housing21

Financial Statements

2009-10

Contents

Board, management team and advisers

Members of the Board

David Grayson, Chair

Matthew Harker

Helena Herklots

Richard Humphries, (Appointed 30th October 2009)

Peter Letley

Melinda Phillips, (Resigned 14th January 2010)

Pushpa Raguvaran, Chief Executive

James Robinson, (Resigned 6th November 2009)

Sanaya Robinson, (Appointed 6th November 2009

Sandra Robinson, Vice Chair

Michael Stansfield

Brian Ward-Jones

Management team

Tayo Bilewu, Director of New Business and Development

Les Clarke, Director of Strategy and Service Development

Pushpa Raguvaran, Chief Executive

Paul Richards, Director of Housing Services

Dominic Rothwell, Director of Care and Health Services (Appointed 4th January 2010)

Nick Townend, Interim Director of Finance (Appointed 4th January 2010)

Stephen Perry, Director of Finance (Appointed 14th June 2010)

Secretary and registered office

Delyth Hampton
The Triangle
Baring Road
Beaconsfield
Bucks, HP9 2NA

Bankers

Barclays Bank PLC
Corporate Banking
Level 28, 1 Churchill Place
Canary Wharf
London E14 5HP

Auditors

BDO LLP
Emerald House
East Street
Epsom
Surrey, KT17 1HS

Principal Solicitors

Devonshires
30 Finsbury Circus
London EC2M 7DT

Registration of the Association

The Association is incorporated under the Industrial and Provident Societies Act 1965. (Registered number 16791R) and under the Housing and Regeneration Act 2008 (Number L0055). Housing 21 is an exempt charity.

Report of the Board

Housing 21's Group of active companies (The Group)

Housing 21 (the Parent) is an Industrial and Provident Society with exempt charitable status. As a Registered Provider of Social Housing it provides care and housing with associated amenities. It is registered with the Financial Services Authority and regulated by the Tenant Services Authority. Its constitution is contained in its Rule Book. The Group's main subsidiaries are as follows:

Housing 21 Property Services Ltd (H21PS) is a non-charitable private company limited by shares set up to manage the Group's development programme.

War Memorial Village Derby (WMVD) is a charitable member of the Housing 21 group. It retains Housing 21 to act as managing agent for a scheme in Derby. It is registered with the Charities Commission.

H21 Guernsey LBG (H21G) is a private company limited by guarantee and incorporated under and subject to the law of the States of Guernsey. The purpose of this subsidiary is the management of a scheme for and on behalf of the States of Guernsey.

Oldham Retirement Housing Partnership Ltd (ORHP) is an Industrial and Provident Society with exempt charitable status. It is a special purpose vehicle set up under the Private Finance Initiative (PFI) to refurbish and manage stock in Oldham on behalf of Oldham Metropolitan Borough Council.

Kent Community Partnerships Ltd (KCP) is an Industrial and Provident Society with exempt charitable status. It is a special purpose vehicle set up under the PFI to build and manage stock in Kent.

Claimar Care Group Limited is a private company limited by shares. It is a subsidiary of Housing 21 but is also the holding company for a sub-group containing all former Claimar Group PLC subsidiaries.

Principal activities and review of the business

Details of the Group's activities, a review of activity for the year ended 31 March 2010 and its prospects are set out in the Group's Annual Review in the Chairman's statement.

Creditor payment policy

The Group agrees payment terms with its suppliers when it enters into binding contracts. It seeks to abide by these terms when it is satisfied that the supplier has provided the goods or services in accordance with agreed terms and conditions.

Advancement of disabled persons

Applications for employment from disabled persons are given full and fair consideration for all vacancies having regard to their particular aptitude and abilities. In the event of employees becoming disabled, every effort is made to retain them in order that their employment within the Group may continue.

Employee involvement

The Group continued its policy on consultation and communication with employees on matters affecting them and on the progress of the Group. Through the staff council, employees are consulted on various issues. Additionally, there are cascade briefings from the management team, departmental and team meetings and other forms of communication such as newsletters, e-mail bulletins and the intranet.

Health and Safety and Audit

There is a health and safety policy which is regularly reviewed by the staff council and the property services forum.

The Audit and Risk Management Committee oversees compliance with health and safety legislation and policies. It regularly reviews the strategy for ensuring a positive health and safety culture is promoted within the Group, gaining the commitment of staff and providing sufficient and clear information about the benefits to the business.

Insurance of directors and officers

Directors are covered by Directors and Officers Liability insurance to an indemnity limit of £5m in respect of their duties as directors of the group.

Governance

The Group is committed to exhibiting best practice in aspects of corporate governance. Throughout the year ended 31 March 2010 Housing 21 and its subsidiaries were in full compliance with all provisions of the Group's governance handbook which includes financial regulations, standing orders and respective roles and responsibilities. The governance handbook fully reflects the requirements advised by the National Housing Federation.

Each member of the Board brings varying experiences and skills to the operation of the Board and its subcommittees. The Board composition is kept under review and when a new appointment is to be made, consideration is given to the kind of experience that a potential new member could add to the existing mix.

The governance structure is the subject of ongoing review and the performance of the Board and of its Members is regularly appraised.

Directing the business

The Board as a whole is collectively responsible for ensuring the success of the Group and ensuring its compliance with all legal and regulatory obligations by directing and supervising the Group's affairs. The Board:

- provides entrepreneurial leadership of the Group within a framework of prudent and effective controls which enable risk to be assessed and managed;
- sets the Group's strategic aims, ensures that the necessary financial and human resources are in place for the Group to meet its objectives, and reviews management performance; and
- sets the Group's values and standards and ensures that its legal and regulatory obligations are understood and met.

The work of the Board has the following key elements:

- Members constructively challenge and contribute to the development of the strategy of the Group;
- Scrutinise the performance of management of the Group in meeting agreed goals and objectives and monitoring the reporting of performance;
- Ensure financial information is fair and reasonable and that financial controls and systems of risk management are robust; and
- Determine appropriate levels of remuneration of executive members of the Board and the senior management team and have a prime role in appointing, and where necessary removing, senior management and in succession planning.

Board Members:

- Comply with the Group's policies, procedures and standing orders as set and amended from time to time by the Board, and with the Rule book of Housing 21 (the Rules);
- Act within the Rules;
- Uphold and promote the core policies, purpose, values and objectives of the Group reviewed and updated during the year;
- Contribute towards and share the responsibility for decisions of the Board and/or any Committee of the Board of which they are from time to time a member; and
- Uphold the Group's code of conduct.

The role of the Board is to exercise effective control over the Housing 21 Group and formulate the strategy both directly and through its committees:

Audit and Risk Management Committee

Sanaya Robinson, Chair
Peter Letley
Brian Ward Jones
Helena Herklots

Performance Committee

Helena Herklots, Chair
Peter Letley
Michael Stansfield
Sandra Robinson
Pushpa Raguvaran

Personnel, Selection and Remuneration Committee

David Grayson, Chair
Sandra Robinson
Peter Letley
Helena Herklots

Housing Services Committee

Board Members:
Brian Ward-Jones, Chair (Tenant Board Member)
Sandra Robinson, Vice Chair

Tenant and Leasehold members:
Robert Perrin
Brian Horsman
Malcolm Gardiner
William Moore
George Spry
Derek Thorogood
Maureen Savage
John Dodd
Maureen Hooley
Keith Stacey

Non tenant members:
Joe Robinson
Reginald Parkinson
Martin Dean

Recruitment of Board members

The Board is elected by shareholding members. One third of the Board is elected at each Annual General Meeting. The Board has the capacity to co-opt members. There is an open recruitment policy, with applications sought from candidates with a defined range of skills and experience, including those directly concerned with our client base.

The maximum term that any Board member can serve is three consecutive terms of three years (nine year in total). The Board has up to two places reserved for members who are also current tenants.

Roles and responsibilities of the Board

To discharge its responsibilities for the direction of the Group, the Board as a whole will have or acquire a diverse range of skills, competencies, experience and knowledge. These should cover the following broad areas:

- providing leadership and working as an effective team to take strategic decisions for social results;
- direct knowledge of the needs and aspirations of the communities and people served;
- general business, financial and management skills;
- the external framework for Federation members including financial markets, political imperatives and the operating environment;
- other relevant or specialist skills, such as investment, risk management, legal, health, social services, property management and housing development;
- effective communication skills and an ability to focus on the key issues facing the Group, and
- the ability to foster a culture that enhances commitment, enthusiasm and excellent performance from staff.

Policy for admitting shareholding members

We have an open membership policy, whilst seeking to achieve a broad and balanced membership including tenants and non-tenants and corporate and individual members.

Group internal controls assurance

The Board has overall responsibility for the Group's systems of internal controls which are designed to reduce the risk of failing against agreed business objectives. Management is responsible for implementing board policy. The system of internal controls cannot eliminate the risk of loss but can provide reasonable assurance to mitigate it.

Through the Audit and Risk Management Committee, the Board has ensured that an ongoing appraisal of the Group's system of internal control and risk management has continued throughout the year ended 31 March 2010.

The Group employs an internal audit team which operates independent of management to review objectively the policies of the Board and operations of the Group and to consider the adequacy of internal controls. Audit reviews are planned on a risk-assessed basis and agreed actions are followed up with management to completion.

Where issues have come to light, effective action has been taken to close control weaknesses. Progress against action plans designed to close any control gaps is reviewed as a matter of course by the Audit and Risk Management Committee.

In addition to the internal audit plan, management in conjunction with the internal audit function, separately review the effectiveness of the internal control system the outcome of which is considered by the Board.

There have been no significant control weaknesses reported during the year under review which have not been effectively actioned and closed.

A review of the control environment of the Claimar business following acquisition was undertaken and the audit plan amended to take account of the activities and risks associated with the new parts of the business.

Combating fraud

As part of its system of internal control, the Audit and Risk Management Committee has approved a clear and well-communicated anti-fraud strategy and policy. The policy defines fraud, and the strategy covers prevention and detection within the Group together with how it is reported. A clearly established whistle blowing policy is included in the arrangements.

The Group maintains a register of all detected incidents of fraud and attempted fraud. The Audit and Risk Management Committee receives a report at each meeting of any cases of fraud and attempted fraud, detailing the nature and extent of the fraud and any implications for the Group's internal control system.

During the year, the Board reviewed the anti-fraud arrangements in place. Further activity was undertaken to highlight the risk of fraud across the Group in both the existing and newer parts of the business acquired with Claimar Care Group.

Risk management

Housing 21 recognises that the achievement of its objectives will almost always involve the taking of a certain amount of risk. Hence a strategy based purely on risk avoidance could seriously inhibit the Group's performance. The Board therefore encourages a process promoting the management of risk that is as effective as possible. It sees such a process as a fundamental requirement.

The Board and management of the Group consider risk management to be of importance and ensure its profile is high across the business. The Board considers the actions being taken to mitigate risk at each meeting and reviews the overall progress twice a year.

There are many stakeholders in the Group – both internal and external parties. Their investment, financial or otherwise, is considerable. They need assurance that the governance activities of the Group are of a high standard. Good risk management is an important part of those activities.

The Group's Chief Executive and the Head of Audit, Risk and Regulation (ARR) have responsibility for implementation of the risk management strategy. The Group's risk management officer reports to the Head of ARR and has responsibility for ensuring that the necessary activity is undertaken by management.

During the year a framework has operated which seeks to identify and manage down those risks which would prevent the Group from achieving its key objectives as specified in the Corporate Plan. The framework includes a regular review of the Board's appetite for risk and an ongoing assessment for each business area of the main risks affecting strategy and operations. Action plans have been developed for each area of the business and as a whole for the Group to manage down those risks considered being outside the level of acceptability as determined by the Board. In particular, the framework includes:

- an integrated risk management strategy;
- a risk management policy including roles and responsibilities;
- risk management work shops to identify risks associated with key objectives;
- an alignment of risk assessment and planning processes; and
- a project risk management policy.

Financial, operational and governance reporting

The Audit and Risk Management Committee receives regular Risk Reports covering all areas of the business which specify:

- the progress made with managing recognised risks;
- new risks and those previously assessed as acceptable but which have moved above the line; and
- internal audit progress.

The report also contains details of Business Learning Incidents and fraud, those material events that have caused risks to crystallise within the Group, together with the action taken by management to ensure that recurrence does not happen. Integrated risk reports are consolidated and presented regularly to Audit and Risk Management Committee throughout the year and summarised annually for the Board.

The Board is satisfied that the Group's systems of control are operating effectively and that where weaknesses have been found, effective and timely remedial action is being taken to close control gaps.

Auditors

All of the current board members have taken steps to make themselves aware of any information needed by the Group's auditors and to establish that the auditors are aware of that information. The board members are not aware of any relevant information of which the auditors are unaware.

The effectiveness of the Group's external auditors is reviewed periodically. A full tendering exercise will be undertaken in respect of the 2011/12 financial year.

By order of the board

D Hampton
Secretary

Operating and financial review

Despite the ongoing challenges of the credit crunch and economic recession, it has been another successful year for the Group in terms of business growth and organisational development. The most notable highlight was the acquisition of Claimar Care Group PLC (CCG), the first acquisition by a not-for-profit organisation of a listed entity in the UK.

The housing development programme saw an increase of 651 units for rent and shared ownership during the year (2009: 122 units). The Group ensured a healthy pipeline of new units by securing £29.6m of grant funding from the Homes and Communities Agency (HCA). The Group intends to take full advantage of further opportunities available in the current market to provide new homes and expand its asset base.

Investment in existing properties continued, with all properties achieving Decent Homes standard by 31 March 2010. The Group continues to review its asset management strategy with a view to ensuring good quality homes and viability of the housing stock.

The volume and breadth of care, health and housing services increased substantially during the year. The Group provides services to more than 30,000 service users delivering 5.26 million care hours per annum (2009: 1.88m) A significant number of new contracts were secured to deliver care to service users in the community as well as in extra care schemes. Of particular significance is the increase in the provision of dementia services as well the development of some specialist health related services as part of home care contracts.

During the year, the Group continued to deliver successfully on its Private Finance Initiative (PFI) and Public Private Partnership (PPP) contracts. The Group's first PFI project in Oldham, in operation since January 2007, continues to proceed according to plan to refurbish, redevelop and manage 1,479 homes for Oldham Metropolitan Borough Council (OMBC). Over 400 units were completed during the year which means that residents returning to their homes are now living in very good quality accommodation with excellent housing and support services. Building on the presence in Oldham, through the PFI contract, Housing 21 has also established a care service and is regularly commissioned by OMBC to provide home care for older people in Oldham

The PFI project in Kent remains on schedule and is being delivered through a special purpose vehicle, Kent Community Partnerships Ltd (KCP), to build and manage 340 new units for older people and for people with learning disabilities and mental health needs. The development build stage of the project is now complete, therefore the project is now fully in the operating phase.

The PPP project contract in Walsall is a ground breaking project which will replace outdated residential care into extra care housing with supportive care services including the development of a state of the art dementia centre. The construction programme and the management of the service are both progressing well with construction on two sites completing in the year.

As a provider of housing and care services, the Group is subject to regulation by the Tenant Services Authority (TSA) and the Care Quality Commission (CQC). During the year, the Group commenced its response to recent changes in regulatory approach which focus much more on service user outcomes and involvement. This plays to the Group's strengths, as it has a history of strong tenant involvement and partnership; these engagement structures are being strengthened and broadened to encompass all service users.

The Group continued the restructuring and development of its infrastructure to support a strong consumer focus, increased growth, complexity of the business and to achieve cost efficiencies. Given future public spending cuts, operating costs reductions are a key focus for the Group.

Financial performance review

In the year ended 31 March 2010, the Group's turnover increased by £54.6m to £166.4m (2009: £111.8m). The main activities of the Group are the provision of social housing lettings, which contributed £73.8m or 44% of the turnover (2009: £64.8m or 58%), and the provision of care and health services, which contributed £68.0m, or 41%, of the turnover (2009: £29.3m or 26%), CCG results for the six months to 31st March 2010 are included within this figure. Other activities contributed £24.6m or 15% of the turnover (2009: £18.8m or 17%).

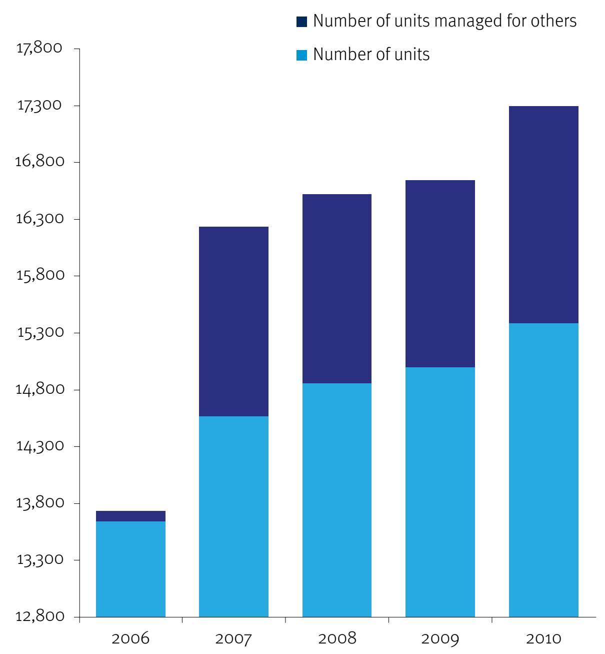
Operating surplus has increased to £12.0m in the year ended 31 March 2010 (2009: £7.5m). Changes to the operating surplus can be attributed to four factors: the increase in turnover, offset by increases in operating costs; a conservative approach adopted to the accounting for major repairs; the consolidation of our two PFI companies, ORHP and KCP; and the consolidation of our CCG acquisition. In operating cost is the continued major repairs and stock improvement expenditure of £16.9m (2009: £11.9m), which reflected the Group objective to bring all courts up to the Decent Homes standard by the end of the year.

Housing investment

The Group has a strong balance sheet and growing housing asset base to support further growth. The Group finances its housing development by a combination of government grants, housing loans from commercial banks and retained surpluses.

The Group records its housing properties at valuation, based on forecasted rental income streams. The number of units and the valuation of housing properties have grown over the past 5 years

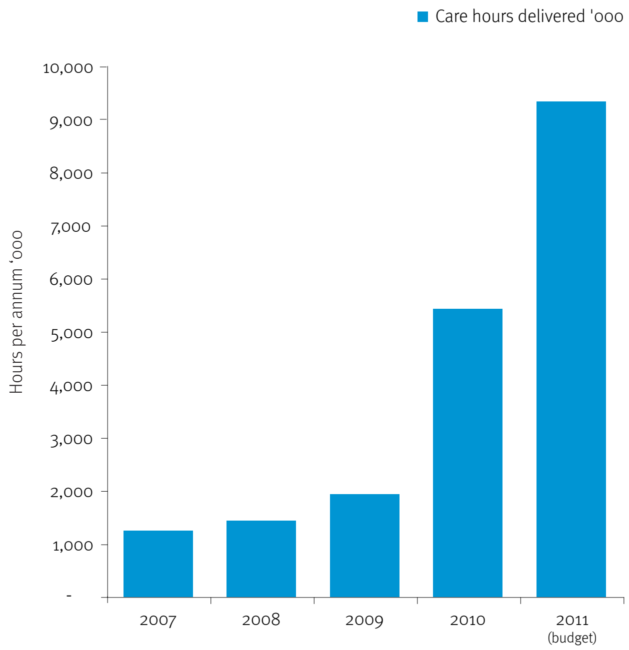
The graph below shows the number of units owned and managed and managed for others over the last 5 years.



The investment programme is scheduled to continue with £15.3m included on the balance sheet at 31 March 2010 as housing properties under construction (2009: £66.8m). The reduction in value of housing properties under construction reflects the completion of the construction phase of KCP. There are 1,437 new units in the pipeline under development (2009: 1,797), predominantly for rental but also for shared ownership and outright sale. Funding for this programme continues to be obtained from the Homes and Communities Agency in the form of Social Housing Grant and also from Department of Health grants.

Care and Health Services Investment

The Group's care activities have grown fast. During the year, the Group acquired Claimar Care Group PLC which added 46% to the care hours delivered. Furthermore the acquisition enabled the organisation to offer its services in more areas and broaden its service offering as well as reduce its overall operating costs.



Key business risks for Housing 21

Housing 21 continues to experience major changes in its operating environment. These changes have a significant influence over the business, particularly in the speed and direction of public policy. In turn, this has led to changes in the risks the Group is required to assess.

Funding

The tendency for lenders to tighten access to facilities as a result of the credit crunch has been affecting the Housing Association sector in various ways. However, extensive new loan facilities for the Group have been agreed in principle with two major lenders.

Housing

A further effect of the credit crunch is that the property sales market has slowed down, and as Housing 21 has a number of outright sale and shared ownership schemes in the pipeline, there is a risk of delays in the receipts of sales income on these schemes. The Group is actively seeking to mitigate and manage these risks by including these units in the rental portfolio. As the percentage of for sale and shared ownership units is small, the effect of any delay in sales receipts on our financial plan and covenants is not expected to be significant.

Income is also constrained by rent restructuring. Operational costs are running ahead of RPI and there remains a competitive environment for staff recruitment and retention. There are financial pressures in terms of building cost inflation and potential interest rate rises and concerns about pension provision.

Care

The care business is a competitive environment, still largely commissioned on the basis of short term 3-5 year contracts, and faces pressure from the need to pay higher wages to carers at the same time as local authority financial settlements are leading to squeezes in contract prices and a focus on those in acute need. Concern about the medium to long term funding of social care continues.

The pace of technological change continues. There are many opportunities available to harness these developments to modernise our Group to enable provision of more efficient, cost effective, customer focused services.

Significant changes in the field of public policy mean that the markets in which the Group operates in health, social care and housing are all reshaping rapidly. Understanding the impact of these changes is crucial to the Group's future plans.

The new Government sees the reform of public services as a key priority and the public debate has intensified given the growing demands from an increasingly ageing population with rising expectations.

The Darzi review of health care published in June 2009, which was about improving patient care, focused on providing more convenient accessible integrated care in the most appropriate settings including care at home and in new community clinics. The health agenda continues to develop integration at local level with a greater focus on prevention and on joint health and social care commissioning, and with PCTs as significant local commissioners.

Social care funding remains a significant problem for older people and providers alike, with many independent reports highlighting shortfalls in provision and lack of funding. In May 2010 the new Government announced that a commission on the long-term funding of adult social care will be set up and will report within a year. The provision of social care is already changing substantively through the personalisation agenda which aims to put people in control of their care and to develop self-directed support through personal budgets.

Regulatory

It seems likely that the recent changes to the social housing sector will continue, with expectations that housing associations will have a greater role as community agencies and further streamlining of delivery. In a fast changing environment Housing 21 remain committed to achieving all regulatory standards.

Treasury policy and objectives

The Group has a centralised treasury function, charged with managing financing and treasury risks within the parameters of the treasury policy. In formulating policy to address these risks reference is made to the following:

• Chartered Institute of Public Finance and Accountancy Code of Practice for Treasury Managers;

• National Housing Federation - Financial Risk Management: Focus on Treasury;

• The Financial Services Authority Handbook.

The objectives of the treasury policy have the following key principles:

• Effective and efficient use of financial resources;

• Security of financial assets;

• Provision of adequate liquidity to meet financial obligations;

• Compliance with statute, regulation, covenants and best practice; and

• Control and accountability in Treasury management procedures.

Treasury policy is subject to Board approval. The treasury operation is not a profit centre and speculative transactions are not allowed.

Cash flow

The net cash requirement for the year ended 31 March 2010 was £102.6m (2009: £70m). This change reflects an increase in capital spend, including the acquisition of CCG funded by cash and additional loans.

In the year ended 31 March 2010 £87.1m was spent on housing properties under construction (2009: £96.3m), offset by Social Housing Grant received of £40.4m (2009: £40.5m).

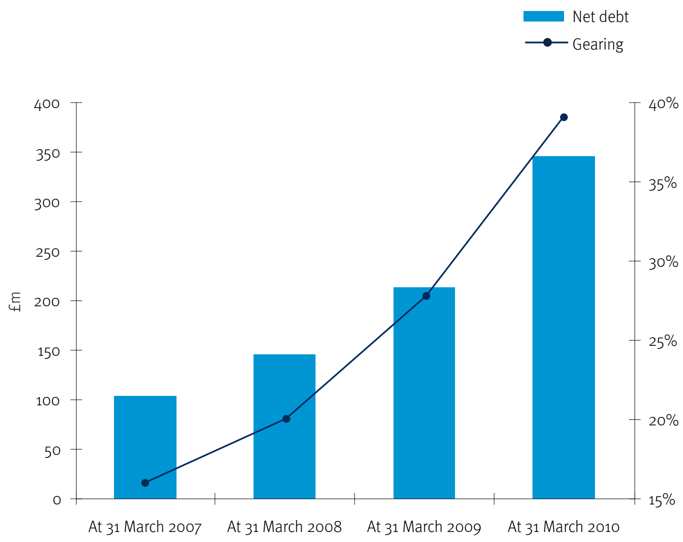
The operating cash outflow was £20.6m in 2010 (2009: outflow of £3.8m), mainly reflecting the increase in stocks of LCHO and Outright Sale Properties, and the increase in the PFI finance debtor.

Net debt at 31 March 2010 stood at £334.2m compared to £213.6m at 31 March 2009. Interest paid increased to £15.4m (2009: £13.1m).

Balance sheet debt and liquidity

The Group's financial investments comprise cash, short-term deposits and bank and other borrowings. As a result of its strong and growing asset base, Housing 21 is able to increase its levels of net debt in order to invest in growth. The focus of the Group is primarily medium to long term and the profile of net debt reflects this, with £304m (87%) falling due after more than five years (2009: £178m or 82%). Housing 21 has committed, but undrawn, facilities of £51.9m at 31 March 2010 (2009: £147.6m), with a further £115m agreed but not signed, sufficient for the projected development programme for the next 12 months. The equivalent figures for ORHP are £25.5m (2009: £46.6m) and KCP £5.0m (2009: £58.9m) and are expected to be sufficient to complete the PFI projects for those subsidiaries.

A key measure of the financial health of Housing 21 is the gearing ratio. This is defined as net debt (gross debt less cash and short-term investments) to net assets (reserves plus Social Housing Grant plus accumulated depreciation). As shown in the graph below, gearing for the year ended 31 March 2010 has increased to 39% (2009: 27.8%); however, it is still relatively low for the sector, illustrating the strong balance sheet.



Of the total Group net debt of £334.2m (2009: £213.6m) just £178.2m (2009: £93.6m) of gross loans are secured on the Association's housing properties.

The Group seeks to reduce its exposure to volatility in interest rates by balancing its loan book over fixed, floating and inflation-linked interest rates. The opportunity presented by low long term interest rates has been taken to fix new borrowings and refinance existing borrowings, This has had the effect of reducing our weighted average rate to 4.21% as at 31 March 2010 (2009: 6.37%) despite the increase in net debt, and in interest payable, during the year.

Interest cover is a key banking covenant for the Group and the Association. For the Association it is calculated as net interest to operating surplus with depreciation added back. For the year ended 31 March 2010 the interest cover ratio was 2.32 times operating surplus (2009: 2.18).

Going concern

After making enquiries, the directors of Housing 21 have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the going concern basis has been adopted in these financial statements.

Accounting policies

There are no changes to accounting policies in the year. There has been one prior year adjustment during the year to reflect the impact of a consolidation entry where one group company has treated an item as turnover and its trading partner has treated it as a current asset. The effect of this adjustment has been to reduce reserves by £1m.

Statement of Board's responsibilities

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

Industrial and Provident Society law and social housing legislation require the board members to prepare financial statements for each financial year for the group and association in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the association and of the surplus or deficit of the group and association for that period.

In preparing these financial statements, the board members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social landlords (2008) have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The board members are responsible for keeping adequate accounting records that are sufficient to show and explain the association's transactions and disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, the Industrial and Provident Societies (Group Accounts) Regulations 1969, the Housing Act 1996 (to 31 March 2010), the Housing and Regeneration Act 2008 (from 1 April 2010) and the Accounting Requirements for Registered Social Landlords General Determination 2006. They are also responsible for safeguarding the assets of the association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board is responsible for ensuring that the report of the board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social landlords (2008).

Financial statements are published on the group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the group's website is the responsibility of the board members. The board members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Independent Auditor's report to the members of Housing 21 Limited

We have audited the financial statements of Housing 21 for the year ended 31 March 2010 which comprise the consolidated and association income and expenditure accounts, balance sheets, statements of total recognised surpluses and deficits, consolidated notes of historical cost surpluses and deficits; the consolidated cash flow statement; and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the Board and auditors

The Board's responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of responsibilities of the Board.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Industrial & Provident Societies (Group Accounts) Regulations 1969, the Housing Act 1996 (to 31 March 2010), the Housing and Regeneration Act 2008 (from 1 April 2010) and the Accounting Requirements for Registered Social Landlords General Determination 2006. We also report to you if, in our opinion, the Group has not kept proper accounting records, a satisfactory system of control over transactions has not been maintained, or if we have not received all the information and explanations we require for our audit.

We read other information contained in the Report of the Board, and consider whether it is consistent with the audited financial statements. This other information comprises the operating and financial review only. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Housing Act 1996 (to 31 March 2010), the Housing and Regeneration Act 2008 (from 1 April 2010) and Section 9 of the Friendly and Industrial and Provident Societies Act 1968 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the above statutes or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Board in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Association's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the Group and Association financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and Association's affairs as at 31 March 2010 and of their results for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Industrial & Provident Societies (Group Accounts) Regulations 1969, the Housing Act 1996 (to 31 March 2010), the Housing and Regeneration Act 2008 (from 1 April 2010) and the Accounting Requirements for Registered Social Landlords General Determination 2006.

BDO Stoy Hayward LLP

BDO LLP, statutory auditor
Epsom, Surrey, United Kingdom
Date 24 August 2010

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

Consolidated income and expenditure account for the year ended 31 March 2010

	Notes	Continuing operations 2010 £000	Acquisitions 2010 £000	Total 2010 £000	Total (Restated) 2009 £000
Turnover	2	**135,784**	**30,632**	**166,416**	111,829
Cost of sales	2	**(6,699)**	**–**	**(6,699)**	(2,762)
Operating costs	2	**(118,042)**	**(29,709)**	**(147,751)**	(101,520)
Operating surplus/deficit	2	**11,043**	**923**	**11,966**	7,547
Deficit on disposal of housing properties	4			**(721)**	(128)
Deficit on disposal of other assets	5			**(287)**	–
Interest receivable and similar income				**3,556**	2,136
Interest payable and similar charges	8			**(12,345)**	(9,622)
Other finance (costs)/income	9			**(69)**	95
Surplus on ordinary activities before tax	10			**2,100**	28
Taxation on surplus on ordinary activities	11			**(521)**	(20)
Surplus on ordinary activities after tax	21			**1,579**	8

Association income and expenditure account for the year ended 31 March 2010

	Notes	2010 £000	2009 £000
Turnover	2	**133,860**	113,351
Cost of sales	2	**(6,699)**	(2,762)
Operating costs	2	**(114,621)**	(100,000)
Operating surplus	2	**12,540**	10,589
Deficit on disposal of housing properties	4	**(721)**	(128)
Deficit on disposal of other assets	5	**(287)**	–
Interest receivable and similar income		**1,298**	123
Interest payable and similar charges	8	**(6,470)**	(7,510)
Other finance (costs)/income	9	**(69)**	95
Surplus on ordinary activities before tax	10	**6,291**	3,169
Taxation on surplus on ordinary activities	11	**(11)**	–
Surplus on ordinary activities after tax	21	**6,280**	3,169

All amounts relate to continuing activities.

The notes of pages 15 to 50 form part of the financial statements

Statement of total recognised surpluses and deficits for the year ended 31 March 2010

	Notes	Group		Association	
			(Restated)		
		2010	2009	**2010**	2009
		£000	£000	**£000**	£000
Surplus on ordinary activities after tax		**1,579**	8	**6,280**	3,169
Actuarial losses on pension schemes	30	**(2,433)**	(912)	**(2,433)**	(912)
Unrealised surplus on revaluation of housing properties	21	**49,417**	29,471	**36,973**	31,208
Total surpluses and deficits for the year		**48,563**	28,567	**40,820**	33,465
Prior year adjustment		(1,069)	–	**–**	–
Total surpluses and deficits recognised since last annual report		**47,494**	**28,567**	**40,820**	**33,465**

Note of historical cost surpluses and deficits for the year ended 31 March 2010

	Notes	Group		Association	
			(Restated)		
		2010	2009	**2010**	2009
		£000	£000	**£000**	£000
Reported surplus on ordinary activities before tax		**2,100**	28	**6,291**	3,169
Revaluation surplus released on disposal of housing properties	21	**(320)**	593	**(320)**	593
Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	21	**3,120**	2,130	**2,861**	2,094
Historical cost surplus for the year on ordinary activities before tax		**4,900**	2,751	**8,832**	5,856
Taxation	11	**(521)**	(20)	**(11)**	–
Historical cost surplus for the year on ordinary activities after tax		**4,379**	2,731	**8,821**	5,856

Reconciliation of movement in capital and reserves

	Group		Association	
		(Restated)		
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Reported surplus for the year	**1,579**	8	**6,280**	3,169
Actuarial gain recognised in statement of realised surpluses and deficits	**(2,433)**	(912)	**(2,433)**	(912)
Other recognised surpluses and deficits relating to the year (net)	**49,417**	29,471	**36,973**	31,208
Net addition to reserves	**48,563**	28,567	**40,820**	33,465
Opening capital and reserves as previously stated	**408,021**	378,131	**408,218**	374,748
Prior year adjustment (note 21)	**(1,069)**	254	**–**	5
Opening capital and reserves as restated	**406,952**	378,385	**408,218**	374,753
Closing capital and reserves	**455,515**	406,952	**449,038**	408,218

The notes of pages 15 to 50 form part of the financial statements

Balance sheets as at 31 March 2010

	Notes	Group		Association	
			(Restated)		
		2010	2009	**2010**	2009
		£000	£000	**£000**	£000
Intangible assets					
Goodwill	34	**36,152**	2,853	**2,615**	2,853
Tangible fixed assets					
Housing properties at valuation	12	**686,751**	600,031	**602,983**	545,040
Other fixed assets	13	**5,726**	4,947	**4,309**	4,941
Investments		**–**	–	**20,622**	–
		728,629	607,831	**630,529**	552,834
Current assets					
Housing properties and stock for sale	14	**21,213**	3,548	**21,162**	3,548
Debtors: amounts falling due after one year	15	**91,042**	64,506	**28,721**	705
Debtors: amounts falling due within one year	16	**29,685**	16,973	**20,145**	15,625
Cash on short-term deposit		**8,020**	2,761	**8,020**	2,761
Cash at bank and in hand		**6,859**	1,808	**1,677**	8
		156,819	89,596	**79,725**	22,647
Creditors: amounts falling due within one year	17	**(81,899)**	(81,627)	**(58,870)**	(57,541)
Net current assets/(liabilities)		**74,920**	7,969	**20,855**	(34,894)
Total assets less current liabilities		**803,549**	615,800	**651,384**	517,940
Creditors: amounts falling due after more than one year	18	**344,415**	208,130	**199,200**	109,004
Pension liability	30	**3,146**	718	**3,146**	718
Provision for liabilities and charges	19	**473**	–	**–**	–
Capital and reserves					
Share capital	20	**–**	–	**–**	–
Revaluation reserve	21	**338,583**	291,966	**324,529**	290,097
Revenue reserve	21	**116,932**	114,986	**124,509**	118,121
		455,515	406,952	**449,038**	408,218
		803,549	615,800	**651,384**	517,940

In accordance with the rules of the Association, all shareholdings relate to non-equity interests as referred to in note 19.

These financial statements were approved and authorised for issue by the Board on 19th August 2010 and are signed on behalf of the Board by:

S Robinson

Sanaya Robinson
Director

Matthew Harker
Director

Delyth Hampton

Delyth Hampton
Secretary

The notes of pages 15 to 50 form part of the financial statements

Consolidated cash flow statement for the year ended 31 March 2010

		Group		Group	
		2010		2009	
	Notes	**£000**	**£000**	£000	£000
Net cash outflow from operating activities	22		**(20,591)**		(3,792)
Return on investments and servicing of finance					
Interest received		**3,556**		2,136	
Interest paid		**(14,702)**		(13,545)	
Interest element of finance lease payments		**(87)**		(87)	
Net cash outflow for return on investments and servicing of finance			**(11,233)**		(11,496)
Taxation			**(48)**		(20)
Capital expenditure and financial investment					
Housing properties under construction (including improvement to completed properties and property acquisitions)		**(87,104)**		(96,304)	
Social Housing Grants received		**40,391**		40,519	
Purchase of fixed assets		**(1,084)**		(614)	
Sale of fixed assets		**2**		–	
Sale of housing properties		**220**		1,683	
Net cash outflow for capital expenditure			**(47,575)**		(54,716)
Purchase of subsidiaries			**(20,928)**		
Net overdrafts acquired on acquisition			**(2,207)**		–
Cash outflow before use of liquid resources and financing			**(102,582)**		(70,024)
Management of liquid resources	23		**(5,259)**		1,225
Financing					
Loans received		**139,716**		87,685	
Loans repaid		**(25,258)**		(18,688)	
Capital element of finance lease repaid		**(27)**		(22)	
Net cash inflow from financing			**114,431**		68,975
Increase in cash	25		**6,590**		**176**

The notes of pages 15 to 50 form part of the financial statements

1. Principal accounting policies

The accounts have been prepared in accordance with applicable Accounting Standards in the United Kingdom and comply with the Statement of Recommended Practice Accounting by Registered Social Landlords 2008 issued by the National Housing Federation, the Industrial and Provident Societies Acts 1965 to 2002, the Industrial and Provident Societies (Group Accounts) Regulations 1969, Schedule 1 to the Housing Act 1996 and with the Accounting Requirements for Registered Social Landlords General Determination 2006.

A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The accounts are prepared on the historical cost basis of accounting as modified to include housing properties at existing use value for social housing.

Consolidation

The consolidated income and expenditure account and balance sheet include the results of the Group and its subsidiaries, as listed in note 32, from the date of their acquisition. Intra-group transactions are eliminated on consolidation.

Turnover

Turnover represents rental and service charge income, management fees, income from provision of care services, revenue based grants received from local authorities and the Homes and Communities Agency (HCA), income from first tranche sales of shared ownership and outright sales property and other income.

Supporting people

Income received from supporting people is offset against costs incurred. In so far as costs exceed the income received the excess is recovered via the service charge.

Goodwill

Goodwill arising on the purchase of the freehold of 17 leasehold schemes from James Butcher Housing Association represents the difference between the consideration paid and the fair value of the net assets acquired. It is amortised in the income and expenditure account on a straight line basis over 20 years, the maximum allowed under FRS 10 Goodwill and Intangible Assets.

Goodwill arising on the purchase of JBK Social Care Limited, a specialist care company operating in Westminster represents the difference between the consideration paid and the fair value of the net assets. It is amortised in the income and expenditure account on a straight line basis over 5 years as this is the average life of a care contract.

Goodwill arising on the acquisition of Claimar Care Group on 28 September 2009 represents the difference between the consideration paid and the fair value of the net assets acquired. It is amortised in the income and expenditure account on a straight line basis over 10 years.

Housing properties

Housing properties have been revalued as at the balance sheet date.

At the point of revaluation, the aggregate surplus or deficit arising, calculated as the difference between the cost of properties less Social Housing Grant (SHG) and the revalued amount, is transferred to a revaluation reserve. The basis of the valuation is explained in note 12.

Housing properties in the course of construction are stated at cost and are transferred to housing for rent on completion. At the balance sheet date, properties under construction include a provision for all costs certified to date including the amount of the sum retained by the Group under the construction contract.

Capitalisation of interest

Interest is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development if it represents either interest on borrowings specifically financing the development programme after deduction of interest on SHG in advance or interest on borrowings of the Group as a whole after deduction of interest on SHG in advance to the extent that they can be deemed to be financing the development programme.

Capitalisation of development costs

Development costs are capitalised where they are directly attributable to bringing the properties into working condition for their intended use. Directly attributable costs are the labour costs of our employees arising directly from the construction or acquisition of the property and incremental costs that would have been avoided only if individual properties had not been constructed or acquired.

Depreciation – housing properties

Freehold land is not depreciated.

Housing under construction is not depreciated.

Completed freehold buildings are depreciated on a straight line basis over their remaining expected useful economic lives at the following rates:

- sheltered housing, 100 years
- general purpose housing, 90 years from development completion or acquisition date.

Properties held on long leases and under finance leases are depreciated over the remaining period of the lease.

The land value element (to separate land from buildings) of each property valuation is determined using guidance issued by the National Housing Federation.

A transfer is made from the revaluation reserve to the income and expenditure account of an amount equal to the difference between depreciation for the year calculated on the basis of the historical cost and the actual depreciation charge which is calculated using the revalued amounts.

Depreciation – other tangible fixed assets

Depreciation is charged on a straight line basis over the expected useful economic lives at the following rates:

- leasehold office improvements, over the remaining period of the lease;
- freehold office buildings, 50 years;
- office furniture and equipment, 10 years;
- motor vehicles, 4 years;
- computer software, 5 years;
- computer hardware, 3 years.

Impairment

Housing properties are subject to impairment reviews on an annual basis.

Other assets are reviewed for impairment if there is an indication that impairment may have occurred.

Low Cost Home Ownership and staircasing.

Under Low Cost Home Ownership (LCHO) arrangements, the Group disposes of a long lease on LCHO units to persons who occupy them at a share equal to between 25% and 75% of value, (the "first tranche"). The occupier has the right to purchase further proportions at the then current valuation up to 100% ("staircasing").

A shared ownership property comprises two assets: that to be disposed of in the first tranche sale, which is recorded as a current asset; and that retained by the Group, which is recorded as a fixed asset.

Proceeds of sale of first tranches are accounted for as turnover in the income and expenditure account, with the apportioned cost being shown within the operating results as a cost of sale.

Subsequent tranches sold ("staircasing sales") are disclosed in the income and expenditure account after operating results as a surplus or deficit on sale of fixed assets. Such staircasing sales may result in capital grant being deferred or abated and this is credited in the sale account in arriving at the surplus or deficit.

Social Housing Grant in respect of LCHO properties is allocated against the fixed asset element of the property and is treated as a deduction from fixed assets.

The fixed asset element of LCHO properties is included in housing properties at cost less provisions needed for impairment. These properties are not depreciated on the basis that the expected realisable value at the end of the expected useful life to the group is in excess of the historical cost.

Properties developed for sale

Completed properties and properties under construction for sale, either as first tranche LCHO sales or outright sale, 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 prices after allowing for all further costs of completion and disposal.

Until sold these properties are held as current assets.

Social Housing Grant (SHG) and other grants

Where housing developments have been financed wholly or partly by grants, the cost has been reduced by the amount of the grant received.

SHG due from the HCA or received in advance is included as a current asset or liability.

Where grant is received on items treated as revenue expenditure, it is treated as a revenue grant and credited to the income and expenditure account.

Grants may be repayable in certain circumstances, even where it has been treated as a revenue grant for accounting purposes.

Donated land

The valuation of land donated by local authorities is accounted for as a cost of development and also treated as a capital grant. It is included within the other grants receivable amounts in note 12 to these Financial Statements.

Works to existing properties

Expenditure on day to day and cyclical repairs and maintenance, together with health and safety work and service contract maintenance expenditure, is charged as incurred to the income and expenditure account. Also charged are the apportioned administration costs associated with this work.

Renewals of communal equipment, furniture and furnishings, and the replacement of refrigerators and cookers provided for tenants, are charged to the income and expenditure account on purchase and recovered through service charges.

The Group has undertaken a major stock improvement programme to achieve Decent Homes standard. Where the works result in an increase in the net rental income from the property and enhance the performance beyond the assessed level when the asset was first acquired or constructed, these amounts are capitalised.

Work in progress

Costs incurred in the construction and refurbishment of the sheltered housing properties in respect of one of the Private Finance Initiative (PFI) contracts (Oldham Retirement Housing Partnership Ltd) have been accounted for under Financial Reporting Standard (FRS) 5, "Reporting the Substance of Transactions" and are carried in the balance sheet as recoverable work in progress in debtors under the terms of the agreement with OMBC. Work in progress comprises direct payments to the contractor, attributable initial project costs and interest costs incurred over the construction period on borrowings to fund construction.

Finance debtor

Under FRS 5, "Reporting the Substance of Transactions", when a property has been completed or refurbished, the work in progress balance is converted to a finance debtor representing an appropriate proportion of costs incurred. The debt is recovered via the unitary charge contract income over the remaining life of the contract. Until the debtor is fully recovered, an interest charge is released to the income and expenditure account which is based upon the value of the financial debt outstanding. This interest is included within interest receivable.

Revaluation reserve

The revaluation reserve records all appreciation in value of housing stock.

Housing loans and other financial instruments

Loans and other financial instruments are stated in the balance sheet at the amount of the net proceeds.

Finance costs, including incremental issue costs, are deducted from the loan and amortised over the first 5 years of the loan at a constant rate on the carrying value.

Where loans and other financial instruments are redeemed during the year, any redemption penalty is recognised in the income and expenditure account in the year in which redemption takes place.

Leased assets

Rentals paid under operating leases are charged to the income and expenditure account on the accruals basis.

The cost of assets held under finance leases is included under tangible assets and depreciation provided in accordance with the policy for the class of asset concerned. The corresponding obligations under these leases are shown as creditors. The finance charge element of rentals is charged to the income and expenditure account to produce, or approximate to, a constant periodic charge on the remaining balance of the outstanding obligations.

Management services to leaseholders and other bodies

In addition to managing housing for rent, the Group also provides management services to leaseholders and other bodies. The Group provides management services to leaseholders on a cost basis.

Charges which are made to leaseholders for decorations and major works within their schemes are held in sinking funds. These sinking funds are recorded within other creditors and shown in note 17 amounts falling due within one year of these Financial Statements.

The Group also provides property management services to other bodies for which a management fee is charged. Such services are provided primarily on an agency basis. All transactions relating to owned leasehold properties have been brought into the accounts.

Pensions

The difference between the fair value of the assets held in the defined benefit pension schemes and the schemes' liabilities measured on an actuarial basis using the projected unit method are recognised in the Group's balance sheet as a pension scheme asset or liability as appropriate.

The carrying value of any resulting pension scheme asset is restricted to the extent that the Group is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme. The pension scheme balance is recognised net of any related deferred tax balance.

Changes in the defined benefit pension scheme asset or liability arising from factors other than cash contribution by the Group are charged to the income and expenditure account or the statement of total recognised surpluses and deficits in accordance with FRS17 "Retirement Benefits".

The annual costs of defined contribution, stakeholder and savings plan pension schemes are charged to the income and expenditure account on an accruals basis.

Value Added Tax

The majority of services supplied by the Group are exempt from VAT. However, management contracts and unitary charge income is chargeable to VAT which enables some recovery of input VAT under a basis of calculation agreed with HMRC.

Expenditure is shown inclusive of VAT and input tax recovered is recorded within non-social housing activities, other, as part of turnover; see note 2.

Related parties

The Group has taken advantage of the exemption allowed by FRS8, Related Party Disclosures, from disclosing transactions with its wholly owned subsidiaries.

Taxation

The Group is exempt from corporation tax on income and gains to the extent that these are applied to the Group's charitable objectives. Activity related to developing properties for outright sale will be subject to corporation tax. The tax charge in the year relates group companies that are subject to UK taxation in addition to the non exempt tax for Housing 21 Association.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the group has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the group anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

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

Group

	2010				(Restated) 2009			
	Turnover	Cost of sales	Operating costs	Operating surplus/ (deficit)	Turnover	Cost of sales	Operating costs	Operating surplus/ (deficit)
	£000	£000	£000	£000	£000	£000	£000	£000
Social housing lettings (note 3)	73,776	–	(63,396)	10,380	64,803	–	(55,211)	9,592
Other social housing activities								
Supporting people	2,567	–	(2,255)	312	2,572	–	(2,768)	(196)
LCHO first tranche sales	4,638	(4,382)	–	256	2,691	(2,307)	–	384
Non-social housing activities								
Outright sales	2,352	(2,317)	–	35	508	(455)	–	53
Management services	14,442	–	(10,116)	4,326	11,294	–	(11,712)	(418)
Care services	67,981	–	(71,088)	(3,107)	29,318	–	(31,059)	(1,741)
Business development	–	–	(493)	(493)	–	–	(722)	(722)
Other	660	–	(403)	257	643	–	(48)	595
Total	166,416	(6,699)	(147,751)	11,966	111,829	(2,762)	(101,520)	7,547

Association

	2010				(Restated) 2009			
	Turnover	Cost of sales	Operating costs	Operating surplus/ (deficit)	Turnover	Cost of sales	Operating costs	Operating surplus/ (deficit)
	£000	£000	£000	£000	£000	£000	£000	£000
Social housing lettings (note 3)	73,176	–	(61,863)	11,313	64,269	–	(54,690)	9,579
Other social housing activities								
Supporting people	2,567	–	(2,255)	312	2,572	–	(2,769)	(197)
LCHO first tranche Sales	4,638	(4,382)	–	256	2,691	(2,307)	–	384
Non-social housing activities								
Outright sales	2,352	(2,317)	–	35	508	(455)		53
Management services	11,737	–	(10,572)	1,165	12,564	–	(11,435)	1,129
Care services	36,853	–	(39,437)	(2,584)	28,924	–	(30,772)	(1,848)
Business development	–	–	(494)	(494)	–	–	(289)	(289)
Other	2,537	–	–	2,537	1,823	–	(45)	1,778
Total	133,860	(6,699)	(114,621)	12,540	113,351	(2,762)	(100,000)	10,589

3. Turnover, operating costs and operating surplus from social housing lettings

Group

	Housing for older people £000	General needs £000	Total 2010 £000	Total 2009 £000
Rent receivable net of identifiable service charges	47,220	3,334	50,554	45,416
Service charges receivable	23,024	198	23,222	19,387
Net rental income and turnover from social housing lettings	70,244	3,532	73,776	64,803
Services	20,417	197	20,614	19,234
Management	8,913	13	8,926	11,538
Routine maintenance	5,042	380	5,422	4,385
Planned maintenance	2,571	230	2,801	2,276
Major repairs expenditure	15,621	1,314	16,935	11,923
Leasehold and other contributions	1,457	90	1,547	941
Bad debts	240	17	257	157
Depreciation on housing properties	6,202	692	6,894	4,757
Operating costs on social housing lettings	60,463	2,933	63,396	55,211
Operating surplus on social housing lettings	9,781	599	10,380	9,592
Rent losses from voids	(3,904)	(119)	(4,023)	(2,742)

Association

	Housing for older people £000	General needs £000	Total 2010 £000	Total 2009 £000
Rent receivable net of identifiable service charges	46,834	3,166	50,000	44,994
Service charges receivable	22,978	198	23,176	19,275
Net rental income and turnover from social housing lettings	69,812	3,364	73,176	64,269
Services	20,227	175	20,402	18,955
Management	8,852	1	8,853	11,449
Routine maintenance	4,911	314	5,225	4,358
Planned maintenance	2,372	153	2,525	2,267
Major repairs expenditure	15,621	1,237	16,858	11,880
Leasehold and other contributions	2,167	362	2,529	941
Bad debts	240	16	256	143
Depreciation on housing properties	4,841	374	5,215	4,697
Operating costs on social housing lettings	59,231	2,632	61,863	54,690
Operating surplus on social housing lettings	10,581	732	11,313	9,579
Rent losses from voids	(3,898)	(119)	(4,017)	(2,728)

4. Deficit on disposal of exisiting rental housing properties and undeveloped land

	Group & Association	
	2010 £000	2009 £000
Proceeds of sale	**221**	1,688
Less costs of sale at carrying value	**(942)**	(1,816)
Deficit on disposal	**(721)**	(128)

The disposals (left) are in respect of subsequent tranche sales of LCHO properties and other disposals of properties that are not viable for long term retention or investment. They include the costs associated with a property that was demolished where a new scheme has subsequently been rebuilt on the same site.

5. Disposal of other assets

	Group & Association	
	2010 £000	2009 £000
Proceeds of sale	**2**	–
Less cost	**(1,303)**	(41)
Add accumulated depreciation	**1,014**	41
Loss on disposal	**(287)**	–

6. Director's emoluments

The directors of Housing 21 are defined as members of the Board and the management team. There were 16 directors during the year. Both the board and management team received emoluments during the year.

	2010 £000	2009 £000
Non-executive directors emoluments	**87**	78
Expenses reimbursed to non-executive directors not chargeable to United Kingdom taxation	**2**	3
Executive directors emoluments (excluding benefits in kind)	**1,121**	835
Executive directors benefits in kind	**9**	5
Executive directors pension contributions	**94**	92
Total	**1,224**	932

Emoluments payable to the highest paid director, Melinda Phillips former Chief Executive

Emoluments	**177**	165
Pension contributions*	**30**	28
Other contractual payments	**174**	–
Other payments	**126**	–
Total	**507**	193

The Chief Executive, Pushpa Raguvaran, is an ordinary member of the SHPS pension scheme (note 31) to which no special terms apply. Contributions from the Company are at the rate of 17.10%.

* Further pension contributions were made in April 2010 of £80k.

One of the directors, Brian Ward-Jones, was a tenant of the Association during the year. His tenancy was on the same terms and conditions as other tenants. He is unable to use his position as Board member to any advantage in his relationship with the Association as a tenant.

7. Employee information

The average number of people employed (including management team) (full time equivalents) was:

	Group		Association	
	2010	2009	**2010**	2009
Management and administration	**897**	560	**556**	560
Court managers	**440**	434	**405**	433
Care and ancillary	**5,271**	1,515	**2,041**	1,498
	6,608	2,509	**3,002**	2,491

Staff costs (For the above persons)	Group		Association	
	2010 £000	2009 £000	**2010 £000**	2009 £000
Wages and salaries	**65,668**	42,731	**50,681**	42,420
Social security costs	**4,881**	3,172	**3,738**	3,151
Pension costs (see note 29)	**3,670**	2,139	**2,319**	2,139
	74,219	48,042	**56,738**	47,710

8. Interest payable and similar charges

	Group		Association	
	2010 £000	2009 £000	**2010 £000**	2009 £000
On loans from local authorities:				
Repayable wholly or partly in more than 5 years	**26**	29	**26**	29
On loans from other lenders:				
Interest payable on loans	**14,611**	11,892	**6,797**	7,411
Less: capitalised interest	**(3,100)**	(3,530)	**(844)**	(574)
Interest payable on finance leases	**87**	87	**87**	87
Other interest payable	**721**	1,144	**404**	557
	12,345	9,622	**6,470**	7,510

9. Other finance (costs)/income

	Group		Association	
	2010 £000	2009 £000	**2010 £000**	2009 £000
On pension liability (See note 30)	**(69)**	95	**(69)**	95

10. Surplus on ordinary activities before tax

	Group		Association	
	2010 £000	2009 £000	**2010 £000**	2009 £000
Surplus on ordinary activities before tax is after charging:				
Depreciation – owned assets	**8,428**	5,940	**6,460**	5,880
– leased assets	**1**	–	**–**	–
Amortisation of goodwill	**2,003**	239	**238**	239
Interest element of finance lease payments	**87**	87	**87**	87
Payments under operating leases	**306**	13	**13**	13
Auditors' remuneration (including VAT and expenses):				
• In their capacity as auditors	**126**	89	**83**	74
• In respect of other services	**50**	–	**31**	–

11. Taxation

War Memorial Village Derby (see note 32) is a registered charity and is therefore exempt from Corporation Tax on its income and gains to the extent that these are applied to its charitable objectives.

The Association, Kent Community Partnership Limited and Oldham Retirement Housing Partnership Limited have charitable status, therefore are exempt from Corporation Tax on their income and gains to the extent that these are applied to their charitable objectives.

Housing 21 Guernsey Limited by Guarantee – the Administrator of Income Tax in Guernsey has agreed that the company's profits will not be subject to tax. The Administrator has decided to treat the company as exempt from Guernsey tax due to its charitable activities. The company will be managed in such a way that it will be treated as having UK tax residency and therefore it will be subject to UK tax.

Housing 21 Property Services Limited is subject to UK corporation tax at the prevailing rate.

The following Companies were acquired by Housing 21 on 28 September 2009 and all are subject to UK Corporation tax at the prevailing rate:

Claimar Care Group PLC
Claimar Care Ltd
MK Homecare Ltd
Surecare Community Services Ltd
Firstcall Community Services Ltd
Primary Care Services Ltd
Jemma Care Ltd
Acorn Homecare Ltd
Stockwell Care Services Ltd
Twenty4seven Homecare Services Ltd
Lynks Care Ltd
Boundary Care Services Ltd
Complete Care Holdings Ltd
Complete Personal Assistance Ltd
Complete Training Ltd
Complete Care Management Holdings Ltd
Paediatric Nursing Link Ltd
Complete Independent Living Services Ltd
Complete Ability Ltd
Ravenscroft One Ltd
Homelink Ltd
Practicare Ltd
Pharmassured Ltd

Housing 21 Group Limited, Housing 21 Care Options Ltd, Dementia Voice Ltd and JBK Social Care Ltd are dormant and therefore have no taxable income or gains.

The UK taxation charge for the year is analysed as follows:

	Group		Association	
Current Taxation	**2010 £000**	2009 £000	**2010 £000**	2009 £000
UK Corporation Tax	**41**	12	**–**	–
Deferred Tax	**473**	–	**–**	–
Adjustments in respect of prior years	**7**	8	**11**	–
	521	20	**11**	–

Current tax reconciliation

The tax charge differs from the standard rate of corporation tax in the UK.
A reconciliation is shown below:

	Group		Association	
	2010 £000	2009 £000	**2010 £000**	2009 £000
Surplus on ordinary activities before taxation	**2,100**	28	**6,291**	3,169
Tax at the standard rate of tax of 28% (2009 – 28%)	**588**	8	**1,762**	887
Effects of:				
Depreciation on non-qualifying assets	**11**	6	**–**	–
Capital allowances in excess of depreciation	**(1)**	–	**–**	–
Exemption for charitable activities	**(77)**	6	**(1,751)**	(887)
Total current tax charge	**521**	20	**11**	–

Deferred Tax arises due to timing differences on gift aid that may not crystalise.

12. Housing properties at valuation – Group

Cost or Valuation	Freehold land & buildings: Housing for Older People (Valuation) £000	Freehold land & buildings: Housing For General Needs (Valuation) £000	Freehold land & buildings: Shared Ownership (Valuation) £000	Leasehold buildings: Housing for Older People (Valuation) £000	Leasehold buildings: Housing For General Needs (Valuation) £000	Leasehold buildings: Shared Ownership (Valuation) £000
At 1 April 2009	443,370	35,743	1,502	50,383	1,010	–
Disposals	(920)	–	(16)	–	–	–
Additions: works to existing properties	3,005	453	23	288	–	–
Additions: new properties	–	–	–	–	–	–
Completed projects cost	38,802	–	799	75,044	13,884	1,159
Transfer to cost of sales	–	–	(3,093)	–	–	–
Completed projects SHG and other grant	(18,982)	–	(1,440)	(12,377)	–	(889)
SHG and other grant received in the year	–	–	–	–	–	–
Grant transferred to Grant in advance	–	–	–	–	–	–
Surplus on revaluation	21,318	2,544	4,455	13,738	236	92
At 31 March 2010	**486,593**	**38,740**	**2,230**	**127,076**	**15,130**	**362**
Depreciation						
At 1 April 2009	–	–	–	–	–	–
Charge for the year on revalued amounts	4,373	356	15	1,832	300	2
Eliminated on revaluation	(4,373)	(356)	(15)	(1,832)	(300)	(2)
At 31 March 2010	–	–	–	–	–	–
Net book value at 31 March 2010	**486,593**	**38,740**	**2,230**	**127,076**	**15,130**	**362**
Net book value at 31 March 2009	443,370	35,743	1,502	50,383	1,010	–
Net book value at 31 March 2010 is represented by:						
Gross cost	509,142	22,389	12,112	143,273	14,894	1,474
Less: SHG and other grants	(293,518)	(287)	(8,850)	(47,256)	–	(1,239)
Less: Accumulated depreciation	(16,007)	(1,723)	(77)	(3,264)	(292)	(6)
Add: Accumulated surplus/ (deficit) on revaluation	286,975	18,361	(955)	34,323	528	133
Total	**486,592**	**38,740**	**2,230**	**127,076**	**15,130**	**362**

Finance lease buildings Freehold land & buildings (Valuation)	Housing under construction Housing for Older People (Cost)	Housing For General Needs (Cost)	Shared Ownership (Cost)	Total
£000	£000	£000	£000	£000
1,145	51,326	10,002	5,549	**600,030**
–	–	–	–	**(936)**
12				**3,781**
–	85,346	3,882	283	**89,511**
–	(113,846)	(13,884)	(1,958)	**–**
–	–	–	–	**(3,093)**
–	31,359	–	2,329	**–**
–	(57,483)	–	(1,844)	**(59,327)**
–	14,283	–	–	**14,283**
119	–	–	–	**42,502**
1,276	**10,985**	**–**	**4,359**	**686,751**
–	–	–	–	**–**
37	–	–	–	**6,915**
(37)	–	–	–	**(6,915)**
–	–	–	–	**–**
1,276	**10,985**	**–**	**4,359**	**686,751**
1,145	51,326	10,002	5,549	**600,030**
2,471	47,561	–	4,359	**757,675**
(96)	(36,576)	–	–	**(387,821)**
(317)	–	–	–	**(21,686)**
(782)	–	–	–	**338,583**
1,276	**10,985**	**–**	**4,359**	**686,751**

12. Housing properties at valuation – Association

Cost or Valuation	Freehold land & buildings: Housing for Older People (Valuation) £000	Freehold land & buildings: Housing For General Needs (Valuation) £000	Freehold land & buildings: Shared Ownership (Valuation) £000	Leasehold buildings: Housing for Older People (Valuation) £000	Leasehold buildings: Housing For General Needs (Valuation) £000	Leasehold buildings: Shared Ownership (Valuation) £000
At 1 April 2009	439,690	34,487	1,502	50,383	–	–
Disposals	(920)	–	(16)	–	–	–
Additions: works to existing properties	3,005	434	23	288	–	–
Additions: new properties	–	–	–	–	–	–
Completed projects cost	38,802	–	799	20,556	–	1,159
Transfer to current assets	–	–	(3,093)	–	–	–
Completed projects SHG and other grant	(18,982)	–	(1,440)	(12,377)	–	(889)
SHG and other grant received in the year	–	–	–	–	–	–
Grant transferred to Grant in advance	–	–	–	–	–	–
Surplus on revaluation	21,178	2,321	4,455	3,592	–	92
At 31 March 2010	**482,773**	**37,242**	**2,230**	**62,442**	**–**	**362**
Depreciation						
At 1 April 2009	–	–	–	–	–	–
Charge for the year on revalued amounts	4,334	331	15	497	–	2
Eliminated on revaluation	(4,334)	(331)	(15)	(497)	–	(2)
At 31 March 2010	–	–	–	–	–	–
Net book value at 31 March 2010	**482,773**	**37,242**	**2,230**	**62,442**	**–**	**362**
Net book value at 31 March 2009	439,690	34,487	1,502	50,383	–	–
Net book value at 31 March 2010 is represented by:						
Gross cost	503,336	21,122	12,112	86,927	–	1,474
Less: SHG and other grants	(287,855)	(282)	(8,850)	(47,256)	–	(1,239)
Less: Accumulated depreciation	(16,003)	(1,526)	(77)	(2,139)	–	(6)
Add: Accumulated surplus/ (deficit) on revaluation	283,295	17,928	(955)	24,910	–	133
Total	**482,773**	**37,242**	**2,230**	**62,442**	**–**	**362**

Finance lease buildings	Housing under construction			Total
Freehold land & buildings	Housing for Older People	Housing For General Needs	Shared Ownership	
(Valuation)	(Cost)	(Cost)	(Cost)	
£000	£000	£000	£000	£000
1,145	12,284	–	5,549	**545,040**
–	–	–	–	**(936)**
12	–	–	–	**3,762**
–	71,214	–	283	**71,497**
–	(59,358)	–	(1,958)	**–**
–	–	–	–	**(3,093)**
–	31,359	–	2,329	**–**
–	(57,483)	–	(1,844)	**(59,327)**
–	14,283	–	–	**14,283**
119	–	–	–	**31,757**
1,276	**12,299**	**–**	**4,359**	**602,983**
–	–	–	–	**–**
37	–	–	–	**5,216**
(37)	–	–	–	**(5,216)**
–	–	–	–	**–**
1,276	**12,299**	**–**	**4,359**	**602,983**
1,145	12,284	–	5,549	**545,040**
2,471	48,875	–	4,359	**680,676**
(96)	(36,576)	–	–	**(382,154)**
(317)	–	–	–	**(20,068)**
(782)	–	–	–	**324,529**
1,276	**12,299**	**–**	**4,359**	**602,983**

12.Housing properties at valuation – Association (continued)

Residential properties were valued by Drivers Jonas Deloitte, Chartered Surveyors, on the basis of Existing Use Value for Social Housing (EUV-SH), as at 31 March 2010. The basis of valuation assumes that the properties will continue to be owned by a Registered Provider of Social Housing, for letting at affordable rents, and will be managed in accordance with the Performance Standards published by the Tenant Services Authority.

The valuation was undertaken in accordance with the RICS Valuation Standards, PS 5.1. In determining the valuation, the valuer made use of the discounted cash flow methodology. Assumptions were made concerning the key factors of: the level of future rents, tenant turnover rates, management and maintenance costs, bad debt and void levels, and future discount rates. The spread of discount rates used was from 5.75% to 7% depending on the scheme's location.

The valuation provided by Drivers Jonas Deloitte for the Group totalled £671,407,000 for completed properties (2009: £533,154,000)

The values of completed developments moved into housing stock from housing under construction during the year included capitalised interest (rates applied during year: 6% on debit balances and 4% on credit balances) of £3,100,000 (2009: £3,530,000).

Analysis of completed housing properties at valuation

	Group		Association	
	2010 £000	2009 £000	**2010 £000**	2009 £000
Freeholds	**527,563**	480,615	**522,245**	475,679
Long leaseholds	**142,568**	51,393	**62,804**	50,383
Short leaseholds	**1,276**	1,145	**1,276**	1,145
	671,407	533,153	**586,325**	527,207

Capital grants

Group	Completed schemes £000	Schemes in the course of construction £000	Total £000
Social Housing Grant			
1 April 2009	268,289	4,723	273,012
Disposals in year	–	–	–
Receivable in year	–	36,801	36,801
Completed projects	22,745	(22,745)	–
At 31 March 2010	**291,034**	**18,779**	**309,813**
Other Grants			
1 April 2009	48,370	21,396	69,766
Receivable in year	–	8,242	8,242
Completed projects	10,985	(10,985)	–
At 31 March 2010	**59,355**	**18,653**	**78,008**
Total			
1 April 2009	316,659	26,119	342,778
Disposals in year	–	–	–
Receivable in year	–	45,043	45,043
Completed projects	33,730	(33,730)	–
At 31 March 2010	**350,389**	**37,432**	**387,821**

Within the figure for 'Other grants, receivable in the year' is a total of £1,810k relating to land donated by local authorities. The valuation of this land, covering a number of schemes, has been accounted as a cost of development and also treated as a capital grant.

Capital grants

Association	Completed schemes	Schemes in the course of construction	Total
	£000	£000	£000
Social Housing Grant			
1 April 2009	268,284	4,723	273,007
Disposals			
Receivable in year	–	36,801	36,801
Completed projects	22,745	(22,745)	–
At 31 March 2010	**291,029**	**18,779**	**309,808**
Other grants			
1 April 2009	42,708	21,396	64,104
Receivable in year	–	8,242	8,242
Completed projects	10,945	(10,945)	–
At 31 March 2010	**53,693**	**18,653**	**72,346**
Total			
1 April 2009	310,992	26,119	337,111
Disposals			
Receivable in year		45,043	45,043
Completed projects	33,690	(33,690)	–
At 31 March 2010	**344,722**	**37,432**	**382,154**

Social Housing Grant

	Group		Association	
	2010 £000	2009 £000	**2010 £000**	2009 £000
Capital grants deducted from housing properties – cost	**387,821**	342,778	**382,154**	337,111
Add: cumulative amount credited to income and expenditure account	**72**	72	**72**	72
Total Social Housing Grant receivable to date	**387,893**	342,850	**382,226**	337,183

13. Other fixed assets

Group

	Leasehold office improvements £000	Freehold offices £000	Long lease property £000	Office equipment £000	Motor vehicles £000	Computer equipment £000	Total £000
Cost							
At 1 April 2009	254	3,312	–	748	21	9,632	**13,967**
Additions on acquisition	–	200	199	364	11	725	**1,499**
Additions	–	–	–	19	16	1,048	**1,083**
Disposals	(16)	–	–	–	(21)	(1,266)	**(1,303)**
At 31 March 2010	238	3,512	199	1,131	27	10,139	**15,246**
Depreciation							
At 1 April 2009	221	422	–	648	21	7,708	**9,020**
Charge for the year	5	70	12	76	3	1,348	**1,514**
Disposals	(16)	–	–	–	(21)	(977)	**(1,014)**
At 31 March 2010	210	492	12	724	3	8,079	**9,520**
Net book value at 31 March 2010	**28**	**3,020**	**187**	**407**	**24**	**2,060**	**5,726**
Net book value at 31 March 2009	33	2,890	2,890	100	–	1,924	4,947

Association

	Leasehold office improvements £000	Freehold offices £000	Office equipment £000	Motor vehicles £000	Computer equipment £000	Total £000
Cost						
At 1 April 2009	215	3,312	727	21	9,591	**13,866**
Additions on acquisition	–	–	–	–	–	**–**
Additions	–	–	3	–	898	**901**
Disposals	(16)	–	–	(21)	(1,266)	**(1,303)**
At 31 March 2010	199	3,312	730	–	9,223	**13,464**
Depreciation						
At 1 April 2009	182	422	633	21	7,667	**8,925**
Charge for the year	5	67	24	–	1,148	**1,244**
Disposals	(16)	–	–	(21)	(977)	**(1,014)**
At 31 March 2010	171	489	657	–	7,838	**9,155**
Net book value at 31 March 2010	**28**	**2,823**	**73**	**–**	**1,385**	**4,309**
Net book value at 31 March 2009	33	2,890	94	–	1,924	4,941

14. Housing properties and stock for sale

	Group		Association	
	2010 £000	2009 £000	**2010 £000**	2009 £000
Low Cost Home Ownership Properties for sale	**4,772**	1,483	**4,772**	1,483
Low Cost Home Ownership properties under construction	**13,958**	1,403	**13,958**	1,403
Outright sale properties for sale	**932**	662	**932**	662
Outright sale properties under construction	**1,500**	–	**1,500**	–
Other stock for sale	**51**	–	**–**	–
	21,213	3,548	**21,162**	3,548

Due to the economic climate at the end of March 2009, the board took the view that the majority of units earmarked for outright sale or LCHO would be reclassified as held for intermediate rent. Only units with a deposit on them were therefore classified as housing properties and stock for sale. During the year a greater number of units were sold than anticipated and therefore the housing stock for sale includes all such properties at end March 2010.

15. Debtors: amounts falling due after one year

	Group		Association	
		(Restated)		
	2010 £000	2009 £000	**2010 £000**	2009 £000
Work in progress recoverable	**9,556**	22,294	**2,741**	705
Finance debtor	**81,486**	42,212	**–**	–
Amount owing from subsidiaries	**–**	–	**25,980**	–
	91,042	64,506	**28,721**	705

The increase in the finance debtor is as a result of the continuing construction of sites in Oldham for OMBC. This will be amortised over the life of the contract.

16. Debtors: amounts falling due within one year

	Group		Association	
	2010 £000	2009 £000	**2010 £000**	2009 £000
Rental debtors	**2,715**	3,478	**2,693**	3,442
Less provision for bad debts	**(713)**	(504)	**(696)**	(504)
	2,002	2,974	**1,997**	2,938
Trade debtors	**15,475**	2,605	**3,380**	2,101
Other debtors	**12,173**	11,394	**10,468**	10,131
	35	–	**–**	–
Amount owing from subsidiaries	**–**	–	**4,300**	455
	29,685	16,973	**20,145**	15,625

17. Creditors: amounts falling due within one year

	Group		Association	
	2010 £000	2009 £000	**2010 £000**	2009 £000
Bank overdraft	**3**	1,542	**3**	1,541
Housing loans	**4,667**	8,475	**3,934**	1,200
Obligations under finance leases	**34**	27	**32**	27
Amount owing to subsidiaries	**–**	–	**2,391**	1,410
Trade creditors	**7,288**	5,326	**2,545**	2,525
SHG and other grants received in advance	**14,283**	18,935	**14,283**	18,935
Corporation Tax	**63**	–	**–**	–
Other creditors including PAYE and social security	**12,160**	10,476	**9,410**	10,048
Accruals and deferred income	**43,401**	36,846	**26,272**	21,855
	81,899	81,627	**58,870**	57,541

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

	Group		Association	
	2010 £000	2009 £000	**2010 £000**	2009 £000
Loans				
Local Authority residual loans	**173**	173	**173**	173
Government loans	**10,949**	11,001	**10,949**	11,001
Debenture stock	**14,000**	13,300	**14,000**	13,300
Bank loans	**263,610**	165,840	**115,672**	57,338
Other secured loans	**60,000**	25,750	**60,000**	25,750
Sub total	**348,732**	216,064	**200,794**	107,562
Debenture stock – premium on issue	**313**	355	**313**	355
	349,045	216,419	**201,107**	107,917
Less: funding costs to be amortised	**(2,461)**	(2,344)	**(471)**	(243)
	346,584	214,075	**200,636**	107,674
Less: amounts falling due within one year	**(4,667)**	(8,475)	**(3,934)**	(1,200)
Total loans due after one year	**341,917**	205,600	**196,702**	106,474
Finance leases				
Finance leases	**2,530**	2,557	**2,530**	2,557
Less: amounts falling due within one year	**(32)**	(27)	**(32)**	(27)
Total finance leases due after one year	**2,498**	2,530	**2,498**	2,530
	344,415	208,130	**199,200**	109,004

Details of obligations under finance leases can be found in note 28.

Loans are secured by charges on the assets of the Association including specific charges on certain housing properties.

The weighted average interest rate is 4.21% (2009: 6.37%).

The loans are due as follows:

	Group		Association	
	2010 £000	2009 £000	**2010 £000**	2009 £000
Loan stocks and bank loans Repayable as follows:				
In one year or less	**4,667**	8,475	**3,934**	1,200
In more than one year and less than two years	**16,473**	2,494	**3,239**	1,761
In more than two years and less than five years	**23,168**	27,064	**10,446**	5,306
In five years or more	**304,424**	178,031	**183,175**	99,295
	348,732	216,064	**200,794**	107,562

19. Provisions for liabilities and charges

	Group		Association	
	2010 £000	2009 £000	**2010 £000**	2009 £000
Deferred Tax	**473**	–	**–**	–

20. Share capital

	2010 £	2009 £
Allotted, issued and fully paid at 1 April 2009	**29**	29
Issued during the year	**7**	–
Surrendered during the year	**(5)**	–
At 31 March 2010	**31**	29

Each member of the Association holds a non-equity share of £1 in the Association.

The shares carry no right to dividends. The shares are cancelled on the resignation of members from the Association. The shares carry the right to vote at meetings of the Association on the basis of one share one vote. No rights to participate in the net assets of the Association in the event of a winding up are conferred by the shares.

21. Reserves

	Group		Association	
	Revenue Reserve	Revaluation Reserve	Revenue Reserve (as restated)	Revaluation Reserve
	£000	£000	£000	£000
At 1 April 2009	116,055	291,966	118,121	290,097
Prior year adjustment	(1,069)	–	–	–
Restated at 1 April 2009	114,986	291,966	118,121	290,097
Revaluation surplus released on disposal of property	(320)	320	(320)	320
Surplus for the year	1,579	–	6,280	–
Revaluation of properties	–	49,417	–	36,973
Actuarial loss on pension scheme liability	(2,433)	–	(2,433)	–
Transfer (depreciation adjustment)	3,120	(3,120)	2,861	(2,861)
At 31 March 2010	**116,932**	**338,583**	**124,509**	**324,529**

The prior year adjustment relates to the elimination of a consolidation entry for 2008/09 where an inter company transaction was treated as turnover in one company and as a current asset in its trading partner.

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

	2010	(Restated) 2009
	£000	£000
Operating surplus	**11,966**	7,547
Depreciation	**8,429**	5,940
Amortisation of goodwill	**2,003**	239
Amortisation of loan costs	**(222)**	249
Pension schemes subject to FRS 17, current service cost	**195**	262
Pension schemes subject to FRS 17, contributions paid	**(269)**	(270)
Movement in Housing Properties and Stock for Sale	**(17,614)**	141
Increase in debtors	**(28,465)**	(32,038)
Increase in creditors	**3,386**	14,138
Net cash outflow from operating activities	**(20,591)**	(3,792)

23. Analysis of the management of liquid resources

	2010	2009
	£000	£000
(Increase)/decrease in short term deposits	**(5,259)**	1,225

24. Analysis of the changes in net debt

	At 1 April 2009 £000	Cash Flows £000	Acquisition £000	Non-cash items £000	At 31 March 2010 £000
Cash	1,808	5,051	–	–	**6,859**
Bank overdraft	(1,542)	1,539	–	–	**(3)**
	266	6,590	–	–	**6,856**
Bank loans due within 1 year	(8,475)	8,475	–	(4,667)	**(4,667)**
Bank loans due after 1 year	(205,600)	(122,934)	(18,050)	4667	**(341,917)**
Finance leases due within 1 year	(27)	25	–	(32)	**(34)**
Finance leases due after 1 year	(2,530)	–	–	32	**(2,498)**
	(216,366)	(107,844)	(18,050)	–	**(342,260)**
Cash on short term deposit	2,761	5,259	–	–	**8,020**
Total	(213,605)	(102,585)	(18,050)	–	**(334,240)**

25. Reconciliation of the movement in net debt

	2010 £000	2009 £000
Increase in cash in the period	**6,590**	176
Cash inflow from increase in debt	**(114,459)**	(68,997)
Loans acquired	**(18,050)**	–
Movement in short term deposits	**5,259**	(1,225)
Changes in net debt resulting from cash flows	**(120,660)**	(70,046)
Finance leases	**25**	22
Movement in net debt in the year	**(120,635)**	(70,024)
Net debt at 1 April 2009	**(213,605)**	(143,581)
Net debt at 31 March 2010	**(334,240)**	(213,605)

26. Housing accommodation

The number of units of accommodation at 31 March 2010 was:

	Group		Association	
	2010	2009	**2010**	2009
Owned and managed				
Housing for older people	**13,322**	12,999	**13,272**	12,948
General needs	**626**	626	**580**	580
Leased	**1,096**	1,022	**1,061**	987
Staff accommodation	**296**	302	**295**	302
Owned but managed by others				
General needs	**48**	48	**48**	48
Hostels	**–**	6	**–**	6
Managed for others				
Housing for older people	**1,900**	1,633	**166**	102
General needs	**4**	4	**50**	50
Staff accommodation	**2**	3	**3**	1
Total	**17,294**	16,643	**15,475**	15,024
Units in development				
For rent	**1,114**	1,724	**1,114**	1,399
For shared ownership	**298**	64	**298**	64
For outright sale	**31**	9	**31**	9
Total	**1,443**	1,797	**1,443**	1,472

27. Capital commitments

	Group		Association	
	2010 £000	2009 £000	**2010 £000**	2009 £000
Capital expenditure contracted but not provided for	**162,532**	175,861	**142,294**	151,380
Capital expenditure approved but not contracted for	**55,493**	12,263	**55,493**	12,263

The amount contracted for at 31 March 2010 will be funded from loans or grants approved by local authorities, the HCA and the Department of Health; or will be financed from private finance loans or the Group's own resources. Grant funding of £29.6m has already been secured.

28. Financial commitments

Finance leases:

The Association entered into two finance lease agreements, commencing January 1997, for groups of properties located in Bexhill and Felixstowe. These agreements are 35 years in duration and are full repairing and insuring leases, with an option for reversion during the 35th year.

Under the terms of the lease contract, the Association has an obligation to make rental payments increasing at a compound rate of 3.5% per annum over the 35 year lease duration.

Obligations due under the leases are payable as follows (excluding interest):

	Group & Association	
	2010 £000	2009 £000
In one year or less	**32**	27
Between one and two years	**37**	32
Between two and five years	**145**	128
In five years or more	**2,316**	2,370
	2,530	2,557

29. Commitments under operating leases

The group and association had annual commitments under operating leases as set out below:

	Group		Association	
	2010 £000	2009 £000	**2010 £000**	2009 £000
On land and buildings:				
In one year or less	**94**	74	**74**	74
In one – five years	**339**	144	**144**	144
In five or more years	**329**	196	**196**	196
On other assets:				
In one year or less	**20**	–	**13**	–
In one – five years	**221**	–	**116**	–

30. Pension liability

Several pension schemes are operated by the Group.
The major schemes and respective deficits are:

	Group & Association	
	2010 £000	2009 £000
London Borough of Redbridge	**(127)**	(72)
London Borough of Lewisham	**(241)**	(128)
London Borough of Barnet	**(2,778)**	(518)
	(3,146)	(718)

The movement on the pension scheme liabilities is scheduled below:

Year ended 31 March 2010	**Total**	London Borough of Redbridge	London Borough of Lewisham	London Borough of Barnet
	£000	£000	£000	£000
Deficit at the beginning of the year	**718**	72	128	518
Current service cost, charged to operating surplus	**195**	–	7	188
Other finance costs, charged to surplus (note 9)	**69**	7	10	52
Past service cost	**–**	–	–	–
Actuarial losses, charged to the statement of recognised surpluses and deficits	**2,433**	48	104	2,281
Contribution paid	**(269)**	–	(8)	(261)
Deficit at the end of the year	**3,146**	127	241	2,778

Year ended 31 March 2009	Total	London Borough of Redbridge	London Borough of Lewisham	London Borough of Barnet
	£000	£000	£000	£000
(Surplus)/deficit at the beginning of the year	(91)	23	56	(170)
Current service cost, charged to operating surplus	231	–	8	223
Other finance (income)/costs, charged to surplus (note 9)	(95)	3	3	(101)
Past service cost	31		4	27
Actuarial losses, charged to the statement of recognised surpluses and deficits	912	46	65	801
Contribution paid	(270)	–	(8)	(262)
Deficit at the end of the year	718	72	128	518

The actuarial gains and losses charged to the statement of total recognised surpluses and deficits are analysed as follows:

Year ended 31 March 2010	**Total**	London Borough of Redbridge	London Borough of Lewisham	London Borough of Barnet
	£000	£000	£000	£000
Actuarial losses	**(2,433)**	(48)	(104)	(2,281)
Charged to the statement of recognised surpluses and deficits	**(2,433)**	(48)	(104)	(2,281)

Year ended 31 March 2009	Total	London Borough of Redbridge	London Borough of Lewisham	London Borough of Barnet
	£000	£000	£000	£000
Actuarial losses	(912)	(46)	(65)	(801)
Charged to the statement of recognised surpluses and deficits	(912)	(46)	(65)	(801)

Analysis of projected pension expense for the year to 31 March 2010

Year ended 31 March 2010	**Total**	London Borough of Redbridge	London Borough of Lewisham	London Borough of Barnet
	£000	£000	£000	£000
Projected current service cost	**195**	–	7	188
Interest obligation	**427**	24	24	379
Expected return on plan assets	**(358)**	(17)	(14)	(327)
Total	**264**	7	17	240

31. Pensions

Disclosures are required in respect of Financial Reporting Standard 17 (Retirement Benefits) including the Association's share of the surplus/deficit and assets/liabilities (as at the balance sheet date) of any defined benefit scheme to which the Association contributes on behalf of its employees.

Social Housing Pension Scheme (administered by The Pensions Trust)

The Board decided to close the scheme to new employees at 30 June 2002 and to existing employees at 31 December 2002. From those dates employees have been offered the opportunity to join the group stakeholder pension plan.

Housing 21 accounts for less than 1% of SHPS total membership.

The following disclosure has been provided by the administrators:

Housing 21 participates in the Social Housing Pension Scheme (SHPS). The Scheme is funded and is contracted out of the state scheme.

SHPS is a multi-employer defined benefit 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, to March 2007. From April 2007 there are three benefit structures available, namely:

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

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

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

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

Housing 21 has elected to operate the final salary with a 1/60th accrual rate, benefit structure for active members. This does not reflect any benefit structure changes made from April 2010.

The Trustee commissions an actuarial valuation of the Scheme every 3 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 1 April 2010 the requirement to pay at least 50% of the total contribution 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 Housing 21 paid contributions at the rate of 17.1%. Members' contributions varied between 6.4% and 8.4% depending on their age.

As at the balance sheet date there were 125 active members of the Scheme employed by Housing 21. Housing 21 has closed the Scheme to new entrants.

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

The last formal valuation of the Scheme was performed as at 30 September 2008 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £1,527 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £663 million, equivalent to a past service funding level of 70%.

The financial assumptions underlying the valuation as at 30 September 2008 were as follows:

	%pa
• Valuation discount rates:	
Pre retirement	7.8
Non pensioner post retirement	6.2
Pensioner post retirement	5.6
• Pensionable earnings growth	4.7
• Price inflation	3.2
• Rate of pension increases	
Pre 88 GMP	0.0
Post 88 GMP	2.8
Excess over GMP	3.0

Expenses for death in service insurance, administration and PPF levy are included in the contribution rate.

The valuation was carried out using the following demographic assumptions:

Mortality pre retirement – PA92 Year of Birth, long cohort projection, minimum improvement 1% pa.

Mortality post retirement – 90% of SIPA Year of Birth, long cohort projection, minimum improvement 1% pa.

The long-term joint contribution rates that will apply from April 2010 required from the employers and members to meet the cost of future benefit accruals were assessed at:

Benefit structure	Long-term joint contribution rate (% of pensionable salaries)
Final salary with a 1/60th accrual rate	17.8
Final salary with a 1/70th accrual rate	15.4
Career average revalued earnings with a 1/60th accrual rate	14.9
Final salary with a 1/80th accrual rate	13.5
Career average revalued earnings with a 1/80th accrual rate	11.9

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 £663 million would be dealt with by the payment of deficit contributions of 7.5% of pensionable salaries, increasing each year in line with salary growth assumptions, from 1 April 2010 to 20 September 2020, dropping to 3.1% from 1 October 2020 to 20 September 2023. Pensionable earnings at 30 September 2008 are used as the reference point for calculating these deficit contributions. These deficit contributions are in addition to the long-term joint contribution rates set out in the above table.

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

Employers that have closed the Scheme to new entrants, including Housing 21, are required to pay an additional employer contribution loading of 3.0% to reflect the higher costs of a closed arrangement.

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

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

A copy of the recovery plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). The Regulator is currently in the process of reviewing the recovery plan for the SHPS Scheme in respect of the September 2008 actuarial valuation. A response from the Regulator is expected in due course.

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 buyout 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.

Housing 21 has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme based on the financial position of the Scheme as at 30 September 2009. As of the date the estimated employer debt for Housing 21 was £39,438,000.

Group Stakeholder Plan with Axa Sun Life

Following the closure of the SHPS scheme to new members, employees have been offered the opportunity to join the Group Stakeholder Plan. This is a defined contribution scheme. The pension cost of this scheme for the Association in the year was £457k (2009: £404k). There were 279 employee members at the year end (2009: 286). The Association contributes at a rate of 5% (if the employee contributes 3%) or 9% (if the employee contributes at 5%).

Group Stakeholder Plan with Scottish Equitable

This is a defined contribution scheme. This scheme is operated by CCG and the pension cost of this scheme for the Company in the six months from acquisition was £51k (2009: £nil). There were 4 employee members at the year end (2009: nil). The Company contributes at a rate of 10% or 6% dependent on position (regardless of whether the employee has opted to make any contribution).

Prudential Group Savings Plan

This scheme has been closed to new members since 1997.

The Prudential Group Savings Plan is a defined contribution scheme. The pension cost of this scheme for the Association was £62k (2009: £78k) with 31 employee members at the year end (2009: 38).

The contribution rate of the Association is 10% or 15% of pensionable salary and nil for employees.

Local Authority Pension Schemes

Due to the TUPE transfer of staff, the Association participates in the following multi-employer defined benefit pension schemes:

City of Westminster Pension Fund

The City of Westminster scheme is a defined benefit scheme. However Housing 21's liability in relation to its employees is capped at 12% and 17%. The scheme is therefore accounted for as a defined contribution scheme in accordance with FRS 17 as the charge in the income and expenditure account represents the employer contribution payable.

During the accounting period Housing 21 paid contributions at 12% and 17% totalling £265k (2009: £262k). There were 123 employee members at the year end (2009: 132 employees). Employee contributions were 5.5 % or 7.5% (2009: 5.5% or 7.5%).

Oldham Metropolitan Borough Council Pension Fund

Oldham Metropolitan Borough Council scheme is a defined benefit scheme. However Housing 21's liability in relation to its employees is capped at 20%. The scheme is therefore accounted for as a defined contribution scheme in accordance with FRS 17 as the charge in the income and expenditure account represents the employer contribution payable.

During the accounting period Housing 21 paid contributions at 14.2% totalling £41k (2009: £40k). There were 15 employee members at the year end (2009:18). Employee contributions were 5.5% or 7.5% (2009: 5.5% or 7.5%).

Walsall Metropolitan Borough Council Pension Fund

Walsall Metropolitan Borough Council scheme is a defined benefit scheme. However Housing 21's liability in relation to its employees is capped at 14.7%. The scheme is therefore accounted for as a defined contribution scheme in accordance with FRS 17 as the charge in the income and expenditure account represents the employer contribution payable.

During the accounting period Housing 21 paid contributions at 14.7% totalling £520k (2009: £570k). There were 242 employee members at the year end (2009: 279). Employee contributions were between 5.5% and 7.5%.

London Borough of Sutton Pension Scheme

London Borough of Sutton pension scheme is a defined benefit scheme. However Housing 21's liability in relation to its employees is capped at 20%. The scheme is therefore accounted for as a defined contribution scheme in accordance with FRS 17 as the charge in the income and expenditure account represents the employer contribution payable.

During the accounting period Housing 21 paid contributions at 20% totalling £17k (2009: £12k). There were 5 employee members at the year end (2009: 5). Employee contributions were between 5.5% and 7.5%.

London Borough of Camden Pension Scheme

London Borough of Camden scheme is a defined benefit scheme. However Housing 21's liability in relation to its employees is capped at 22%. The scheme is therefore accounted for as a defined contribution scheme in accordance with FRS 17 as the charge in the income and expenditure account represents the employer contribution payable.

During the accounting period Housing 21 paid contributions at 19.2% totalling £113k (2009: £27k). There were 31 (2009: 32) employee members at the year end. Employee contributions were between 5.5% and 7.5%.

Suffolk County Council Pension Scheme

The Association is an admitted body to the Suffolk County Council Pension Scheme (the fund) which is administered by Suffolk County Council. Suffolk County Council Scheme is a defined benefit scheme. However Housing 21's liability in relation to its employees is capped at 20.8%. The scheme is therefore accounted for as a defined contribution scheme in accordance with FRS 17 as the charge in the income and expenditure account represents the employer contribution payable.

During the accounting period Housing 21 paid contributions at 20.8% totalling £39k. There were 18 employee members at the year end. Employee contributions were between 5.5% and 7.5%.

London Borough of Redbridge Pension Scheme

The Association is an admitted body to the London Borough of Redbridge Pension Scheme (the Fund) which is administered by the London Borough of Redbridge under the regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme.

The latest formal valuation of the Fund was at 31 March 2007 with the next formal valuation due as at 31 March 2010. An actuarial valuation has been prepared as at 31 March 2010 on behalf of Housing 21 (the Employer). For this purpose the value of the Fund as at 31 March 2010 has been estimated based upon the latest split of investments by category which was at 31 March 2010. The value of the Fund's liabilities as at 31 March 2010 was assessed by rolling forward the value of the Employer's liabilities reported as at the latest valuation.

	%pa 2010	**% pa 2009**	**% pa 2008**	**% pa 2007**	**% pa 2006**
Inflation rate	3.8	3.1	3.6	3.2	3.1
Discount rate	5.5	6.9	6.9	5.4	4.9
Expected rate of salary increases	5.3	4.6	5.1	4.7	4.6
Rate of pension increases	3.8	3.1	3.6	3.2	3.1

Mortality

The life expectancy is based on the PMA92/PFA92 year of birth tables, with improvements from 2007 in line with the medium cohort and a 1% p.a underpin. Based on these assumptions, the average future life expectancies age 65 are summarised below:

	Males	Females
Current pensioners	20.8 years	24.1 years
Future pensioners	22.8 years	26.2 years

Investment returns

The return on the Fund in market value terms for the year to 31 March 2010 is estimated based on actual Fund returns as provided by the Administering Authority and index returns where necessary. Details are given below:

Actual return for period from 1 April 2009 to 31 December 2009	19.3%
Estimated return for period from 1 April 2009 to 31 March 2010	25.7%

The expected rates of return of each category of assets held by the Fund for the ensuing year as at 31 March were as follows:

	%pa 2010	% pa 2009	% pa 2008	% pa 2007	% pa 2006
Equities	7.8	7.0	7.7	7.8	7.4
Bonds	5.0	5.4	5.7	4.9	4.6
Property	5.8	4.9	5.7	5.8	5.5
Cash	4.8	4.0	4.8	4.9	4.6

The values for each main category of assets held on behalf of Housing 21 within the Fund as at 31 March were as follows:

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Equities	199	138	205	277	293
Bonds	115	109	110	144	68
Property	10	12	18	26	21
Cash	13	35	29	43	37
Total	337	294	362	490	419

	31 March 2010 £000	31 March 2009 £000	31 March 2008 £000	31 March 2007 £000	31 March 2006 £000
Estimated employer assets	337	292	361	488	418
The present value of scheme liabilities	(464)	(366)	(385)	(516)	(513)
Deficit related to Housing 21	(127)	(74)	(24)	(28)	(95)

Reconciliation of defined benefit contributions

Year ended	31 March 2010 £000	31 March 2009 £000
Opening defined benefit obligation	**366**	385
Interest cost	**24**	26
Actuarial losses/(gains)	**101**	(19)
Estimated benefits paid	**(27)**	(26)
Closing defined benefit obligation	**464**	366

Reconciliation of fair value of assets employed

Year ended	31 March 2010 £000	31 March 2009 £000
Opening fair value of assets employed	**292**	361
Expected return on assets	**17**	24
Actuarial gains/(losses)	**55**	(67)
Benefits paid	**(27)**	(26)
Closing fair value of assets employed	**337**	292

Amounts for current and previous accounting periods

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Fair value of assets employed	337	292	361	488	418
Present value of defined benefit obligations	(464)	(366)	(385)	(516)	(513)
Deficit	(127)	(74)	(24)	(28)	(95)
Experience gains/(losses) on assets	55	(67)	(132)	(4)	50
Experience gains/(losses) on liabilities	–	–	104	–	(1)
Cumulative actuarial gains/(losses)	(33)	13	61	62	55

The pension cost of this scheme to the Association for the year was £nil (2009: £nil). There were no employee members during the year.

The estimated employer's contributions for the year to 31 March 2011 are £nil.

London Borough of Lewisham Pension Scheme

The Association is an admitted body to the London Borough of Lewisham Pension Scheme (the Fund) which is administered by the London Borough of Lewisham under the regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme.

The latest formal valuation of the Fund was at 31 March 2007 with the next formal valuation due as at 31 March 2010. An actuarial valuation has been prepared as at 31 March 2010 on behalf of Housing 21 (the Employer). For this purpose the value of the Fund as at 31 March 2010 has been estimated based upon the latest split of investments by category which was at 28 February 2007. The value of the Fund's liabilities as at 31 March 2010 was assessed by rolling forward the value of the Employer's liabilities reported as at the latest valuation.

The main financial assumptions underlying the above valuation at 31 March are as follows:

	% pa 2010	% pa 2009	% pa 2008	% pa 2007	% pa 2006
Inflation rate	3.8	3.1	3.6	3.2	3.1
Discount rate	5.5	6.9	6.9	5.4	4.9
Expected rate of salary increases	5.3	4.6	5.1	4.7	4.6
Rate of pension increases	3.8	3.6	3.6	3.2	3.1

Mortality

The life expectancy is based on the PMA92/PFA92 year of birth tables, with improvements from 2007 in line with the medium cohort and a 1% p.a underpin. Based on these assumptions, the average future life expectancies age 65 are summarised below:

	Males	Females
Current pensioners	20.8 years	24.1 years
Future pensioners	22.3 years	25.7 years

Investment returns

The return on the Fund in market value terms for the year to 31 March 2010 is estimated based on actual Fund returns as provided by the Administering Authority and index returns where necessary. Details are given below:

Actual return for period from 1 April 2009 to 31 December 2009	27.0%
Estimated return for period from 1 April 2009 to 31 March 2010	35.6%

The expected rates of return of each category of assets held by the Fund for each year as at 31 March were as follows:

	% pa 2010	% pa 2009	% pa 2008	% pa 2007	% pa 2006
Equities	7.8	7.0	7.7	7.8	7.4
Bonds	5.0	5.6	5.7	4.9	4.6
Property	5.8	4.9	5.7	5.8	5.5
Cash	4.8	4.0	4.8	4.9	4.6

The values for each main category of assets held on behalf of Housing 21 within the Fund as at 31 March were as follows:

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Equities	223	154	208	198	186
Bonds	50	42	52	39	33
Property	21	18	31	26	24
Cash	3	7	4	9	11
Total	297	221	295	272	254

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Estimated employer assets	297	221	295	272	254
The present value of scheme liabilities	(538)	(349)	(351)	(321)	(320)
Deficit related to Housing 21	(241)	(128)	(56)	(49)	(66)

Reconciliation of defined benefit contributions

Year ended	**31 March 2010 £000**	31 March 2009 £000
Opening defined benefit obligation	**349**	351
Current service costs	**7**	8
Interest cost	**24**	24
Contributions by members	**3**	2
Actuarial losses/(gains)	**168**	(27)
Past service costs	**–**	4
Estimated benefits paid	**(13)**	(13)
Closing defined benefit obligation	**538**	349

Reconciliation of fair value of assets employed

Year ended	31 March 2010	31 March 2009
	£000	£000
Opening fair value of assets employed	**221**	295
Expected return on assets	**14**	21
Contributions by members	**3**	2
Contributions by employers	**8**	8
Actuarial gains/(losses)	**64**	(92)
Benefits paid	**(13)**	(13)
Closing fair value of assets employed	**297**	221

Amounts for current and previous accounting periods

	2010	2009	2008	2007	2006
	£000	£000	£000	£000	£000
Fair value of assets employed	297	221	295	272	254
Present value of defined benefit obligations	(538)	(349)	(351)	(321)	(320)
Deficit	(241)	(128)	(56)	(49)	(66)
Experience gains/(losses) on assets	64	(92)	6	3	35
Experience gains/(losses) on liabilities	–	–	(63)	1	–
Cumulative actuarial gains/(losses)	(71)	33	98	105	86

The pension cost of this scheme to the Association for the year was £7k (2009: £8k). There were 4 employee members at the end of the year (2009: 4). The contribution rate of the Association for the year ended 31 March 2010 was 18.5% (2009: 18.5%) and for employees 5% or 6%.

The estimated employer's contributions for the year to 31 March 2011 are £9k.

London Borough of Barnet Pension Scheme

The Association is an admitted body to the London Borough of Barnet's Pension Scheme (the Fund) which is administered by the London Borough of Barnet under the regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme.

The latest formal valuation of the Fund was at 31 March 2007. An actuarial valuation has been prepared as at 31 March 2010 on behalf of Housing 21 (the Employer). For this purpose the value of the Fund as at 31 March 2010 has been estimated based upon the latest split of investments by category which was at 31 March 2010. The value of the Fund's liabilities as at 31 March 2010 was assessed by rolling forward the value of the Employer's liabilities reported as at the latest valuation.

The main financial assumptions underlying the above valuation at 31 March are as follows:

	% pa	% pa	% pa	% pa	% pa
	2010	2009	2008	2007	2006
Inflation rate	3.9	3.0	3.6	3.2	3.1
Discount rate	5.5	6.7	6.9	5.4	4.9
Expected rate of salary increases	5.4	4.5	5.1	4.7	4.6
Rate of pension increases	3.9	3.0	3.6	3.2	3.1

Mortality

The post retirement mortality tables adopted were the PA92 series projected to calendar year 2007 for current pensioners and 2017 for non-pensioners with a -2 year rating and a 95% scaling factor.

The assumed life expectancy at age 65 are:

	Males	Females
Retiring today	19.60 years	22.55 years
Retiring in 20 years	20.67 years	23.60 years

Investment returns

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2010 is estimated to be 30%. This is based on the estimated fund value used at the previous accounting date and the estimated Fund value used at the accounting date. The actual return on Fund assets over the year may be different.

The expected rates of return of each category of assets held by the Fund for the ensuing year as at 31 March were as follows:

	% pa	% pa	% pa	% pa	% pa
	2010	2009	2008	2007	2006
Equities	7.6	7.1	7.8	7.8	7.4
Gilts	4.5	4.0	5.7	4.9	4.6
Bonds	5.5	6.5	5.7	–	–
Property	5.5	6.6	5.7	5.8	5.5
Cash	3.0	3.0	4.8	4.9	4.6

The values for each main category of assets held on behalf of Housing 21 within the Fund as at 31 March were as follows:

	2010	2009	2008	2007	2006
	£000	£000	£000	£000	£000
Equities	4,226	2,879	3,811	3,959	3,600
Bonds	1,499	1,224	941	713	590
Property	273	253	354	550	460
Cash	818	703	534	331	290
Total	6,816	5,059	5,640	5,553	4,940

	2010	2009	2008	2007	2006
	£000	£000	£000	£000	£000
Estimated employer assets	6.816	5,059	5,640	5,553	4,940
The present value of scheme liabilities	(9,594)	(5,577)	(5,470)	(5,982)	(5,710)
Deficit related to Housing 21	(2,778)	(518)	170	(429)	(770)

Reconciliation of defined benefit contributions

Year ended	31 March 2010	31 March 2009
	£000	£000
Opening defined benefit obligation	5,577	5,470
Current service costs	188	223
Interest cost	379	303
Contributions by members	91	92
Actuarial losses/(gains)	3,488	(497)
Past service costs	–	27
Estimated benefits paid	(129)	(41)
Closing defined benefit obligation	9,594	5,577

Reconciliation of fair value of assets employed

Year ended	31 March 2010	31 March 2009
	£000	£000
Opening fair value of assets employed	5,059	5,584
Expected return on assets	327	404
Contributions by members	91	92
Contributions by employers	261	262
Actuarial gains/(losses)	1,207	(1,242)
Benefits paid	(129)	(41)
Closing fair value of assets employed	6,816	5,059

Amounts for current and previous accounting periods

	2010	2009	2008	2007	2006
	£000	£000	£000	£000	£000
Fair value of assets employed	9,594	5,577	5,640	5,553	4,940
Present value of defined benefit obligations	(6,816)	(5,059)	(5470)	(5,982)	(5,710)
(Deficit)/surplus	(2,778)	(518)	170	(429)	(770)
Experience gains/(losses) on assets	1,207	(1,242)	(418)	31	660
Experience gains/(losses) on liabilities	–	–	62	(4)	10
Cumulative actuarial gains/(losses)	(2,088)	193	938	358	(10)

The pension cost of this scheme to the Association for the year was £188k (2009: £223k). At the end of the year there were 81 employee members (2009: 85).

The contribution rate of the Association for the year ended 31 March 2010 was 17.9% (2009: 17.9%) and for employees 5.5% to 7.5%.

The estimated employer's contributions for the year to 31 March 2011 are £260k.

32. Subsidiary undertakings and investments in subsidiaries

The following comprise the subsidiary undertakings for incorporation into the consolidated accounts for the Group in accordance with the Industrial and Provident Societies Acts and Financial Reporting Standards.

Name and principal activity	Country of registration	Status	Basis of control
The War Memorial Village – Derby (Management of social housing)	England and Wales	Private company limited by guarantee	Housing 21 is a member and controls the composition of the Board
Kent Community Partnership Limited (Building and managing stock in Kent)	England and Wales	Industrial and provident society	Housing 21 is a member and controls the composition of the Board
Housing 21 Guernsey LBG (Development and management of housing properties and the provision of care services)	Guernsey	Private company limited by guarantee	Housing 21 Guernsey LBG is wholly under the control of Housing 21
Oldham Retirement Housing Partnership Limited (Management of sheltered housing stock in Oldham)	England and Wales	Industrial and provident society	Housing 21 is a member and controls the composition of the Board
Housing 21 Property Services Limited (Building stock in Walsall)	England and Wales	Private limited company	Ownership of two £1 shares being 100% of the issued share capital

The following Companies are dormant.

Name	Country of registration	Status	Basis of control
JBK Social Care Limited	England and Wales	Private limited company	Ownership of 1,000 £1 shares being 100% of the issued share capital
Housing 21 Group Limited	England and Wales	Private limited company	Ownership of two £1 shares being 100% of the issued share capital
Housing 21 Care Options Limited	England and Wales	Private limited company	Ownership of 1,000 £1 shares being 100% of the issued share capital

The following Companies were acquired on 28 September 2009 when Claimar Care Group was purchased. The results were consolidated from that date. They are all 100% owned as shown below:

Name	Country of registration	Status
Claimar Care Group Ltd	England and Wales	Private Ltd Company
Claimar Care Ltd *	England and Wales	Private Ltd Company
MK Homecare Ltd *	England and Wales	Private Ltd Company
Surecare Community Services Ltd *	England and Wales	Private Ltd Company
Firstcall Community Services Ltd *	England and Wales	Private Ltd Company
Primary Care Services Ltd *	England and Wales	Private Ltd Company
Jemma Care Ltd *	England and Wales	Private Ltd Company
Acorn Homecare Ltd *	England and Wales	Private Ltd Company
Stockwell Care Services Ltd *	England and Wales	Private Ltd Company
Twenty4seven Homecare Services Ltd *	England and Wales	Private Ltd Company
Lynks Care Ltd *	England and Wales	Private Ltd Company
Boundary Care Services Ltd *	England and Wales	Private Ltd Company
Complete Care Holdings Ltd *	England and Wales	Private Ltd Company
Complete Personal Assistance Ltd **	England and Wales	Private Ltd Company
Complete Training Ltd **	England and Wales	Private Ltd Company
Complete Care Management Holdings Ltd **	England and Wales	Private Ltd Company
Paediatric Nursing Link Ltd **	England and Wales	Private Ltd Company
Complete Independent Living Services Ltd**	England and Wales	Private Ltd Company
Complete Ability Ltd **	England and Wales	Private Ltd Company
Ravenscroft One Ltd	England and Wales	Private Ltd Company
Homelink Ltd ***	England and Wales	Private Ltd Company
Pharmassured Ltd	England and Wales	Private Ltd Company
Practicare Ltd ***	England and Wales	Private Ltd Company

***** Shares held by Claimar Care Group Ltd
****** Shares held by Complete Care Holdings Ltd
******* Shares held by Ravenscroft One Ltd

For movement on investment balances see note 34.

The above companies operate principally in their country of registration.

33. Aquisitions

On 28 September 2009 the Group acquired 100% of the ordinary share capital of Claimar Care Group PLC and its subsidiary undertakings for a total consideration of £20,623,497 plus the refinancing of financial liabilities.

In calculating the goodwill arising on acquisition, the fair value of the net assets of Claimar Care Group PLC have been assessed and adjustments to book value have been made where necessary. The details of the transactions are shown in the table below:

	Book value	Adjustment	Fair Value
	£000	**£000**	**£000**
Goodwill	54,914	(54,914)	–
Tangible fixed assets	1,601	(102)	1,499
Inventory	49	–	49
Debtors	11,414	(624)	10,790
Cash at bank and in hand	273	–	273
Total assets	68,251	(55,640)	12,611
Creditors falling due within one year	(11,171)	(267)	(11,438)
Creditors falling due after one year	(15,852)	–	(15,852)
Total liabilities	(27,023)	(267)	(27,290)
Net assets/(liabilities)	41,228	(55,907)	(14,679)

	£000
Consideration (cash and acquisition costs of £1,128,885)	20,623
Net liabilities acquired	14,679
Goodwill arising on acquisition (see note 35)	35,302

The results of Claimar Care Group PLC prior to its acquisition were as follows:

Profit and Loss Account

	Year Ended 30 September 2009	Year Ended 30 September 2008
	£000	£000
Turnover	59,584	52,617
Operating profit	2,122	2,420
Exceptional items	(1,918)	–
Net interest	(1,934)	(1,521)
(Loss)/profit on ordinary activities before taxation	(1,730)	899
Taxation on (loss)/profit from ordinary activities	(248)	(346)
(Loss)/Profit for the year	(1,978)	553

Cash flows

The net outflow of cash arising from the acquisition of Claimar Group PLC was as follows:

	£000
Cash consideration	**20,623**
Net overdrafts acquired	**2,207**
Loans due within one year	**18,050**
Net outflow of cash	**40,880**

34. Goodwill

On 28 February 2007 the Association purchased the leasehold management business of 17 housing schemes from James Butcher Housing Association for £3m. An intangible asset, goodwill, has arisen on the difference between the price paid for the business and the fair value of the net assets and is being amortised over 20 years in accordance with FRS 10. The goodwill amortised in the year was £153k (2009: £153k).

On 18 July 2007 the Association purchased a specialist care company based in Westminster for £400k. An intangible asset, goodwill, has arisen on the difference between the price paid for the business and the fair value of the net assets and is being amortised over 5 years. The goodwill amortised in the year was £86k (2009: £86k).

On 28 September 2009 the Association purchased Claimar Care Group PLC for £20,624k. An intangible asset, goodwill, has arisen on the difference between the price paid for the business and the fair value of the net assets and is being amortised over 10 years. The goodwill amortised in the year was £1,740k (2009: £nil).

	Group	Group	**Association**	Association
	2010 £000	2009 £000	**2010 £000**	2009 £000
Cost				
At 1 April	**3,475**	3,475	**3,475**	3,475
Purchased in the year	**35,302**	–	**–**	–
At 31 March	**38,777**	3,475	**3,475**	3,475
Amortisation				
At 1 April	**(622)**	(383)	**(622)**	(383)
Amortised during the year	**(2,003)**	(239)	**(238)**	(239)
At 31 March	**(2,625)**	(622)	**(860)**	(622)
Total	**36,152**	2,853	**2,615**	2,853

35. Contingent liabilities

There is a negligence claim against a subsidiary company which is as yet unquantified. The company has a legally verified right of recourse should litigation arise.

36. Legislative provisions

The Association is incorporated under the Industrial and Provident Societies Act 1965 (Registered number 16791R) and is registered under the Housing and Regeneration Act 2008 (Number L0055).

37. Related party transactions

One of the Group's directors is also a director of HACO, an organisation which provides some of the Group's funding. All transactions between the Group and HACO are on an arm's length basis and on normal terms. The funding provision commenced in the year to 31 March 2004 and is due for settlement in 2017. Interest only is paid during the year in the sum of £1,488k (2009: £1,488k) at a rate of 10.625%. The balance at the year end was £14m (2009: £14m).

No related party transactions have been entered into during the year, other than those disclosed in the Financial Statements, which might reasonably affect any decision made by the users of these Consolidated Financial Statements.

Notes

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