitoring of these KPIs, we have been aware of the deterioration in sickness absence rates and have already introduced a range of measures throughout the organisation to address this. Whilst still below upper quartile, our arrears results continue to improve, despite the many challenges that Welfare Reform have brought and this remains a key area of focus for the organisation. The chart below illustrates how we have continued to close the gap to the best performers nationally.



At a strategic level, the latter 6 months of 2014/15 were a period of significant change. A new Chief Executive, combined with raising our first bond finance in the capital markets, have been the catalyst for internal restructuring, along with the start of a review and refresh of our strategic aims and objectives.

These changes, whilst still under way, started to take effect this year and will take hold during 2015/16, with key impacts for our performance and benchmarking including an increased cost of funds and a more ambitious development programme to deliver the homes that are so desperately needed.

To ensure that our focus is on the areas that we need it most, Directors and Board have agreed a revised set of KPIs to be reported against regularly, with KPIs on the previous list still being maintained & monitored. A formal review of our Strategic Bridges document is also under way as the organisation seeks to update its objectives and direction of travel for the upcoming period. Once agreed, as before, our Strategic Plan will still be subject to annual review and approval by board forming part of the wider corporate planning process.

In summary, it is through the maintenance of ongoing and continuous review of our performance and cost in the delivery of our strategic objectives that the board gain assurance on the delivery of value for money.

### **Risks and uncertainties**

The main risks that may prevent the Group achieving its objectives are regularly reviewed and considered by the board and staff. The risks are recorded and assessed in terms of their impact and probability across a range of relevant business categories. Major risks representing the greatest threats to the company are reported to audit & risk committee, together with controls and actions to mitigate against the risks. The current major risks to successful achievement of our objectives are considered below.



## Operating and financial review and strategic report

### Risks and uncertainties (continued)

Risk	Impact	Probability	Description	Controls
Reduction and uncertainty on revenue.	MEDIUM	MEDIUM	Economic climate affecting rent collection and/or changes to benefits regime	<ul style="list-style-type: none"> <li>• Project plan to manage impact of welfare benefit reforms.</li> <li>• Strict compliance with court orders.</li> <li>• Regular monitoring of arrears</li> <li>• Embedding of new arrears management software</li> <li>• Use of resident census data to support those with under occupancy or other caps.</li> <li>• Direct payment response plan in place.</li> </ul>
Diversification	MEDIUM	LOW	Non-core activity puts housing provision or assets at risk	<ul style="list-style-type: none"> <li>• Management committee of Cambridgeshire Homes LLP monitoring market rent.</li> <li>• Care business plan</li> <li>• Shops strategy</li> </ul>
Differential inflation	MEDIUM	MEDIUM	Variation in inflation levels against business plan assumptions	<ul style="list-style-type: none"> <li>• Stress testing of business plan</li> <li>• Tight budgetary control of costs</li> </ul>
Low inflation	MEDIUM	MEDIUM	Impact of low inflation on income stream	<ul style="list-style-type: none"> <li>• Business plan projections includes 0% CPI for next 2 years</li> <li>• Stress testing of business plan</li> <li>• Tight budgetary control of costs</li> </ul>
House prices	MEDIUM	LOW	Reduction in house prices impacts on sales proceeds	<ul style="list-style-type: none"> <li>• Stress testing of business plan</li> <li>• Negotiation of tight development contracts in good locations for shared ownership</li> <li>• Limit length of development contracts</li> </ul>
Economies of scale	MEDIUM	LOW	Loss of economies of scale or opportunity to improve economies of scale	<ul style="list-style-type: none"> <li>• Development appraisal targets forcing sustainable growth</li> <li>• Improving returns from future development through improved funding</li> </ul>
Grant funding moves to recoverable investment	MEDIUM	MEDIUM	Grant funding moves to recoverable investment	<ul style="list-style-type: none"> <li>• Maximising remaining grant availability</li> <li>• Stress testing of business plan</li> <li>• Use of section 106 opportunities</li> <li>• Maximising use of affordable rent and shared ownership cross subsidy</li> </ul>
Land supply	HIGH	MEDIUM	Inadequate supply of affordable land to support development programme	<ul style="list-style-type: none"> <li>• Networking with land agents and owners</li> <li>• Development contractor relationships</li> </ul>
Right to buys	MEDIUM	MEDIUM	Increased level of RTB activity reduces stock levels	<ul style="list-style-type: none"> <li>• Stress testing of business plan</li> <li>• Clear communication with tenants</li> <li>• NHF political pressure</li> </ul>
Capital markets	HIGH	LOW	Lack of appetite for capital market bond issue or at an appropriate price point	<ul style="list-style-type: none"> <li>• Timely and smooth access to capital markets</li> <li>• Maintaining rating</li> <li>• Stress testing of business plan</li> </ul>
Governance & partnerships	HIGH	LOW	Failure of Governance arrangements & inappropriate partnerships	<ul style="list-style-type: none"> <li>• Board approval of business plan /assumptions</li> <li>• Director &amp; board scrutiny of new business initiatives</li> </ul>

## Operating and financial review and strategic report

### **Capital structure and treasury policy**

During 2014 Cross Keys Homes leveraged its AA- S&P rating and its environmental credentials and issued the first Environmental, Social and Governance (ESG) bond in the social housing sector, achieving a very competitive margin spread of 1.2% over gilt rates for a 31 year £150 million bond issue.

With £45million as retained bonds, the £105 million was utilised to repay £55m of existing syndicated bank/building society funding with the remainder to be invested in the short term and used for future developments. In addition to the bond, the remaining debt comprised of a mix of fixed, variable, cancellable and interest linked loans totalling £139.4 million. This is in compliance with established treasury management limits, which have been designed to manage the group's exposure to interest rate fluctuations.

Treasury policies were updated to reflect the new environment as surplus proceeds from the bond were invested with a range of counterparties, including AAA rated Money Market Funds and banks/building societies, for periods ranging from instant access to 12 months, ensuring sufficient liquidity is maintained to meet operational cashflow requirements.

The company ended the year with a loan/bond and overdraft arrangements totalling £242.4 million and external cash investments of £36.3 million. Further details of the loan balances can be found under note 16.

The gearing ratio, calculated as net debt divided by the historic cost of housing properties decreased slightly to 58.9% (2014 – 59.9%). We expect this ratio to increase to a peak of 67% by 2020. The group's borrowing arrangements require compliance with a number of financial and non-financial covenants. The group's position is monitored on an on-going basis and reported to the board regularly. Recent reports confirm that the group was in compliance with its loan covenants at the balance sheet date and that the board expect to remain compliant in the foreseeable future.

The group uses various financial instruments, including loans and cash to raise finance for the group's operations. There are no non-embedded financial instruments nor any exposure to exchange rates. The existence of these financial instruments does expose the group to some other financial risks. The risks arising from the group's financial instruments are considered by the directors to be interest rate risk, liquidity risk and credit risk. The board review and agree policies for managing each of these risks and they are summarised below.

#### *Interest rate and inflation risks*

The group finances its operations through a mixture of retained surpluses, bank borrowings and capital market bonds. The group's exposure to interest fluctuations on its borrowings is managed by the use of both fixed and variable rate facilities, including interest rate swap instruments. The treasury policy permits fixed rate loans to be within a range of 20-80% of total liabilities. The reason for such a large range is to provide flexibility in managing both interest rate and inflation risk together.

#### *Liquidity risk*

The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and invest cash assets safely and profitably. At year end the group held cash balances totalling £36.3m with a current ratio of 3.7 (2014 – 0.43). The company also has access to the capital markets through retained bonds of £45m and in 2014 had access to undrawn committed bank facilities of £22.5m

#### *Credit risk*

The group's principal credit risk relates to tenant arrears. This risk is managed by providing support to eligible tenants with their application for Housing Benefit and to closely monitor the arrears of self-funding tenants. Welfare Reform and resulting changes to the benefits system has been identified as a key risk to the group, and a project team assesses the impact of emerging changes.

## Operating and financial review and strategic report

### Cash flows

Cash and cash equivalent inflows and outflows during the year are shown in the cash flow statement. The net cash and cash equivalent inflow from operating activities was £17 million in the year which was invested in our new homes development programme.

### Future developments

Development over the past year focussed on meeting our commitment to the HCA to deliver 385 properties under the affordable homes programme for 2011-2015 (AHP1). As of 31 March 371 were complete and we have confirmed completion dates to the HCA for the remaining 14. Building on this successful partnership, we have further secured £1.3million of grant under the AHP programme for 2015-18, although this represents a reduction per unit on the previous round and reflects challenging reductions in grant funding levels.

Nonetheless we are committed to increasing our output of affordable housing and are focussing on large scale section 106 opportunities as well as seeking grant funding opportunities from other bodies. Whilst our contracted pipeline for completed units is around 150 units for the coming year, this increases sharply to just over 400 in 2016-17 and close to 500 by 2018-19 which reflects the Boards targeted level of delivery for the years 2018-19 and 2019-20. Whilst we will continue to take advantage of small scale developments where these are financially viable, we are progressing an increasing number of larger scale negotiations which will ultimately support a wider geographical reach for the organisation as land opportunities in and around Peterborough reduce. We hope to maintain a level of development within the Peterborough area of upwards of 50% of our total in the coming three years.

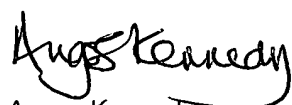
Our increased ambition is reflected in continued attention and management of risk and we have subjected our business plan to stress testing in line with the expectations of the HCA. Whilst we are confident that we can increase output significantly overall, we will continue to adopt a risk aware approach and ensure that commitments are within existing capacity and that we have sufficient flexibility to respond to changes in the operating environment. Financial stability, a strong leadership team and corporate resilience will allow us to contribute to the success of the sector locally and regionally and continue to provide confidence to our stakeholders. This approach will be consistently applied within our core business and across those areas which we are seeking to diversify such as the provision of care services and marketed rented tenancies.

### Statement of compliance

In preparing this operating and financial review, the board has followed the principles set out in part three of the Statement of Recommended Practice Accounting by registered social housing providers (SORP).

In approving this Operating and Financial Review, the directors are also approving the Strategic Report in their capacity as directors of the company.

The Operating and financial review and the strategic report were approved by the board on July 20, 2015 and signed on its behalf by



Angus Kennedy  
Chairman

## Report of the directors

### Board members and directors

The present board members and the executive directors of the company are set out on page 2. The board members are drawn from a wide background including tenant, local authority and private sector.

The executive directors during the year were the Chief Executive, Executive Director of Resources and Deputy Chief Executive. The Chief Executive retired during the year and the deputy chief executive was appointed to the role of chief executive. The executive directors act within the authority delegated by the board. The company has insurance policies that provide a level of cover for its board members and executive directors against liability when acting for the Group.

### Service contracts

Both executive directors are employed on the same terms as other staff employed prior to the closure of the defined benefit pension schemes to new entrants in November 2010, their notice periods being six months for the Chief Executive and three months for the Executive Director of Resources.

### Pensions

The Chief Executive and the Executive Director of Resources are both members of the Social Housing Pension Scheme. This is a defined benefit final salary pension scheme in which the executive directors participate on the same terms as all other eligible staff. The company contributes to the schemes on behalf of its employees.

### Other benefits

The Executive Directors are entitled to other minor benefits such as payment of professional membership fees. Full details of the remuneration packages of the executive directors are included in note 9 to the audited financial statements.

### Employees

The strength of the Group lies in its employees. Our ability to meet objectives and commitments to customers in an efficient and effective manner depends on the contribution of employees throughout the organisation.

The Group ensures that information on its objectives, progress and activities is regularly communicated to employees through corporate and departmental meetings. A Joint Negotiation and Consultative Committee of staff representatives, union representatives and executive directors meet regularly to discuss issues relevant to employment matters.

We are committed to equal opportunities for all employees and maintain an up to date equality and diversity plan. In particular we support the employment of disabled people, both in recruitment and in the retention of employees who become disabled whilst in the employment of the company. We have adopted the CIH equality and diversity charter and have developed an action plan to identify any non-compliance and required actions.

### Post balance sheet events

The UK Government emergency budget announcement in July 2015 included the introduction of a reduction in rents for social and affordable tenancies of 1% per annum for the next four years. The impact of this is noted under the going concern paragraph below. We consider that there are no other events since the financial year-end that have had an important effect on the financial position of the Group.

### Financial risk management objectives and policies

The group's approach to financial risk management is outlined in capital structure and policy section of the Operating and Financial Review. The group uses various instruments to manage the risks that arise relating to interest rate and liquidity including rate hedging instruments which are explained in the capital structure and treasury policy and analysed in note 25 of the financial statements.

### Resident involvement

We actively encourage resident involvement in decision-making by promoting formal mechanisms of participation. Following a governance review, the number of resident board members has been reduced from four to two with a separate residents' board consisting of 12 residents and four other community stakeholders

## Report of the directors (continued)

### Resident involvement (continued)

now helping to bridge the gap between the work that residents and partners do on the ground and the main board. The chair and deputy chair of the residents' board continue as members of the main board. Additional reporting arrangements exist between resident groups and the board, including the tenant scrutiny panel. Our

annual budget includes amounts specifically set aside for the development and promotion of resident involvement initiatives.

### Complaints

We have a clear and simple complaints policy and procedure that we issue to all tenants. The process is multi stage with the first initial contact being a 'request for service' which allows us to respond to the area of concern promptly. If the issue is not resolved after this initial contact, the complaint is escalated to the first stage of the complaint process. During the year we have registered no formal complaints (no requests for service have been escalated to stage 1) (2014: none). No complaints have been referred to the Housing Ombudsman for resolution (2014: none) and no complaints were ongoing at March 31, 2015 (2014: none).

### Health and safety

The board is aware of its responsibilities on all matters relating to health and safety. The Group has implemented a detailed health and safety policy, and provides staff training and education on health and safety matters.

### Going concern

The group's business activities, financial position and future developments are set out within the operating and financial review and strategic report. Committed activities are all supported within existing resources or debt facilities and the Group have secured significant additional resources during the year through a bond issue which includes a retained amount of £45 million.

As a result of the UK Government emergency budget measure to reduce social and affordable rents by 1% per annum for the next four years we expect a reduction in income of £6.2m (10% of total income) by 2020 compared to our current forecast. At the present time the board still evaluating how to respond to this change but do not expect this to impact on our view of going concern. Based on its review and approval of its long term business plan and its initial evaluation of the impact of the emergency budget announcement, the board has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

## Internal controls assurance

### Responsibility for the system of internal controls

The board acknowledges that it has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness in providing the necessary assurances.

The board recognises that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk and to provide reasonable assurance that the key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of assets and interests.

### Risk management process

Management has assessed the key risks faced by the business and has identified the controls and further actions needed to satisfactorily manage these risks.

The process for identification and management of risks is continuous and has been in place throughout the year under review. The overall responsibility for risk management within the Group remains with the board. A list of those risks deemed most significant along with key controls is included in the Operating and Financial Review and Strategic Report.

## Report of the directors (continued)

### **Process for reviewing the effectiveness of the internal control system**

The board and its management team have established a number of elements essential for a robust internal control system. Examples of this include the implementation of relevant policies, procedures, a long term business plan and the appointment of internal and external auditors. A comprehensive risk map identifies the key risks faced by the business and corresponding control strategies and actions are in place to ensure that these key risks are adequately managed. In addition, the board itself has played a key role in the control structure by considering a number of issues relating to the effective running of the business and service delivery to its customers in a controlled and safe environment.

Throughout the financial year ended March 31, 2015, different sources of assurance have been relied upon to provide information on the system of internal control to the board. These include the Audit & Risk committee, external and internal audit, the director team and the risk management process.

In summary:

- the board retains responsibility for a defined range of issues covering strategic, operational, and financial and compliance aspects including treasury strategy and new investment projects. The board also regularly reviews key performance indicators to assess progress towards business objectives, targets and outcomes.
- the internal audit plan covers financial and non-financial areas of the business in all significant areas of activity. Internal audit work in 2014/15 was completed in accordance with the approved audit plan.
- the board received an annual report from the director team outlining the work undertaken and giving a positive opinion on the adequacy and effectiveness of the system of internal controls.

### **Control environment**

There are a number of measures in place to instil and encourage a suitable culture of effective internal control. These include the following:

- Standing orders and financial regulations, which include appropriate delegations of authority, signatories and mandates.
- A number of key policies and strategies to support the running of an effective business and service delivery to customers.
- Adoption of the NHF Code of Governance to provide guidance on best practice in the governance of registered providers (RPs). Terms of reference for the board and its committees are based on this guidance.
- Formal staff review and development procedures have been established and appropriate training and development opportunities are offered to all staff to maintain standards of performance.
- Forecasts and budgets are prepared which allow the board and management to monitor key business risks and financial objectives, as well as progress towards financial plans set for the year and the medium term. Regular management accounts are prepared which provide relevant, reliable and up-to-date financial and other information. Significant variances from budgets are investigated and reported as appropriate.
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through board members or management as appropriate including risk assessments.
- The audit & risk committee reviews reports from management and auditors to provide reasonable assurance that control procedures are in place and are being followed. Formal procedures have been established for instituting appropriate action to correct weaknesses.
- Assurance statements are provided by each member of the management team for their area of responsibility in relation to the control environment.
- All individual items of expenditure relating to the AHP programme, in excess of £500 since January 2012 have been published on our website for public scrutiny.
- This year we have updated our risk management strategy to include a clear statement of risk appetite and risk parameters which set limits to our risk appetite for growth and new activities.

### **Fraud**

The group complied with the Homes and Communities Agency's requirements on fraud during the year. In particular, the anti-fraud and bribery policy and response plan outline a policy on responding to suspected fraud and bribery. Additionally, in accordance with the Homes and Communities Agency's requirements existing during the year, a register is maintained of all actual and attempted fraud. The register is reviewed at

## Report of the directors (continued)

### Fraud (continued)

each Audit & risk committee and also records acts of direct theft of physical assets by external parties. Under the HCA definitions of fraud, one case, valued at £2,000 was reported for the year.

### Board's conclusion

**The board has reviewed the effectiveness of the system of internal control and it is satisfied that there is sufficient evidence to confirm that adequate systems of internal control existed and operated throughout the**

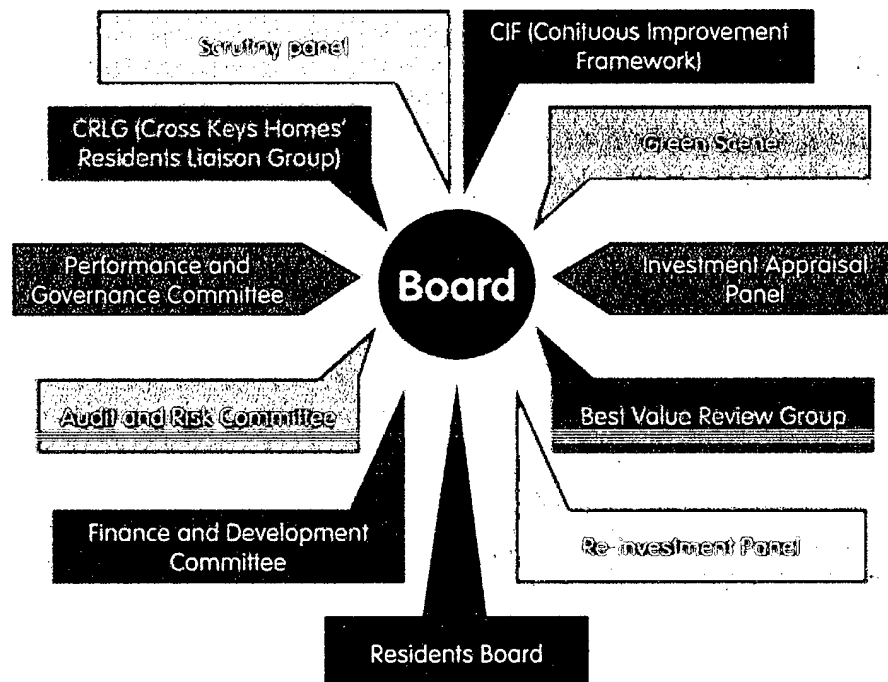
year and that those systems were aligned to an on-going process for the management of significant risks facing the business. No weaknesses were identified which would have resulted in material misstatement or loss requiring disclosure in the financial statements. However, a number of recommendations have been made by internal audit to enhance and strengthen controls in certain areas. The director team and the audit and risk committee continue to monitor implementation of agreed recommendations.

### **NHF Code of Governance**

We confirm that the group has adopted the NHF publication: Code of governance – Promoting board excellence for housing associations (2015). We do not comply with one of the provisions of maximum tenure of 9 years for non-executives on the board. The Chair of the Resident's Board was appointed for a 3 year term commencing on 1 April 2015. By making such an appointment, this member would then have served as a board member for 10 years having previously served on the main board of Cross Keys Homes. The Board concluded that it was the best interests of the Company for the following reasons: to ensure transitional continuity while a new governance structure is put in place. The appointment will also provide continuity and the retention of expertise on the newly formed Residents Board. The Chair of the Residents Board will cease to be a Board Member in September 2018.

### **Governance Structure**

The key boards and committees which contribute to our overall governance structure are illustrated below:



## Report of the directors (continued)

### Roles & responsibilities

#### The Board

Cross Keys Homes' Board has overall responsibility for the delivery of its services and obligations to customers and other stakeholders including but not exclusively, regulator, other government bodies and investors. The board meets regularly to decide on strategic and policy issues and also ensures the company is delivering to its business plan. Overall responsibility for the delivery of value for money rests with the board.

#### Finance & Development committee

Responsible for ensuring proper arrangements exist for the financial management and funding arrangements for the group and to assess the strategic approach proposed for the financial direction of the organisation as a whole.

#### Audit & Risk committee

Ensures proper arrangements exist for internal audit, risk management, internal control and that assurances are reported relating to group corporate governance requirements. It reviews the company's annual financial statements and the matters raised by the external auditors in their audit findings letter. During the year the audit and risk committee oversaw the tendering for both internal and external services and approved the appointment of new internal auditors and the reappointment of the external auditors.

#### Performance & Governance committee

Responsible for the oversight of board and executive team performance and governance.

#### Resident Board

Bridges the gap between the work that residents and partners do on the ground, and the decisions made at Board level. With delegated powers from the Board and budgets to manage, the group has been made up of 12 residents and 4 stakeholders from the local community and includes 2 members of the main board.

#### CRLG (Cross Keys Homes Resident Liaison Group)

Resident led strategic consultative body, also reviews performance of the organisation.

#### Green Scene

Directs the company's commitments towards reducing consumption and waste in day-to-day operations, to improve tenant environmental impact and reduce fuel poverty. Also monitors performance against reducing the company's environmental impacts across its offices, assets, internal transportation and in the goods and services it buys.

#### Scrutiny Panel

Resident led, reviews decisions relating to governance, strategy & policy, delivery of services and budget setting.

#### CIF (Continuous Improvement Framework Group)

Drives and monitors continuous improvement of services. Monitors performance delivery and risk in relation to each core service.

#### Investment Appraisal Panel

In line with the board approved development programme, to consider and approve all development projects, taking account of project risk, payback period etc.

#### Best Value Review Group

Cross-functional group, reviews working practices to identify process efficiencies and improved ways of working.

#### Re-investment Panel

To facilitate and oversee effective asset management by planning sustainable re-investment programmes of work to meet the requirements of the stock, current/future residents and to deliver best value.



## Report of the directors (continued)

### Statement of the responsibilities of the board for the report and financial statements

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

Company law requires the board to prepare financial statements for each financial year. Under that law the board has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources including the income and expenditure of the charitable group for that period.

In preparing those financial statements the board is required to:

- select suitable accounting policies and apply them consistently;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable United Kingdom Accounting Standards and the Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers Update (2010), have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the company and group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

At the date of making this report the members and directors, as set out on page 2, confirm the following:

- so far as each board member and Executive Director is aware, there is no relevant information of which the charitable company's auditors are unaware, and
- each board member and executive director has taken all steps that they ought to have taken as a member or director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK concerning the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

### Annual general meeting

The annual general meeting will be held on **September 14, 2015** at the company's head office at Shrewsbury Avenue in Peterborough.

### Auditors

A resolution to re-appoint Grant Thornton UK LLP as external auditors will be proposed at the forthcoming annual general meeting.

The report of the board was approved by the board on **July 20, 2015** and signed on its behalf by:



Claire Higgins  
**Secretary**

## Independent auditor's report to the members of Cross Keys Homes Ltd

We have audited the financial statements of Cross Keys Homes Limited for the year ended March 31, 2015 which comprise the consolidated and parent company income and expenditure accounts, the group and parent company statements of total recognised surpluses, the reconciliation of movements in group's and parent company's funds, the consolidated and parent company balance sheets, the consolidated cash flow statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company'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 company and the company'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 Responsibilities of the board set out on page 24, the board is responsible for the preparation of the financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://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 of the parent company's affairs as at 31 March 2015 and of the group's and of the parent company's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

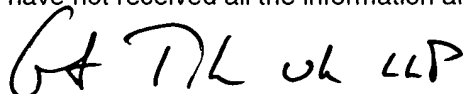
### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report within the Operating and financial review and strategic report and Report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Paul Naylor  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Cambridge

Date: 3 August 2015

## Consolidated income and expenditure account

For the year ended March 31, 2015	Note	2015 £'000	2014 £'000
Turnover	3	51,887	48,315
Cost of sales	3	(1,641)	(1,161)
Operating costs	3	(36,004)	(32,229)
Operating surplus	3/4	14,242	14,925
Surplus on sale of fixed assets – housing properties	5	251	284
Interest receivable and other income	6	89	62
Interest payable and similar charges	7	(8,526)	(5,625)
Other finance costs		50	(135)
Surplus on ordinary activities before taxation		6,106	9,511
Tax on surplus on ordinary activities		(12)	-
Surplus for the financial year	18	6,094	9,511

The consolidated results relate wholly to continuing activities.

The accompanying notes form an integral part of these financial statements.

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

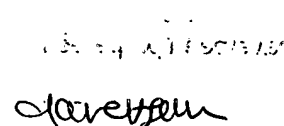
The financial statements were approved by the board on **July 20, 2015** and signed on its behalf by:



**Angus Kennedy**  
Chair



**Bill Samuel**  
Board member



**Claire Higgins**  
Secretary

## Company income and expenditure account

For the year ended March 31, 2015	Note	2015 £'000	2014 £'000
Turnover	3	51,955	48,413
Cost of sales	3	(1,641)	(1,161)
Operating costs	3	(35,957)	(32,193)
Operating surplus	3/4	14,357	15,059
Surplus on sale of fixed assets – housing properties	5	251	284
Interest receivable and other income	6	101	62
Interest payable and similar charges	7	(8,520)	(5,620)
Other finance income / (expense)		50	(135)
Surplus on ordinary activities before taxation		6,239	9,650
Tax on surplus on ordinary activities		-	-
Surplus for the financial year	18	6,239	9,650

The company's results relate wholly to continuing activities.

The accompanying notes form an integral part of these financial statements.

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

The financial statements were approved by the board on **July 20, 2015** and signed on its behalf by:



**Angus Kennedy**  
Chair



**Bill Samuel**  
Board member



**Claire Higgins**  
Secretary

## Statement of total recognised surpluses

For the year ended March 31, 2015	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Surplus for the financial year	6,094	9,511	6,239	9,650
Actuarial deficit relating to pension scheme	(3,049)	(889)	(3,049)	(889)
Total recognised surpluses relating to the year	<u>3,045</u>	<u>8,622</u>	<u>3,190</u>	<u>8,761</u>

## Reconciliation of movements in Group's and Company's funds

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Opening funds	43,456	34,834	43,771	35,010
Total recognised surpluses relating to the year	3,045	8,622	3,190	8,761
Closing total funds	<u>46,501</u>	<u>43,456</u>	<u>46,961</u>	<u>43,771</u>

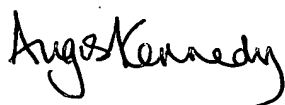
The accompanying notes form an integral part of these financial statements.

**Consolidated balance sheet**

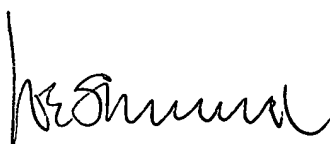
At March 31, 2015	Note	2015 £'000	2014 £'000
<b>Tangible fixed assets</b>			
Housing properties	10	301,480	270,429
Social housing grant	10	(29,547)	(22,722)
Other grant	10	(8,160)	(6,960)
		<u>263,773</u>	<u>240,747</u>
Other tangible fixed assets	11	4,395	4,560
		<u>268,168</u>	<u>245,307</u>
<b>Current assets</b>			
Properties for sale	12	1,774	362
Debtors	13	3,112	2,423
Cash at bank and in hand		<u>36,282</u>	<u>1,736</u>
		<u>41,168</u>	<u>4,521</u>
<b>Creditors: amounts falling due within one year</b>	14	(10,475)	(11,392)
<b>Net current assets/(liabilities)</b>		<u>30,693</u>	<u>(6,871)</u>
<b>Total assets less current liabilities</b>		<u>298,861</u>	<u>238,436</u>
<b>Creditors: amounts falling due after more than one year</b>	15	242,513	188,261
<b>Provision for liabilities</b>	27	12	
<b>Net pension liability</b>	28	<u>9,835</u>	<u>6,719</u>
		<u>252,360</u>	<u>194,980</u>
<b>Capital and reserves</b>			
Designated reserve	18	4,000	4,000
Revenue reserve	18	<u>42,501</u>	<u>39,456</u>
Consolidated funds	18	<u>46,501</u>	<u>43,456</u>
		<u>298,861</u>	<u>238,436</u>

The accompanying notes form an integral part of these financial statements.

The financial statements were approved and authorised for issue by the board on July 20, 2015 and signed on its behalf by:



**Angus Kennedy**  
Chair



**Bill Samuel**  
Board member



**Claire Higgins**  
Secretary

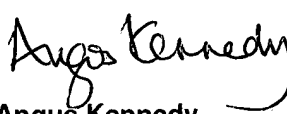
Company number: 4557701

## Company balance sheet

At March 31, 2015	Note	2015 £'000	2014 £'000
<b>Tangible fixed assets</b>			
Housing properties	10	300,602	270,764
Social housing grant	10	(29,547)	(22,722)
Other grant	10	(8,160)	(6,960)
		<u>262,895</u>	<u>241,082</u>
Other tangible fixed assets	11	4,182	4,331
Investment in subsidiaries	11a	13	-
		<u>267,090</u>	<u>245,413</u>
<b>Current assets</b>			
Properties for sale	12	1,774	362
Debtors	13	4,576	2,486
Cash at bank and in hand		<u>36,240</u>	<u>1,736</u>
		<u>42,590</u>	<u>4,584</u>
<b>Creditors: amounts falling due within one year</b>	14	(10,371)	(11,246)
<b>Net current assets/ (liabilities)</b>		<u>32,219</u>	<u>(6,662)</u>
<b>Total assets less current liabilities</b>		<u>299,309</u>	<u>238,751</u>
<b>Creditors: amounts falling due after more than one year</b>	15	242,513	188,261
<b>Net pension liability</b>	28	<u>9,835</u>	<u>6,719</u>
		<u>252,348</u>	<u>194,980</u>
<b>Capital and reserves</b>			
Designated reserve	18	4,000	4,000
Revenue reserve	18	<u>42,961</u>	<u>39,771</u>
Consolidated funds	18	<u>46,961</u>	<u>43,771</u>
		<u>299,309</u>	<u>238,751</u>

The accompanying notes form an integral part of these financial statements.

The financial statements were approved and authorised for issue by the board on July 20, 2015 and signed on its behalf by:

  
Angus Kennedy  
Chair

  
Bill Samuel  
Board member

  
Claire Higgins  
Secretary

Company number: 4557701

**Consolidated cash flow statement**

<b>For the year ended March 31, 2015</b>	<b>Note</b>	<b>2015 £'000</b>	<b>2014 £'000</b>
<b>Net cash inflow from operating activities</b>	22	17,148	21,955
<b>Returns on investments and servicing of finance</b>			
Interest received		139	62
Interest paid		(9,272)	(6,122)
<b>Net cash outflow from returns on investments and servicing of finance</b>		(9,133)	(6,060)
<b>Taxation paid</b>			
Corporation tax paid		-	-
<b>Capital expenditure and financial investment</b>			
Purchase and construction of new housing properties		(31,134)	(25,832)
Social housing grant received		6,825	4,050
Other grant received		1,200	-
Capitalised repairs on existing properties		(6,350)	(7,052)
Purchase of other fixed assets		(324)	(376)
Sales of housing properties		2,091	2,352
<b>Net cash outflow from capital expenditure and financial investment</b>		(27,692)	(26,858)
<b>Management of liquid resources</b>			
Cash withdrawn from money market deposit accounts		4,000	-
<b>Financing</b>			
Bank loans received		6,500	10,500
Bond received		105,000	-
Bank loans repaid		(61,277)	-
<b>Net cash inflow from financing</b>		50,223	10,500
<b>Increase / (decrease) in cash</b>	23	34,546	(463)

The accompanying notes form an integral part of these financial statements.



## Notes to the financial statements

### 1. Legal status

The company is registered under the Companies Act 2006 as a company limited by guarantee and not having share capital and is a registered charity. The company is also registered with the Homes & Communities Agency as a social landlord.

### 2. Accounting policies

#### Basis of accounting

The financial statements of the company are prepared in accordance with UK Generally Accepted Accounting Principles (UK GAAP), the applicable accounting standards and the Statement of Recommended Practice: Accounting by Registered Social Housing Providers, and comply with the Accounting Direction for Private Registered Providers of Social Housing 2012.

The financial statements are prepared on the historical cost basis of accounting. The principal accounting policies are set out below and remain unchanged from previous years.

A true and fair override of Companies Act 2006 has been made in respect of the treatment of capital grants. Further detail as to the reasons for this are provided below.

#### Basis of consolidation

The group accounts consolidate the accounts of the company and its subsidiaries, CKH Developments Ltd, Cambridgeshire Housing Capital plc, Cross Keys Property Ltd and Cambridgeshire Homes LLP at March 31 each year using acquisition accounting. All intercompany balances and transactions are eliminated on consolidation and are disclosed in the notes to the financial statements.

#### Going concern

The group's business activities, its current financial position and factors likely to affect its future development are set out within the Operating and Financial Review. The Group has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the group's day-to-day operations. The group also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

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

#### Turnover

Turnover comprises rental and service charge income receivable in the year, income from property sales, other services included at the invoiced value (excluding VAT where recoverable) of goods and services supplied in the year and revenue grants.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale. Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met.

Turnover for domiciliary care and lifeline services reflects services provided and invoiced to end users during the accounting period and disclosed separately in the notes to the financial statements.

#### Taxation

The parent company is a registered charity (Charity Commission registered number 1104746) and as such is not liable to corporation tax on its surpluses. The association's subsidiaries are subject to taxation, but may make gift aid donations to the charitable parent, which reduces the liability to taxation.

## Notes to the financial statements

### 2. Accounting policies (continued)

#### Deferred tax

The payment of taxation is deferred or accelerated within the non-regulated, non-charitable subsidiary because of timing differences between the treatment of certain items for accounting and taxation purposes.

Full provision for deferred taxation is made under the liability method on all timing differences that have arisen, but not reversed by the balance sheet date.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted

#### Value added tax

The group charges value added tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the group and not recoverable from HM Revenues and Customs. The balance of VAT payable or recoverable at the year end is included as a current liability or asset.

#### Interest payable

Interest is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development if it represents interest on borrowings of the company as a whole to the extent that they can be deemed to be financing the development programme.

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

#### Loans and other financial instruments

Loans and other financial instruments are stated in the balance sheet at the amount of the gross proceeds less the initial cost of raising the finance which is amortised over the life of the loan using the effective interest rate. Financial assets and liabilities are recognised when the group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transaction costs. The group has used interest rate caps and swaps to reduce its exposure to future increases in interest rates on floating rate loans. The notional principal is not reflected in the group's balance sheet.

#### Finance costs

Direct costs associated with obtaining debt finance including loan and bond issue costs are deferred and written off over the expected life of the related instrument.

#### Pensions

The group participates in two funded multi-employer defined benefit schemes, the Social Housing Pension Scheme ('SHPS') and the Local Government Pension Scheme ('LGPS'). These schemes were both closed to new entrants on October 31, 2010.

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

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

From November 1, 2010 a SHPS defined contribution scheme was offered to new entrants. Contributions to defined contribution schemes are charged to the income statement as they become payable.

## Notes to the financial statements

### 2. Accounting policies (continued)

#### Housing properties

Housing properties are principally properties available for rent and are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

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

Works to existing properties which replace a component that has been treated separately for depreciation purposes are capitalised as improvements.

#### Sale of housing properties

Sales of properties under the Right to Buy scheme are treated as sales of fixed assets and not as properties developed for sale. The surplus or deficit arising on sale is shown net of a share of the proceeds due to Peterborough City Council and after deducting the carrying value of the property and related sale expenses.

#### Housing grant

Housing grant is receivable from the Homes and Communities Agency and is utilised to reduce the capital costs of housing properties, including land costs. It is allocated to the structure component of the associated asset in proportion to their cost. Grant received or due from the Homes and Communities Agency is included as a current asset or liability. Grant received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates. Grant is subordinated to the repayment of loans by agreement with the Homes and Communities Agency. Grant released on sale of a property may be repayable but is normally available to be recycled in which case it is credited to a Recycled Capital Grant Fund and included in the balance sheet in creditors.

#### Other grants

Other grants are receivable from local authorities and other organisations. Grants in respect of revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which they relate.

#### True and fair override

Under the requirements of the SORP, capital grants are shown as a deduction from the cost of housing properties on the balance sheet (see note 10). This is a departure from the rules of the Companies Act 2006, which does not permit such presentation, but in the opinion of the board is a relevant accounting policy, comparable to that adopted by other registered providers, that have been adopted in order to present a true and fair view.

#### Depreciation of housing properties

The group separately identifies the major components which comprise its housing properties, and charges depreciation, so as to write down the cost of each component, on a straight line basis, over its estimated useful economic life.

The group depreciates the major components of its housing properties over the following estimated useful economic lives:

Structure	100 years
Roofs	50 years
Windows and doors	30 years
Heating	15 years
Bathrooms	30 years
Kitchens	20 years
Electrical upgrades	60 years

Freehold land is not depreciated.

## Notes to the financial statements

### 2. Accounting policies (continued)

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

#### Impairment

Housing properties, including those with individual components, which are depreciated over a period in excess of 50 years' are subject to impairment reviews annually. Other assets are reviewed for impairment if there is an indication that impairment may have occurred.

Where there is evidence of impairment, fixed assets are written down to the recoverable amount. Any such write down would be charged to operating surplus unless it was a reversal of a past revaluation surplus in which case it would be taken to the statement of total recognised gains and losses

#### Other tangible fixed assets

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

Freehold buildings	2%
Long leasehold property	Over life of lease
Furniture, fixtures and fittings	25%
Computers and office equipment	25%
Motor vehicles	25%

#### Leased assets

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

Assets held under finance leases are included in the balance sheet and depreciated in accordance with the group's normal accounting policies. The present value of future rentals is shown as a liability. The interest element of rental obligations is charged to the income and expenditure account over the period of the lease in proportion to the balance of capital repayments outstanding.

#### Provision for bad debts

The provision for bad debts is based on the age of arrears. Arrears in respect of former tenants which are more than one year old are fully provided for. Other arrears for former and current tenants are provided for at varying percentage rates which are annually reviewed.

#### Reserves

The group establishes designated reserves where reserves are earmarked for a particular purpose.

#### Shared ownership properties

Shared ownership first tranche sales and property under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

#### Fixed asset investments

Investments in subsidiary undertakings are shown at cost less any provision for impairment.

#### Liquid resources

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

## Notes to the financial statements

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

Group – continuing activities	2015			
	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus £'000
<b>Social housing lettings</b>	46,801	-	(33,432)	13,369
<b>Other social housing activities</b>				
Supporting people contract income	99	-	(130)	(31)
Development costs not capitalised	-	-	(53)	(53)
First tranche shared ownership sales	2,158	(1,641)	-	517
Other	129	-	(571)	(442)
	2,386	(1,641)	(754)	(9)
<b>Non-social housing activities</b>				
Lettings	1,459	-	(405)	1,054
Domiciliary care and lifeline services	1,241	-	(1,413)	(172)
	2,700	-	(1,818)	882
	51,887	(1,641)	(36,004)	14,242
<b>2014</b>				
	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus £'000
<b>Social housing lettings</b>	44,481	-	(30,683)	13,798
<b>Other social housing activities</b>				
Supporting people contract income	99	-	(139)	(40)
Development costs not capitalised	-	-	(74)	(74)
First tranche shared ownership sales	1,576	(1,161)	-	415
Other	85	-	(96)	(11)
	1,760	(1,161)	(309)	290
<b>Non-social housing activities</b>				
Lettings	1,393	-	(578)	815
Domiciliary care and lifeline services	681	-	(659)	22
	2,074	-	(1,237)	837
	48,315	(1,161)	(32,229)	14,925

## Notes to the Financial Statements

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

Company – continuing activities	2015			
	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus £'000
<b>Social housing lettings</b>	46,782	-	(33,387)	13,395
<b>Other social housing activities</b>				
Supporting people contract income	99	-	(130)	(31)
Development costs not capitalised	-	-	(53)	(53)
First tranche shared ownership sales	2,158	(1,641)	-	517
Other	129	-	(571)	(442)
	2,386	(1,641)	(754)	(9)
<b>Non-social housing activities</b>				
Lettings	1,437	-	(403)	1,034
Domiciliary care and lifeline services	1,350	-	(1,413)	(63)
	2,787	-	(1,816)	971
	51,955	(1,641)	(35,957)	14,357
<b>2014</b>				
	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus £'000
<b>Social housing lettings</b>	44,481	-	(30,646)	13,835
<b>Other social housing activities</b>				
Supporting people contract income	99	-	(139)	(40)
Development costs not capitalised	-	-	(74)	(74)
First tranche shared ownership sales	1,576	(1,161)	-	415
Other	85	-	(96)	(11)
	1,760	(1,161)	(309)	290
<b>Non-social housing activities</b>				
Lettings	1,393	-	(578)	815
Domiciliary care and lifeline services	779	-	(660)	119
	2,172	-	(1,238)	934
	48,413	(1,161)	(32,193)	15,059

## Notes to the financial statements

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

Particulars of income and expenditure from social housing lettings

Group	2015				2014	
	General housing	Supported housing and housing for older people	Shared ownership	Temporary Housing	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Turnover from social housing lettings</b>						
Rent receivable net of identifiable service charges	38,233	5,150	843	545	44,771	42,420
Charges for support services	-	(6)	-	-	(6)	(6)
Service charges receivable	705	1,260	30	41	2,036	2,067
<b>Turnover from social housing lettings</b>	<b>38,938</b>	<b>6,404</b>	<b>873</b>	<b>586</b>	<b>46,801</b>	<b>44,481</b>
<b>Expenditure on social housing lettings</b>						
Management	(8,232)	(914)	(109)	(180)	(9,435)	(9,307)
Services	(1,510)	(1,879)	(87)	(350)	(3,826)	(3,406)
Routine maintenance	(6,831)	(337)	-	(20)	(7,188)	(7,331)
Planned maintenance	(3,987)	(728)	-	(75)	(4,790)	(3,251)
Bad debts	(337)	(4)	-	(27)	(368)	(423)
Depreciation of housing properties	(6,864)	(844)	(113)	(4)	(7,825)	(6,965)
<b>Operating costs on social housing lettings</b>	<b>(27,761)</b>	<b>(4,706)</b>	<b>(309)</b>	<b>(656)</b>	<b>(33,432)</b>	<b>(30,683)</b>
<b>Operating surplus on social housing lettings</b>	<b>11,177</b>	<b>1,698</b>	<b>564</b>	<b>(70)</b>	<b>13,369</b>	<b>13,798</b>
<b>Void losses</b>	<b>193</b>	<b>288</b>	<b>-</b>	<b>54</b>	<b>535</b>	<b>269</b>

## Notes to the financial statements

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

Particulars of income and expenditure from social housing lettings

Company	2015				2014	
	General housing	Supported housing and housing for older people	Shared ownership	Temporary Housing	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Turnover from social housing lettings</b>						
Rent receivable net of identifiable service charges	38,214	5,150	843	545	44,752	42,420
Charges for support services	-	(6)	-	-	(6)	(6)
Service charges receivable	705	1,260	30	41	2,036	2,067
<b>Turnover from social housing lettings</b>	<b>38,919</b>	<b>6,404</b>	<b>873</b>	<b>586</b>	<b>46,782</b>	<b>44,481</b>
<b>Expenditure on social housing lettings</b>						
Management	(8,187)	(914)	(109)	(180)	(9,390)	(9,270)
Services	(1,510)	(1,879)	(87)	(350)	(3,826)	(3,406)
Routine maintenance	(6,831)	(337)	-	(20)	(7,188)	(7,331)
Planned maintenance	(3,987)	(728)	-	(75)	(4,790)	(3,251)
Bad debts	(337)	(4)	-	(27)	(368)	(423)
Depreciation of housing properties	(6,864)	(844)	(113)	(4)	(7,825)	(6,965)
<b>Operating costs on social housing lettings</b>	<b>(27,716)</b>	<b>(4,706)</b>	<b>(309)</b>	<b>(656)</b>	<b>(33,387)</b>	<b>(30,646)</b>
<b>Operating surplus on social housing lettings</b>	<b>11,203</b>	<b>1,698</b>	<b>564</b>	<b>(70)</b>	<b>13,395</b>	<b>13,835</b>
<b>Void losses</b>	<b>193</b>	<b>288</b>	<b>-</b>	<b>54</b>	<b>535</b>	<b>269</b>



## Notes to the financial statements

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

#### Particulars of turnover from non-social housing lettings

	Group	
	2015 £'000	2014 £'000
Market rent	567	510
Garages	362	346
Shops	530	537
	<u>1,459</u>	<u>1,393</u>

	Company	
	2015 £'000	2014 £'000
Market rent	546	510
Garages	362	346
Shops	530	537
	<u>1,438</u>	<u>1,393</u>

### 4. Operating surplus

	Group	
This is arrived at after charging:	2015 £'000	2014 £'000
Depreciation of housing properties	8,058	7,295
Depreciation of other tangible fixed assets	430	438
Operating lease rentals		
- office equipment	68	67
- land and buildings	7	4
Auditors' remuneration (excluding VAT)		
- fees payable to the company's auditors for the audit of the annual financial statements	28	24
- audit of the financial statements of the Company's subsidiaries pursuant to legislation	12	3
Total audit services	<u>40</u>	<u>27</u>
- tax compliance services	11	7
- fees payable for other services	30	1
Total non-audit	<u>41</u>	<u>8</u>

## Notes to the financial statements

### 4. Operating surplus (continued)

	<b>Company</b>	
This is arrived at after charging:	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Depreciation of housing properties	8,058	7,295
Depreciation of other tangible fixed assets	416	438
Operating lease rentals		
- office equipment and property lease	75	71
- land and buildings	-	-
Auditors' remuneration (excluding VAT)		
- fees payable to the company's auditors for the audit of the annual financial statements	28	24
- audit of the financial statements of the Company's subsidiaries pursuant to legislation	10	3
Total audit services	<u>38</u>	<u>27</u>
- tax compliance services	11	7
- fees payable for other services	<u>30</u>	<u>1</u>
Total non-audit	<u>41</u>	<u>8</u>

Audit fees of £10k have been borne by the parent company in respect of Cambridgeshire Housing Capital Plc.

### 5. Surplus on sale of fixed assets – housing properties

	<b>Group &amp; Company</b>	
	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Disposal proceeds	2,714	2,053
Shared ownership disposal proceeds	414	298
Carrying value of fixed assets	(1,096)	(817)
Direct cost of sales	(65)	(88)
Amounts repayable to third parties	<u>(1,716)</u>	<u>(1,162)</u>
	<u>251</u>	<u>284</u>

### 6. Interest receivable and other income

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'004</b>
Interest receivable and similar income	89	62
	<u>89</u>	<u>62</u>

	<b>Company</b>	
	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'004</b>
Interest receivable and similar income	89	62
Amounts due from subsidiary undertaking	<u>12</u>	<u>-</u>
	<u>101</u>	<u>62</u>

## Notes to the financial statements

### 7. Interest payable and similar charges

	Group		Company	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Loans and bank overdrafts	6,449	5,852	6,449	5,852
Bond interest payable	2,456	-	2,456	-
Rent collection bank fees	43	46	43	46
Other bank charges and interest payable	56	97	50	92
	<u>9,004</u>	<u>5,995</u>	<u>8,998</u>	<u>5,990</u>
Interest payable capitalised on housing properties under construction	(478)	(370)	(478)	(370)
	<u>8,526</u>	<u>5,625</u>	<u>8,520</u>	<u>5,620</u>
Capitalisation rate used to determine finance costs capitalised during the period	3.7%	3.3%	3.7%	3.3%

### 8. Employees

	Group & Company	
	2015	2014
<b>Average monthly number of employees expressed in full time equivalents of a 37.5 hour working week:</b>		
Housing management & maintenance	135	135
Housing support and care	51	24
Central administration	42	37
Development	5	5
Lifeline alarm services	15	13
	<u>248</u>	<u>214</u>
<b>Employee costs:</b>		
	2015	2014
	£'000	£'000
Wages and salaries	6,900	5,977
Social security costs	550	500
Other pension costs	914	838
	<u>8,364</u>	<u>7,315</u>

Up to October 30, 2010, the company provided a choice of two defined benefit pension schemes, the Local Government Pension Scheme (LGPS) or the Social Housing Pension Scheme (SHPS). From that date these defined benefit schemes were closed to new employees and have been replaced by a defined contribution scheme (SHPS) for which all new employees are eligible.

Other pension costs shown above include a £117,000 charge (2014: £80,000) in respect of accounting provisions made at the end of the year to reflect contribution shortfalls as identified by the scheme actuary.

Details relating to our pension schemes are included in note 28.

## Notes to the financial statements

### 8. Employees (continued)

The number of full time equivalent members of staff, including directors, who received emoluments greater than £60,000 were as follows:

	2015 No.	2014 No
£60,001 to £70,000	2	3
£70,001 to £80,000	2	3
£80,001 to £90,000	2	0
£110,001 to £120,000	1	0
£120,001 to £130,000	0	1
£130,001 to £140,000	1	1
£140,001 to £150,000	1	1

### 9. Board members and executive directors (Group and Company)

All members of the board, except the Chief Executive from March 16, 2015 are non-executive. The previous chief executive was not a member of the board. The eleven members of the board, including the Chief Executive, received emoluments during the year in respect of their responsibilities totalling £216,393 (2014: £53,348). 7 members of the Resident Board received emoluments during the year in respect of their responsibilities totalling £6,234. The emoluments of the highest paid Executive Director, the Chief Executive excluding pension contributions, were £143,398 for the year to March 31, 2015 (2014: £146,074). Total director's emoluments during the year, inclusive of both current and previous chief executives but excluding pension contributions, were £360,363 (2014: £401,170).

	Basic salary £'000	Benefits in kind £'000	Pension contr'ns £'000	2015 Total £'000	2014 Total £'000
<b>Chief Executive (Deputy Chief Executive to November 2014)</b>	143	-	19	162	142
<b>Chief Executive (resigned October 2014)</b>	84	-	16	100	171
<b>Executive Director of Resources</b>	134	-	18	152	148
<b>Total</b>	<u>361</u>	<u>-</u>	<u>53</u>	<u>414</u>	<u>461</u>

The Chief Executive is a member of the SHPS Pension Scheme. She is an ordinary member of the pension scheme and no enhanced or special terms apply. There is no further contribution to an individual pension arrangement for the Chief Executive.

## Notes to the financial statements

## 10. Tangible fixed assets – properties

Group	Affordable & social housing properties held for letting	Non-social housing properties held for letting	Total housing properties held for letting	Affordable & social housing properties under construction	Completed shared ownership housing properties	Shared ownership properties under construction	Total
Properties	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>							
At April 1, 2014	256,538	8,688	265,226	20,529	20,499	5,332	311,586
Works to existing properties	6,321	26	6,347	24,153	-	7,339	37,839
Properties acquired	648	1,368	2,016	-	-	-	2,016
Interest Capitalised	268	-	268	51	150	9	478
Schemes completed	29,972	-	29,972	(29,972)	5,865	(5,865)	-
Disposals	(1,285)	-	(1,285)	-	(337)	-	(1,622)
At March 31, 2015	<u>292,462</u>	<u>10,082</u>	<u>302,544</u>	<u>14,761</u>	<u>26,177</u>	<u>6,815</u>	<u>350,297</u>
<b>Depreciation and impairment</b>							
At April 1, 2014	40,062	484	40,546	-	611	-	41,157
Depreciation charged in year	7,934	4	7,938	-	120	-	8,058
Released on disposal	(388)	-	(388)	-	(10)	-	(398)
At March 31, 2015	<u>47,608</u>	<u>488</u>	<u>48,096</u>	<u>-</u>	<u>721</u>	<u>-</u>	<u>48,817</u>
<b>Grant</b>							
At April 1, 2014	25,328	-	25,328	1,336	3,018	-	29,682
Additions	1,477	-	1,477	4,395	-	2,153	8,025
Schemes completed	3,658	-	3,658	(3,658)	2,153	(2,153)	-
At March 31, 2015	<u>30,463</u>	<u>-</u>	<u>30,463</u>	<u>2,073</u>	<u>5,171</u>	<u>-</u>	<u>37,707</u>
<b>Net book value</b>							
At March 31, 2014	191,148	8,204	199,352	19,193	16,870	5,332	240,747
At March 31, 2015	<u>214,391</u>	<u>9,594</u>	<u>223,985</u>	<u>12,688</u>	<u>20,285</u>	<u>6,815</u>	<u>263,773</u>

Non-social housing properties represent the group's portfolio of market rented housing of 96 (2014:84).

## Notes to the financial statements

## 10. Tangible fixed assets – properties (continued)

Company	Affordable & social housing properties held for letting	Non-social housing properties held for letting	Total housing properties held for letting	Affordable & social housing properties under construction	Completed shared ownership housing properties	Shared ownership properties under construction	Total
Properties	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>							
At April 1, 2014	256,719	8,688	265,407	20,684	20,499	5,331	311,921
Works to existing properties	6,455	26	6,481	24,307	-	7,339	38,127
Properties acquired	514	-	514	-	-	-	514
Interest capitalised	268	-	268	51	150	9	478
Schemes completed	30,129	-	30,129	(30,129)	5,865	(5,865)	-
Disposals	(1,285)	-	(1,285)	-	(337)	-	(1,622)
At March 31, 2015	292,800	8,714	301,514	14,913	26,177	6,814	349,418
<b>Depreciation and impairment</b>							
At April 1, 2014	40,062	484	40,546	-	611	-	41,157
Depreciation charged in year	7,934	4	7,938	-	119	-	8,057
Released on disposal	(388)	-	(388)	-	(10)	-	(398)
At March 31, 2015	47,608	488	48,096	-	720	-	48,816
<b>Grant</b>							
At April 1, 2014	25,328	-	25,328	1,336	3,018	-	29,682
Additions	1,477	-	1,477	4,395	-	2,153	8,025
Schemes completed	3,658	-	3,658	(3,658)	2,153	(2,153)	-
At March 31, 2015	30,463	-	30,463	2,073	5,171	-	37,707
<b>Net book value</b>							
At March 31, 2014	191,329	8,204	199,533	19,348	16,870	5,331	241,082
At March 31, 2015	214,729	8,226	222,955	12,840	20,286	6,814	262,895

Non-social housing properties represent the company's portfolio of market rented housing of 84 (2014:84).

## Notes to the financial statements

### 10. Tangible fixed assets – properties (continued)

Housing and other letting properties book value, net of depreciation and grants, and offices net book value (note 11) comprises:

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Freehold land and buildings	<u>267,352</u>	<u>244,375</u>	<u>266,475</u>	<u>244,710</u>

### 11. Tangible fixed assets – other

Group	Freehold offices	Furniture fixtures and fittings	Computers and office equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>					
At April 1, 2014	4,118	2,290	2,316	250	8,974
Additions	-	184	101	39	324
Disposals	-	-	(171)	-	(171)
At March 31, 2015	<u>4,118</u>	<u>2,474</u>	<u>2,246</u>	<u>289</u>	<u>9,127</u>
<b>Depreciation</b>					
At April 1, 2014	490	1,825	1,914	185	4,414
Charged in year	49	168	181	32	430
Released on disposal	-	-	(112)	-	(112)
At March 31, 2015	<u>539</u>	<u>1,993</u>	<u>1,983</u>	<u>217</u>	<u>4,732</u>
<b>Net book value</b>					
At March 31, 2014	<u>3,628</u>	<u>465</u>	<u>402</u>	<u>65</u>	<u>4,560</u>
At March 31, 2015	<u>3,579</u>	<u>481</u>	<u>263</u>	<u>72</u>	<u>4,395</u>

Included within the net book value of furniture, fixtures and fittings there are solar PV system assets held under hire purchase agreements of £83,000 (2014: £87,000). Depreciation charged in the year for these assets amounted to £4,000 (2014: £4,000).

## Notes to the financial statements

### 11. Tangible fixed assets – other (continued)

Company	Freehold offices	Furniture fixtures and fittings	Computers and office equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>					
At April 1, 2014	4,118	2,071	2,289	250	8,728
Additions	-	184	101	39	324
Disposals	-	-	(171)	-	(171)
At March 31, 2015	<u>4,118</u>	<u>2,255</u>	<u>2,219</u>	<u>289</u>	<u>8,881</u>
<b>Depreciation</b>					
At April 1, 2014	490	1,809	1,913	185	4,397
Charged in year	49	160	175	32	416
Released on disposal	-	-	(114)	-	(114)
At March 31, 2015	<u>539</u>	<u>1,969</u>	<u>1,974</u>	<u>217</u>	<u>4,699</u>
<b>Net book value</b>					
At March 31, 2014	<u>3,628</u>	<u>262</u>	<u>376</u>	<u>65</u>	<u>4,331</u>
At March 31, 2015	<u>3,579</u>	<u>286</u>	<u>245</u>	<u>72</u>	<u>4,182</u>

No tangible fixed assets are held under finance leases in the company.

#### 11a. Investment in subsidiaries

	Company	
	2015 £'000	2014 £'000
At April 1	-	-
Additions	13	-
At March 31	<u>13</u>	<u>-</u>

At 31 March 2015, investments comprised the company's 100% interest in the allotted ordinary share capital of the following

	Country of incorporation	Nature of business
CKH Developments Limited	England	Provider of design and build services
Cross Keys Property Limited	England	Non-trading holding company
Cambridgeshire Housing Capital plc	England	Raises finance for the use of Cross Keys Homes Limited and its subsidiaries

In addition Cross Keys Property Limited and CKH Developments Limited are corporate members for the newly incorporated entity Cambridgeshire Homes LLP; registered in England the LLP provides market rental services, investing in share capital of £99 and £1 respectively.

As required by statute, the financial statements consolidate the results of all these entities. Cross Keys Homes Limited is the ultimate parent undertaking.



## Notes to the financial statements

### 11a. Investment in subsidiaries (continued)

During the year to March 31, 2015 the company had the following intra-group transactions with: CKH Developments Limited, a non-regulated entity:

	2015		2014
	(£'000)		('000)
Gross turnover	15,817		15,605
Administration costs recharge	(20)		(20)
Gift aid donation	(109)		(106)

Cambridgeshire Homes LLP:

	2015		2014
	(£'000)		('000)
Interest receivable	(13)		-

Cambridgeshire Housing Capital Plc:

	2015		2014
	(£'000)		('000)
Loan interest payable	2,456		-

### 12. Properties for sale

	Group & Company	
	2015	2014
	£'000	£'000
Completed shared ownership properties	1,774	362

### 13. Debtors

	Group		Company	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
<b>Due within one year</b>				
Rent and service charges receivable	2,757	2,514	2,757	2,514
Less: provision for bad and doubtful debts	(958)	(1,041)	(958)	(1,041)
	1,799	1,473	1,799	1,473
Other debtors	311	92	392	155
Prepayments and accrued income	980	542	983	542
	3,090	2,107	3,174	2,170
<b>Due after one year</b>				
Amounts due from group undertakings	-	-	1,380	-
Prepayment and accrued income	22	316	22	316
	22	316	1,402	316
	3,112	2,423	4,576	2,486

At the balance sheet date £1,380,000 (2014: nil) is on-lent to Cambridgeshire Homes LLP at a fixed interest rate of 4.19%. This amount falls due after 5 years.

## Notes to the financial statements

### 14. Creditors: amounts falling due within one year

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Bank overdraft	122	132	-	-
Trade creditors	339	1,298	247	1,034
Rent and service charges received in advance	1,071	699	1,071	699
Taxation and social security	150	141	150	141
Disposal proceeds fund	1,196	858	1,196	858
Recycled capital grant fund	27	18	27	18
Other creditors	2,309	2,047	2,309	2,047
Obligations under finance leases	13	42	-	-
Amounts due to group undertaking	-	-	2,567	2,021
Accruals and deferred income	5,248	6,157	2,804	4,428
	<u>10,475</u>	<u>11,392</u>	<u>10,371</u>	<u>11,246</u>

#### Recycled capital grant fund

	Group & Company	
	2015 £'000	2014 £'000
At April 1	18	46
Grants recycled	9	17
Interest accrued	-	1
Withdrawals	-	(46)
	<u>27</u>	<u>18</u>
Repayment of grant	-	-
At March 31	<u>27</u>	<u>18</u>

Withdrawals from the recycled capital grant fund were used for the purchase and development of new housing schemes for letting and for approved works to existing properties. None of the grant is due for repayment before 31 March 2016 (2014: nil).

#### Disposals proceeds fund

	Group & Company	
	2015 £'000	2014 £'000
At April 1	858	983
Net sales proceeds recycled	694	520
Interest accrued	5	5
Withdrawals	(361)	(650)
At March 31	<u>1,196</u>	<u>858</u>

Withdrawals from the disposal proceeds fund were used for approved new build housing schemes.

## Notes to the financial statements

### 15. Creditors: amounts falling due after more than one year

	<b>Group</b>	
	<b>2015 £'000</b>	<b>2014 £'000</b>
Debt (note 16)	<u>242,513</u>	<u>188,261</u>
	<b>Company</b>	
	<b>2015 £'000</b>	<b>2014 £'000</b>
Debt (note 16)	137,513	188,261
Amounts owed to group undertakings	<u>105,000</u>	<u>-</u>
	<u>242,513</u>	<u>188,261</u>

During the year the subsidiary company Cambridge Housing Capital Plc made a bond issue and a corresponding loan to Cross Keys Homes Limited with a nominal value of £105m (2014: nil) repayable in September 2046. The loan incurs an interest charge of 4.25% per annum paid semi-annually. Security for the loan is provided through housing stock owned by Cross Keys Homes.

### 16. Debt analysis

	<b>Group</b>	
	<b>2015 £'000</b>	<b>2014 £'000</b>
<b>Due after more than one year</b>		
Bank loans	139,429	188,500
Other - Capital Markets	105,000	-
Issue costs	(1,075)	(239)
Prepaid interest	<u>(841)</u>	<u>-</u>
	<u>242,513</u>	<u>188,261</u>
	<b>Company</b>	
	<b>2015 £'000</b>	<b>2014 £'000</b>
<b>Due after more than one year</b>		
Bank loans	139,429	188,500
Amounts due to subsidiary undertaking	105,000	-
Issue costs	(1,075)	(239)
Prepaid interest	<u>(841)</u>	<u>-</u>
	<u>242,513</u>	<u>188,261</u>

Based on the earliest repayment date, borrowings are repayable as follows:-

	<b>Group &amp; Company</b>	
	<b>2015 £'000</b>	<b>2014 £'000</b>
<b>Debt maturity profile</b>		
One to five years	9,642	0
After five years	<u>232,871</u>	<u>188,261</u>
	<u>242,513</u>	<u>188,261</u>

## Notes to the financial statements

### 16. Debt analysis (continued)

The bank and intergroup loans are secured by fixed charges on the social housing stock purchased by Cross Keys Homes on October 4, 2004.. The bank loans are repayable in accordance with long term cash flow projections prepared by Cross Keys Homes and approved by our lenders. Capital repayments are currently scheduled to commence in 2018 and complete in 2037. The intergroup loan is repayable in 2046.

At March 31, 2015 the company had £1.0m undrawn loan facilities (2014: £22.5 million).

### 17. Share capital

The company is limited by guarantee and does not have a share capital. The liability of each member of the company is limited to £1 in the event of a winding up. Members have the right to vote at general meetings of the company. The Memorandum of Association of the company does not provide any rights to members of the company to dividends or distributions on a winding up.

### 18. Reserves

<b>Group</b>	<b>Designated Reserve £'000</b>	<b>Revenue Reserve £'000</b>	<b>Total £'000</b>
At April 1, 2014	4,000	39,456	43,456
Surplus for the year	-	6,094	6,094
Actuarial loss relating to pension scheme	-	(3,049)	(3,049)
At March 31, 2015	<u>4,000</u>	<u>42,501</u>	<u>46,501</u>
<b>Company</b>	<b>Designated Reserve £'000</b>	<b>Revenue Reserve £'000</b>	<b>Total £'000</b>
At April 1, 2014	4,000	39,771	43,771
Surplus for the year	-	6,239	6,239
Actuarial loss relating to pension scheme	-	(3,049)	(3,049)
At March 31, 2015	<u>4,000</u>	<u>42,961</u>	<u>46,961</u>

The board has approved a designated reserve of a maximum of £4 million. The designated reserve is intended for investment in subsidiaries for non-charitable activities.

## Notes to the financial statements

### 19. Housing and letting accommodation in management and development

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

	<b>Group</b>	
	<b>2015 no.</b>	<b>2014 no.</b>
<b>Social housing</b>		
General housing:		
- Social rent	7,656	7,667
- Affordable rent	1,003	890
Sheltered elderly housing		
- Social rent	1,138	1,137
- Affordable rent	92	13
Hostels and temporary housing	75	75
Shared ownership	354	276
Total owned	10,318	10,058
Total managed	10,318	10,058
<b>Non-social housing – market rent</b>	96	84
<b>Total Housing</b>	10,414	10,142
<b>Non-housing lettings – shops</b>	72	72
Total owned and managed	10,486	10,214

	<b>Company</b>	
	<b>2015 no.</b>	<b>2014 no.</b>
<b>Social housing</b>		
General housing:		
- Social rent	7,656	7,667
- Affordable rent	1,003	890
Sheltered elderly housing		
- Social rent	1,138	1,137
- Affordable rent	92	13
Hostels and temporary housing	75	75
Shared ownership	354	276
Total owned	10,318	10,058
Total managed	10,318	10,058
<b>Non-social housing – market rent</b>	84	84
<b>Total Housing</b>	10,402	10,142
<b>Non-housing lettings – shops</b>	72	72
Total owned and managed	10,474	10,214

## Notes to the financial statements

### 20. Capital commitments

Capital expenditure commitments were as follows:	Group & Company	
	2015 £'000	2014 £'000
<b>Capital expenditure</b>		
Expenditure contracted for but not provided for in the accounts	31,131	21,486
Expenditure authorised but not contracted	13,309	8,857
	<u>44,440</u>	<u>30,343</u>

The above commitments will be financed by cash generated through operating activities, grant funding, plus borrowings available for draw-down under existing loan arrangements.

### Operating leases

The payments committed to be made in the next year under operating leases are as follows:

	Group & Company	
	2015 £'000	2014 £'000
Office equipment and property expiring;		
within one year	1	3
between one to two years	88	65
after more than five years	7	7
	<u>96</u>	<u>75</u>

### 21. Contingent liabilities

The company has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme (SHPS) based on the financial position of the Scheme as at September, 2008. As of this date the estimated employer debt for Cross Keys Homes Ltd was £2,232,709 (2014: £1,516,606) based on the financial position of the Scheme as at September 30, 2014.

### 22. Reconciliation of operating surplus to net cash inflow from operating activities

	Group	
	2015 £'000	2014 £'000
<b>Operating surplus</b>	14,242	14,925
Depreciation of tangible fixed assets	8,488	7,733
Deficit on disposal of ICT assets	58	2
	<u>22,788</u>	<u>22,660</u>
<b>Working capital movements</b>		
Increase in first tranche shared ownership properties for sale	(1,412)	(8)
Increase in debtors	(689)	(190)
Decrease in creditors	(3,539)	(507)
<b>Net cash inflow from operating activities</b>	<u>17,148</u>	<u>21,955</u>

## Notes to the financial statements

### 23. Reconciliation of net cash flow to movement in net debt

	Group	
	2015 £'000	2014 £'000
Increase / (Decrease) in cash	34,546	(463)
Cash outflow from increase in debt and lease finance	(55,929)	(10,500)
<b>(Decrease) in net debt cash flows</b>	<u>(21,383)</u>	<u>(10,963)</u>
Non-cash items	1,677	(8)
Net debt at April 1	<u>(186,525)</u>	<u>(175,554)</u>
<b>Net debt at March 31</b>	<u>(206,231)</u>	<u>(186,525)</u>

### 24. Analysis of net debt

Group	April 1, 2014 £'000	Cash flow £'000	Non cash movement £'000	March 31, 2015 £'000
Cash at bank and in hand	1,736	34,546	-	36,282
<b>Cash</b>	<u>1,736</u>	<u>34,546</u>	<u>-</u>	<u>36,282</u>
Loans	(188,500)	(55,929)	-	(244,429)
Loans set up fees	239	-	1,677	1,916
<b>Debt</b>	<u>(188,261)</u>	<u>(55,929)</u>	<u>1,677</u>	<u>(242,513)</u>
<b>Net debt</b>	<u>(186,525)</u>	<u>(21,383)</u>	<u>1,677</u>	<u>(206,231)</u>

### 25. Financial assets and liabilities

The board policy on derivatives and financial instruments is explained in the operating and financial review on page 22.

#### Financial assets – interest rate risk profile

Other than short-term debtors, financial assets held are cash at bank. They are sterling denominated and the interest rate profile at March 31 was:

	Group & Company	
	2015 £'000	2014 £'000
Floating rate	36,240	1,736
	<u>36,240</u>	<u>1,736</u>

The floating rate assets attract interest at rates that vary with bank rates.

## Notes to the financial statements

### 25. Financial assets and liabilities (continued)

#### Financial liabilities excluding trade creditors – interest rate risk profile

The company's and group's financial liabilities are sterling denominated. The interest rate profile of the company's and group's financial liabilities with their respective termination dates at March 31 was:

	<b>Group &amp; Company</b>	
	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Floating rate	28,979	73,050
Cancellable swaps (2023 - 2037)	47,200	47,200
Capped (2017)	10,000	10,000
Inflation linked swaps (2021- 2038)	53,250	53,250
Fixed rate (2046)	105,000	5,000
Total (note 16)	<u>244,429</u>	<u>188,500</u>

The floating rate financial liabilities comprise bank loans that bear interest at rates based on LIBOR. The average rate across all long term liabilities was 3.80% for the year to March 31, 2015 (2014 - 3.28%).

The debt maturity profile is shown in note 16.

#### Group and company borrowing facilities

Following the completion of the refinancing the company has £1.0m undrawn committed borrowing facilities. The facilities available at March 31 in respect of which all conditions precedent had been met were as follows:

	<b>Group &amp; Company</b>	
	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Expiring in less than one year	1,000	1,000
Expiring in more than two years	-	21,500
	<u>1,000</u>	<u>22,500</u>

	<b>2015</b>		<b>2014</b>	
	<b>Book value</b>	<b>Fair value</b>	<b>Book value</b>	<b>Fair value</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Primary financial instruments held or issued to finance the company's operations</b>				
Financial assets – cash deposits	(36,240)	(36,240)	(1,736)	(1,736)
Long-term borrowings	<u>244,429</u>	<u>287,126</u>	<u>188,500</u>	<u>215,848</u>



## Notes to the financial statements

### 25. Financial assets and liabilities (continued)

#### Gains and losses on hedges

As explained in the Report to the board, the group uses interest rate swaps to manage its interest rate profile. Changes in the fair values of these instruments, used as hedges, are not recognised in the financial statements until the hedged position matures. An analysis of these unrecognised gains and losses is as follows:

	Gains	Losses	Total net gains/losses
	£'000	£'000	£'000
<b>Unrecognised gains and losses on hedges at March 31, 2015</b>	-	(42,697)	(42,697)
Of which:			
Gains and losses expected to be recognised in 2015-16	-	(2,512)	(2,512)
Gains and losses expected to be recognised in 2016-17 or later	-	(40,185)	(40,185)

The fair value calculation is based on mid-market rates provided by Bloomberg prevailing on the relevant dates.

### 26. Related parties

Three tenants members served on the board during the year: Christine Cunningham, Jason Merrill and John Bradbury; there was also one leaseholder, Sue Nightingale. Their tenancies are on normal commercial terms and they are not able to use their position to derive any benefit which is not available to tenants in general. During the year the resident board was started with seven members including the tenants and leaseholder listed above. On 16 March 2015 Jason Merrill and Sue Nightingale stepped down from the board but continued to represent tenants on the resident's board.

### 27. Provisions for liabilities

#### Provisions for liabilities

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
At 1 April	-	-	-	-
Transfer from income and expenditure account	12	-	-	-
<b>At 31 March</b>	<b>12</b>	<b>-</b>	<b>-</b>	<b>-</b>
Comprising:				
Capital allowances	12	-	-	-

## Notes to the financial statements

### 28. Pension Schemes (Group & Company)

The company currently operates three different pension schemes, two of which are defined benefit and one is defined contribution with current membership as follows:-

Scheme name	Current membership
Local Government Pension Scheme (LGPS) – defined benefit	93
Social Housing Pension Scheme (SHPS) – defined benefit	4
Social Housing Pension Scheme (SHPS) – defined contribution	147
Total current membership	244

Full descriptions of these schemes are provided below. All current members are employed by the company.

#### Local Government Pension Scheme (LGPS) (Group and Company)

The LGPS is a multi-employer scheme with more than one participating employer, which is administered by Northamptonshire County Council under the regulations governing the LGPS, a defined benefit scheme. Annual actuarial valuations of the pension scheme are performed by an independent, professionally qualified actuary using the projected unit method. The most recent formal actuarial valuation was completed as at March 31, 2015.

The employers' contributions to the LGPS by the company for the year ended March 31, 2015 were £576,673 (2014: £679,498). The employers' contribution rate was fixed at 17.3% of participating pensionable salaries for the year plus a fixed amount in respect of past service benefits of £154,000 (2014: £144,000).

#### Financial Assumptions

The market value of the scheme assets at March 31, 2015 was £21.6 million and the level of funding was 69%. The main actuarial assumptions used in the valuation were:

	March 31, 2015 % per annum	March 31, 2014 % per annum
Discount rate	3.2%	4.3%
Expected rate of return on plan assets as at March 31	3.2%	6.1%
Future salary increases	4.3%	4.6%
Future pension increases	2.4%	2.8%

#### Mortality Assumptions

Life expectancies are based on the Fund's Vita Curves with improvements in line with the CMI 2010 model assuming current rate of improvements has peaked and will converge to a long term rate of 1.25%p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below :

	2015 no. of years
Retiring today	
Males	22.5
Females	24.5
Retiring in 20 years:	
Males	24.4
Females	26.9

## Notes to the financial statements

### 28. Pension Schemes (Group & Company) (continued)

#### Amounts recognised in the balance sheet

	2015 £'000	2014 £'000
Present value of funded obligations	(31,372)	(26,022)
Fair value of plan assets	21,607	19,379
	(9,765)	(6,643)
Present value of unfunded obligations	(70)	(76)
Unrecognised past service cost	-	-
Deficit	(9,835)	(6,719)
Related deferred tax asset	-	-
Net liability	(9,835)	(6,719)
Amounts in the balance sheet		
Liabilities	(9,835)	(6,719)
Assets		
Net liability	(9,835)	(6,719)

#### Analysis of the amount charged to the income and expenditure account

	2015 £'000	2014 £'000
Interest cost	1,123	1,020
Expected return on employer assets	(1,173)	(885)
Total operating charge	(50)	135

#### Changes in present value of defined benefit obligation

	2015 £'000	2014 £'000
Opening defined benefit obligation	26,098	22,442
Current service cost	723	765
Interest cost	1,123	1,020
Contributions by members	189	203
Actuarial losses/(gains)	4,170	2,150
Estimated unfunded benefits paid	(3)	(3)
Estimated benefits paid	(858)	(479)
Closing defined benefit obligation	31,442	26,098

#### Reconciliation of fair value of employer assets

	2015 £'000	2014 £'000
Opening fair value of employer assets	19,379	16,827
Expected return on assets	831	885
Contributions by members	189	203
Contributions by the employer	603	682
Contributions in respect of unfunded benefits	3	3
Actuarial gains/(losses)	1,463	1,261
Unfunded benefits paid	(3)	(3)
Benefits paid	(858)	(479)
Closing fair value of employer assets	21,607	19,379

## Notes to the financial statements

### 28. Pension Schemes (Group & Company) (continued)

#### Amount recognised in statement of total recognised losses

	2015 £'000	2014 £'000
Actuarial (losses)/gains recognised in STRGL	(3,049)	(889)
Cumulative actuarial (losses)	(9,495)	(6,446)

#### Major categories of plan assets as a percentage of total plan assets

	2015	2014
Equities	75%	77%
Bonds	15%	16%
Property	7%	6%
Cash	3%	1%

#### Actual return on plan assets

	2015 £'000	2014 £'000
Actual return on plan assets	2,294	1,218

#### Amounts for the current and previous four periods are as follows

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Present value of defined benefit obligation	(31,442)	(26,098)	(22,442)	(18,813)	(17,119)
Fair value of scheme assets	21,607	19,379	16,827	14,181	13,944
Surplus/(deficit) on scheme	(9,835)	(6,719)	(5,615)	(4,632)	(3,175)
Experience adjustments on plan liabilities	197	(1,171)	21	(163)	(41)
Experience adjustments on plan assets	1,121	1,261	1,353	(893)	(579)

#### Social Housing Pension Scheme (SHPS) (Group and Company)

The Pensions Trust offer various multi-employer defined benefit schemes together with a defined contribution scheme offering variable contribution rates through SHPS (Social Housing Pension Scheme). The Company participates in the defined benefit scheme providing final salary with a 1/60th accrual rate and in the defined contribution scheme. The schemes are funded and are contracted-out of the State Pension scheme.

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

The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate until March 31, 2007. From April 2007 three defined benefit structures have been available, namely:

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

## Notes to the financial statements

### 28. Pension Schemes (Group & Company) (continued)

From April 2010 a further two defined benefit structures have been available, namely:

Final salary with a 1/80th accrual rate.

Career average revalued earnings (CARE) with a 1/80th accrual rate.

A defined contribution benefit structure was made available from October 1, 2010.

An employer can elect to operate different benefit structures for their active members and their new entrants. An employer can only operate one open defined benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

The company elected to operate the final salary with a 1/60<sup>th</sup> accrual rate benefit structure for active members as at April 1, 2007 and the final salary with a 1/60<sup>th</sup> accrual rate for new entrants from April 1, 2007 up to the closure of the scheme.

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

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

During the accounting period the company paid contributions at the rate of 13.7%, member contributions were 6.1%.

As at the balance sheet date there were four active members of the Scheme employed by the company. The annual pensionable payroll in respect of these members was £358,909. There will be no further new entrants to this scheme in future.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. The Scheme is a multi-employer scheme, where the assets are co-mingled for investment purposes, and benefits are paid out of 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 last formal valuation of the Scheme was performed as at September 30, 2011 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £2,062 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035 million, equivalent to a past service funding level of 67.0%. The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at September 30, 2013. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The market value of the Scheme's assets at the date of the Actuarial Report was £2,718 million. The Actuarial Report revealed a shortfall of assets compared with the value of liabilities of £1,151 million, equivalent to a past service funding level of 70%.

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

Valuation Discount Rates:		% p.a.
Pre-Retirement		7.0
Non Pensioner Post Retirement		4.2
Pensioner Post Retirement		4.2
Pensionable Earnings Growth		2.5 per annum for 3 years, then 4.4
Price Inflation (RPI)		2.9

## Notes to the financial statements

### 28. Pension Schemes (Group & Company) (continued)

Pension Increases:	
Pre 88 GMP	0.0
Post 88 GMP	2.0
Excess Over GMP	2.4

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

The valuation was carried out using the following demographic assumptions:

Mortality pre-retirement – 41% SAPS S1 Male / Female All Pensioners (amounts), Year of Birth, CMI\_2009 projections with long term improvement rates of 1.5% p.a. for Males and 1.25% p.a. for Females.

Mortality post retirement – 97% SAPS S1 Male / Female All Pensioners (amounts), Year of Birth, CMI\_2009 projections with long term improvement rates of 1.5% p.a. for Males and 1.25% p.a. for Females.

The long-term joint contribution rates required from April 2013 from employers and members to meet the cost of future benefit accrual were assessed at:

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

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

Following consideration of the results of the actuarial valuation it was agreed that the shortfall of £1,035 million would be dealt with by the payment of deficit contributions by all participating employers as shown in the table below:

From April 1, 2013 to September 30, 2020	A cash amount(*) equivalent to 7.5% of Members' Earnings per annum (payable monthly and increasing by 4.7% per annum each April 1)
From October 1, 2020 to September 30, 2023	A cash amount(*) equivalent to 3.1% of Members' Earnings per annum (payable monthly and increasing by 4.7% per annum each April 1)
From April 1, 2013 to September 30, 2026	£30,640,000 per annum (payable monthly and increasing by 3% per annum each April 1; first increase on April 1, 2014)

## Notes to the financial statements

### 28. Pension Schemes (Group & Company) (continued)

(\*) The contributions of 7.5% will be expressed in nominal pound terms (for each Employer), increasing each year in line with the Earnings growth assumption used in the September 30, 2008 valuation (i.e. 4.7% per annum). The contributions of 3.1% will be calculated by proportioning the nominal pound payment at the time of the change. Earnings at September 30, 2008 (for each Employer) will be used as the reference point for calculating these contributions.

These deficit contributions are in addition to the long-term joint contribution rates as set out in paragraph 14 above.

The next formal valuation of the Scheme will begin later this year and will give an update on the financial position as at September 30, 2014. The results of this valuation will be available in Spring 2016.

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

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

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

New employers that do not transfer any past service liabilities to the Scheme pay contributions at the ongoing future service contribution rate. This rate is reviewed at each valuation and new employers joining the Scheme between valuations up until April 1, 2010 do not contribute towards the deficit until two valuations have been completed after their date of joining. New employers joining the Scheme after April 1, 2010 will be liable for past service deficit contributions from the valuation following joining. Contribution rates are changed on the April 1 that falls 18 months after the valuation date.

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

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

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt. The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

#### Potential employer debt is treated as a contingent liability

Cross Keys Homes has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme, based on the financial position of the Scheme as at September 30, 2014. At this date the estimated employer debt was £2,232,709. It should be noted that this valuation basis is not consistent with the valuation basis used for the LGPS scheme above.

## **29. Post balance sheet event**

The UK emergency budget of July 2015 included measures to reduce social and affordable rents by 1% per annum for the next 4 years. While this change has no impact on these financial statements the impact of this is likely to reduce income by £6.2m compared to our previous business plan projections by 2020. As explained in the Operating & Strategic review this change does not impact on the going concern view expressed in these financial statements.