housing21

Financial Statements **2011/12**

Leaders in care, health and housing for older people

www.housing21.co.uk

Contents

Board, Executive Team and advisers

Board

David Grayson (Chair)
Resigned 28 October 2011

Lord Ben Stoneham (Chair)
Appointed 29 July 2011

Simon Fanshawe
Appointed 29 July 2011

Matthew Harker

Heléna Herklots

Richard Humphries

Kenneth Jeffries

Jenny Owen CBE
Appointed 27 May 2011

Pushpa Raguvaran
(Chief Executive)

Sanaya Robinson

Michael Stansfield

Executive team

Pushpa Raguvaran
Chief Executive

Tayo Bilewu
Director of Property

Les Clarke
Director of Operations

Peter Caley
Director of Organisational Development/
Human Resources

Stephen Perry
Director of Finance
Resigned 1 February 2012

Paul Richards
Director of Property Management
Resigned 31 May 2012

Dominic Rothwell
Director of Business Development

Secretary and registered office
Delyth Hampton ACIS
The Triangle
Baring Road
Beaconsfield
Bucks HP9 2NA

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

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

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.

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 Homes and Communities Agency (formerly 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 housing 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 retirement housing 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 retirement housing in Oldham under a contract with 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 extra care housing in Kent under a contract with Kent County Council.

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.

Complete Care Holdings Limited is a private company limited by shares. It is a subsidiary of Claimar Care Group Limited but is also the holding company for a sub-group containing all former Complete group subsidiaries. The Complete Care sub-group offers specialist and high dependency homecare services. Its constitution is contained in its Memorandum and Articles of Association.

Paediatric Nursing Link Limited is a private company limited by shares and a subsidiary of Complete Care Holdings Ltd. It is a registered employment agency providing nursing staff to the NHS. Its constitution is contained in its Memorandum and Articles of Association.

SureCare Community Services Limited is a private company limited by shares It is a subsidiary of Claimar Care Group Limited. It operates in the field of health care franchising, community care delivery and monitoring. Its constitution is contained in its Memorandum and Articles of Association.

FirstCall Community Systems Limited is a private company limited by shares. It is a subsidiary of Claimar Care Group Limited. The principal activity of the company is the provision of domiciliary care. Its constitution is contained in its Memorandum and Articles of Association.

Gharana Housing Association Limited (GHAL) is an Industrial and Provident Society with exempt charitable status and comprises two sheltered housing schemes in Northamptonshire. GHAL transferred into the group on 31 March 2011.

Principal activities and review of the business
The Group provides housing, care and health services primarily for older people. A review of activity for the year ended 31 March 2012 and its prospects are set out in the Operating and Financial review.

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 a staff council, employees are consulted on various issues. Additionally, there are cascade briefings from the executive team, departmental and team meetings and other forms of communication such as newsletters, e-mail bulletins and the intranet. A regional employee consultation forum called 'Your voice' is currently being launched.

Health and safety
There is a health and safety policy and Housing 21 encourages its employees to take part in making decisions regarding the management of health and safety, creating a genuine partnership between management and employees. Consultation and promotion of health and safety is through the various forums of staff council, staff round table meetings and the Health & Safety Working Group.

Report of the Board

The Audit and Risk Management Committee oversees compliance with health and safety legislation and policies. It regularly reviews the strategy for ensuring that 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. The Board considers health and safety matters at their bi-monthly meetings.

The Board is aware of its responsibilities on all matters relating to health and safety. The Group has prepared detailed health and safety policies and provides staff training and education on health and safety matters.

Insurance of directors and officers
Directors are covered by directors and officers liability insurance to an indemnity limit of £1m in respect of their duties as directors of the group.

Governance
The Group is committed to best practice in all aspects of corporate governance. During the year ended 31 March 2012 the Group was in full compliance with it's Rules and the provisions of the Governance Handbook adopted from the National Housing Federation model guidance. The governance arrangements were reviewed during the year and some changes implemented to improve the effectiveness of the Board and overall governance.

The Board
The main board has overall responsibility for the direction of the business of the Group ensuring its success and compliance with all legal and regulatory obligations. The Board composition is kept under review ensuring that the mix of skills and experience is appropriate for the effective governance of the Group. Performance of the Board, its members and the Chair is regularly appraised.

The Board has responsibility for :
- providing leadership of the Group within a framework of prudent and effective controls which enable risks to be assessed and managed
- setting the Group's strategic aims, ensuring that the necessary resources are in place for the Group to meet its objectives, and reviews management performance
- setting the Group's values and standards and ensuring that its legal and regulatory obligations are understood and met.

Recruitment of Board members
The Board is elected by shareholding members. One third of the Board is retired and stands for re-election 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 residents.

Policy for admitting shareholding members
We have an open membership policy, whilst seeking to achieve a broad and balanced membership including residents and non-residents, corporate and individual members.

The Board exercises effective control and formulates strategy both directly and through delegation to its committees:

Audit and Risk Management Committee
Sanaya Robinson - Chair
Heléna Herklots
Kenneth Jeffries
Jenny Owen CBE

Remuneration Committee
Heléna Herklots – Chair
Lord Ben Stoneham
Michael Stansfield

Nominations Committee
Richard Humphries – Chair
Sanaya Robinson
Kenneth Jeffries
Pushpa Raguvaran

Housing Services Committee
Board members:
Kenneth Jeffries - Chair
Richard Humphries

Resident members:
John Dodd (resigned 20 April 2011)
Robert Perrin
Brian Horsman
Malcolm Gardiner
Maureen Hooley
Marjorie Inman (co-optee)
Keith Mansell (co-optee)
William Moore
Lisa Rowe
Maureen Savage (resigned 23 April 2011)
George Spry
Keith Stacey
Derek Thorogood

Independent members:
Jane Jolly
Janet Williams
Reginald Parkinson

Ex-officio committee membership:
The Chairman Lord Ben Stoneham is an ex-officio member of all committees

Customer involvement
The Group maintains strong customer involvement structures by way of local and national forums to enable customers to influence their services and scrutinise performance. During the year, the Board endorsed a revised Customer Engagement Strategy which will deliver enhancements and establish stronger mechanisms for delivering customer centred services.

Report of the Board

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

The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk and to provide reasonable, but not absolute, assurance that key business objectives and expected outcomes will be achieved.

The Board is satisfied that the Group's systems of internal controls to manage risks are adequate to give reasonable assurance on the effective operation of each business stream. Where weaknesses have been found, effective and timely remedial action is being taken to close control gaps, and staff continue to follow the internal controls.

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 2012.

Internal audit activity operates independently 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 monitored with management through to completion.

For the year under review, a self-assessment process undertaken by senior managers has been continued, that ensures that managers are fully aware of the control environment and that controls are matched to risk levels. 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 regularly reviewed by the Audit and Risk Management Committee.

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.

Anti-bribery statement
The Group has a zero tolerance towards bribery and corruption and has an anti-bribery policy statement in place.

Risk management
The Group has well developed risk management strategy and systems. The Board through the Audit and Risk Management Committee oversees the maintenance of effective systems for the identification and management of risk. A corporate risk register is a key part of the risk management system as well as detailed departmental risk maps and action plans. The Board reviews the corporate risk register quarterly and monitors progress against action plans through the Audit and Risk Management Committee.

The Group's Chief Executive and the Director of Finance have responsibility for implementation of the risk management strategy. The Group's risk management facilitator ensures that the necessary risk management activity is undertaken by management.

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 there is no recurrence.

Integrated risk reports are consolidated and presented regularly to the Audit and Risk Management Committee throughout the year and summarised annually for the Board.

Financial, operational and governance reporting:
The Board receives regular reports on:
- Financial and operational performance
- Treasury and covenants compliance
- Legal and regulatory compliance
- Quality compliance
- Progress against strategic plans.

Auditors
The group follows best practice in the appointment of external auditors and the annual review of their performance. During the year a full tendering exercise was carried out to appoint external auditors in respect of the 2012/13 financial year.

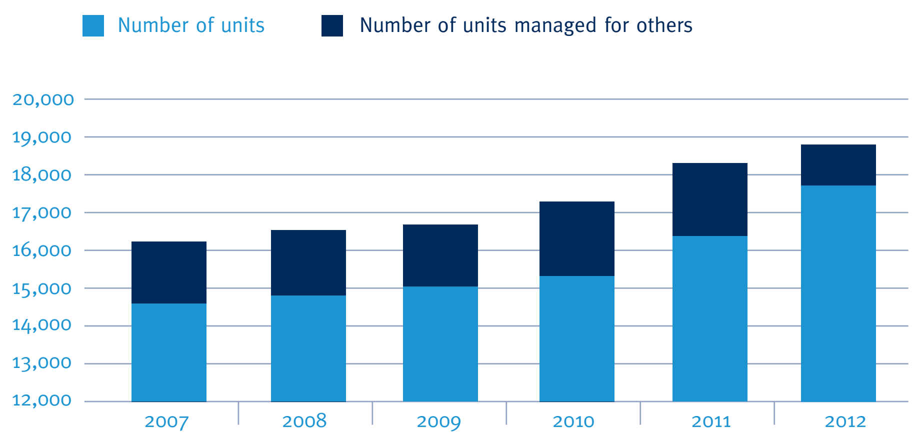
Board members have made themselves aware of any information needed by the Group's auditors and have ensured that the auditors are aware of that information.

By order of the Board

D Hampton
Secretary
Date: 28 June 2012

Operating and financial review

Number of units:



Overview
The operating environment has been extremely challenging this year and is set to remain so in the medium term. A combination of spending reductions at central and local government levels, policy changes in the way services and housing are commissioned and increasing market competition has created a turbulent environment. Overall, the trend is for the independent sector and customers to increasingly contribute to funding care services and housing.

The Group has responded positively delivering strong underlying performance with an operating surplus of £15.2m (2011: £15.8m restated). The Group has successfully delivered the first year of its 2011-16 corporate plan which involves a fundamental shift to a customer focussed, locally responsive provider of a range of services for people in later life. The plan includes ambitious targets for growth, which remain achievable because of strong alignment with changes in the environment.

Local authority spending cuts have dominated the care services market, with rates forced down and charges increasingly passed on to service users. Trends toward personalisation and care and health integration are changing the type of services in demand, albeit slowly. Against this backdrop, the Group has maintained high service volumes (5 million hours delivered) and continues to lead the market in investment in staff training through innovative apprenticeships and quality initiatives.

The Group was successful in securing significant grant funding to deliver 1,561 new extra care housing units under the government's national Affordable Homes Programme. The success reinforced Housing 21's position as a leader in extra care housing for older people. The programme will include properties for sale, shared ownership and affordable rents.

During the year, the Group commenced a significant transformation programme as part of the five year strategic plan. The first phase of this involved the implementation of a revised locality operating structure which brings service streams together and enables the Group to leverage the synergies between housing, care and support and deliver locally responsive quality services. This investment is paying off through increasing care service profitability and improved customer responsiveness. The Group has also invested in systems infrastructure in order to provide a platform for sustainable growth. The transformation programme is expected to continue over the next period.

Financial performance review
In the year ended 31 March 2012 Group turnover increased by £4.5m to £212.7m (2011: £208.2m).

The main activities of the Group are the provision of social housing lettings which contributed £88.3m or 41% of turnover (2011: £79.3m), and the provision of care and health services, which contributed £89.0m or 42% of the turnover (2011: £101.1m). Other activities contributed £35.4m or 17% of turnover (2011: £27.8m) and mainly comprises management services and sales of property.

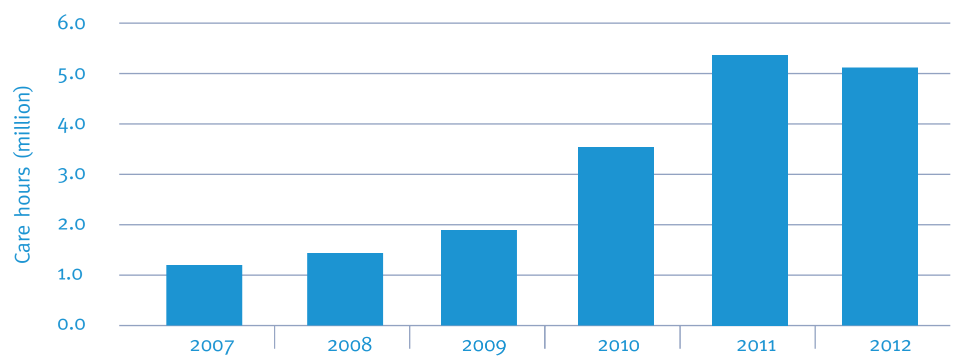
Operating surplus for the year has decreased to £15.2m (2011: £15.8m restated) against the background of increasingly difficult trading conditions in care and health services.

Operating costs include continuing major repairs and stock improvement expenditure of £2.9m (2011: £2.1m restated) reflecting the Group's continuing commitment to improving the quality of its housing properties following the completion of works to comply with the Decent Homes standard in 2010.

Component accounting practices have now been fully adopted by the Group in these accounts. The major impact of this is that general reserves have been transferred to revaluation reserves. The Group's general reserves now stand at £5m, though overall financial strength is unaffected by this.

Operating and financial review

Care hours delivered:



Housing services
Housing 21 has a strong balance sheet and a growing asset base to support further growth. The Group finances its housing development programme by a combination of grant, bank loans and retained surpluses.

There was an increase of 517 units in the year. The development programme delivered 576 units for rent. There was a decrease of 128 units for shared ownership and outright sale, and there was a net increase of 69 properties brought into leasehold management and removed from stock for remodelling (see note 26). The Group completed the sale of two family housing schemes in London, in line with its core focus on older people. The proceeds were £5.2m. In March 2011 the Gharana Housing Association, comprising 51 units, was transferred to Housing 21 from the Notting Hill Housing Group.

The Group records its housing properties at valuation based on forecasted rental income streams. The graph on page 8 shows the number of units owned and managed and managed for others over the last five years.

The development programme is scheduled to continue with £15.0m included in fixed and current assets at 31 March 2012 as housing properties under construction (2011: £16.3m). There are 556 new units under development (2011: 741), mainly for rent but also including 172 for shared ownership and outright sale. Funding for this programme continues to be obtained in grants from the HCA and also from the Department of Health.

Care and Health Services
During the year 20 new contracts were won delivering care to service users in the community as well as in extra care schemes. The Group's expertise and focus on dementia services continues with 11 contracts held at the end of the year.

The group saw a continuing reduction in guaranteed volume contracts coming to market, in line with expectations, and a shift toward spot purchase, framework arrangements. The Group is completing restructuring programmes in a number of contracts to adapt to these changes – some of this activity accounts for the lower than budgeted surplus in care and health services.

The downward pressure on hourly rates has also continued. In the main, the Group has reduced costs to enable it to continue delivering contracts at lower rates. The Group has also maintained its commitment to delivering quality through delivery of a large vocational training operation. The group has used its diverse service experience to focus on innovative and sustainable care and health services such as reablement, intermediate care, and partnership working with health services.

The volume and breadth of care and health services is supported by its subsidiary companies. This comprised £0.6m in turnover from First Call Community Systems Ltd, a domicillary care business, £0.9m in turnover from Surecare Community Services Ltd, a home care franchise business, £19.6m from the Complete Care Group delivering complex 24/7 care and £2.2m from a nursing agency, Paediatric Nursing Link. Turnover of £1.8m was attributable to Easley Health Limited, a company acquired in the previous financial year. The trade and assets of Claimar Care Limited (acquired in 2009) was hived up into Housing 21 Association on 31 March 2011 simplifying the Group's legal and tax structure.

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 the speed and direction of changes in public policy. In turn, this has led to changes in the risks the Group is required to assess.

Operating and financial review

Housing
The Group's longer-term development strategy is to provide high quality homes that enable older people to live independently and to receive a flexible range of support services. Housing 21 is a leader in developing extra care housing which offers older people their own home with care and support services responding to their individual needs. Demographic and market indicators suggest that demand for these services is set to increase.

The recession continues to impact the property market and the ability of prospective purchasers to sell their own homes. As Housing 21 has a number of outright sale and shared ownership homes in the pipeline there is a risk of delays in the receipt of sales income on these homes. 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. To mitigate sales risk, the Group undertakes local demand analysis, shares risk with partners, and invests in marketing activities. The group plans to increase this activity in view of the larger sales element of the current development programme. In the event that properties remain unsold, the option to let these properties mitigates the risk.

In relation to the risk of empty properties, Housing 21 maintains waiting lists, liaises closely with local authorities in respect of tenant nominations and undertakes targeted marketing activities to manage the risk. The Group also plans to increase the provision of its services into its existing schemes in order to increase their financial sustainability.

Major repairs expenditure represents a long term commitment to the Group's own internal standards which exceeds the requirements of the Decent Homes Standard. The asset management strategy is reviewed every five years by external surveyors, the next review will be in 2012. The built environment presents a range of health and safety risks to residents. The Group manages these risks through the Group health and safety management system which includes monitoring, training and auditing at all sites.

There are financial pressures in terms of building cost inflation and the Group competitively tenders for each scheme to manage costs. The Group has a framework of construction partners. The Group will be investigating the possibility of more formal partnerships in order to further increase value for money.

Care and health services
The care and health services market is undergoing major price, structural and policy change and this creates risk to the Group in the coming years. A major risk is the inability to reduce costs when turnovers of service contracts reduce suddenly. The group's new locality operating structure has increased management capacity to respond to sudden changes and opportunities.

The types of service in demand is changing and this presents demand risk. The Group provides a range of care and health services, from personal care and support, to more specialised services such as the dementia end of life nurse service, reablement, intermediate care and complex care. By diversifying across a range of services, the Group is well placed to adapt to policy and commissioning changes as commissioners increasingly look for preventative, enabling services that reduce strain on primary services.

The health agenda continues to promote integration at a local level with a greater focus on prevention and on joint health and social care commissioning. The Group monitors and engages with the wider stakeholders as the landscape changes with greater involvement of both PCTs and GPs. The locality operating structure joins up the Group's service offer and positions the Group to influence the changing commissioning structures of health and social care.

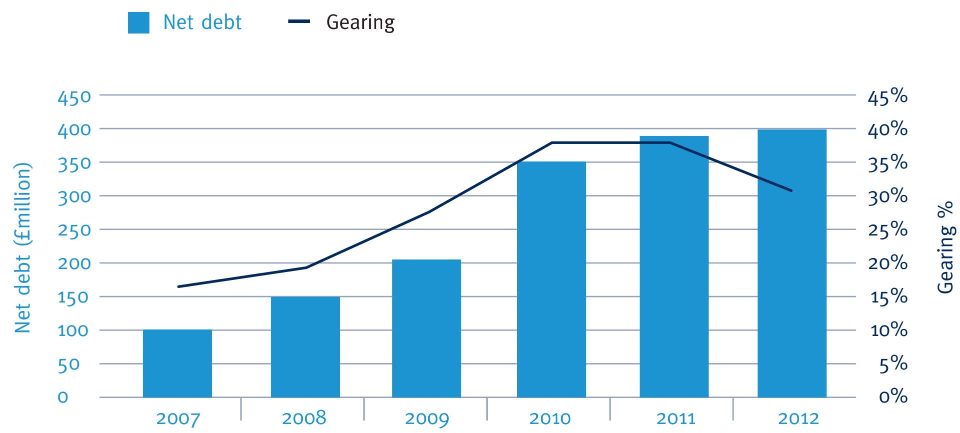
Service quality failures have featured in the public press heavily in the last year, particularly with regard to older people's services. The Group has strengthened its quality assurance and training processes and is confident of maintaining its position as a high quality provider.

A drive towards localism and personalisation coincides with an emerging generation of older people as consumers with increasing expectations of quality, choice and control than previous generations. The provision of social care increasingly aims to put people in control of their care and to develop self-directed support through personal budgets. The number of older people receiving local authority funding is likely to decline over the next few years, despite the increasing number of older people, with increasing numbers therefore either needing or choosing to fund their own care. Housing 21 is well placed to respond to this changing environment. We continue to develop service streams that are funded either privately or through direct payments and to grow our live-in care operation.

During the year the Group has reviewed its longer term strategy and objectives against the changing economic and regulatory environment and has set challenging growth targets building on a strong reputation and broad reach into local communities through a national network of housing schemes and care branch offices.

Funding
The tendency for lenders to tighten access to facilities as a result of the credit crunch has been affecting the Housing Association sector, and in particular lending margins have been raised with loan durations and availability periods reduced. Housing 21 has not needed to raise new finance during the year, but is actively pursuing options to increase its facilities to fund the completion of its planned developments under the Affordable Homes Programme.

The movement in net debt and gearing over the last five years is set out in the graph:



Treasury policy and objectives

The Group has a centralised treasury function, charged with managing financing and treasury risks within the parameters of a treasury policy. Debt is managed through the Association with the exception of the PFI contracts managed through special purpose vehicles.

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 annual 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 was £14.9m (2011: £65.7m). In the year ended 31 March 2012 £63.3m was spent on housing properties under construction (2011: £94.5m restated), offset by Social Housing Grant received of £20.6m (2011: £32.7m).

Operating cash inflow was £38.0m in 2012 against an inflow of £12.1m in 2011 (restated). The movement from operating surplus to operating cash flow includes an increase in debtors that reflects the increase in the PFI finance debtor. The year on year improvement represents the movement in housing properties and stock for sale.

Net debt at 31 March 2012 stood at £415.1m compared to £400.1m at 31 March 2011. Gross interest payable increased to £24.4m (2011: £20.3m) in line with the increase in net debt.

Balance sheet debt and liquidity

During the year the Group continued to draw on its available facilities.

The Group's financial investments comprise cash, short-term deposits, bank and other borrowings. As a result of its strong and growing asset base, Housing 21 has significant unutilised security on its balance sheet and has the capacity to increase its levels of net debt to invest in growth.

The focus of the Group is primarily medium to long term and the profile of net debt reflects this, with £355m (86%) falling due after more than five years (2011: £368m). Housing 21 has committed, but undrawn, facilities of £71.9m at 31 March 2012 (2011: £108.9m). The equivalent figures for ORHP are £7.2m (2011: £9.8m) and KCP £5.0m (2011: £5.0m) 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 above, gearing at 31 March 2012 is 31% (2011: 39%, which is relatively low for the sector and illustrates the strong balance sheet.

Of the total Group net debt of £415.1m (2011: £400.1m), the net debt of £279.5m within the Housing 21 Association includes £274.6m (2011: £230.9m) of gross loans that are secured on housing properties. The Group debt figure includes £150.1m (2011: £161.0m) of debt within the two SPV's relating to the Oldham and Kent PFI projects.

The Group seeks to reduce its exposure to volatility in interest rates by balancing its loan book over fixed, floating and inflation-linked rates. As at 31 March 2012 the mix within the Group comprised 54% fixed, 25% floating and 21% index linked, and the mix within the Association comprised 30% fixed, 38% floating and 32% index linked.

Operating and financial review

The Group monitors the market's long term view of interest rates, and the finance raised during the year is on floating rates taking advantage of the opportunity presented by low long term rates to protect the Group's weighted average interest rate. The Association's weighted average rate at 31 March 2012 was 4.68% (2011: 4.50%).

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 2012 interest cover ratio was 3.21 times operating surplus (2011: 4.65 restated) representing substantial headroom on the interest cover covenants.

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
A change was made during the year to the depreciation policy to reflect component accounting per the SORP. There were no other changes to accounting policies in the year.

Board members' 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 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 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 (updated 2010) 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 Housing and Regeneration Act 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 (updated 2010).

Financial statements are published on the association'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 association'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

We have audited the financial statements of Housing 21 for the year ended 31 March 2012 which comprise the consolidated and association income and expenditure accounts, the consolidated and association balance sheets, the consolidated statement of total recognised surpluses and deficits, the consolidated note of historical cost surpluses and deficits, the consolidated cash flow statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice.

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

Respective responsibilities of the board and auditors

As explained more fully in the statement of board member responsibilities, the board members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent association's affairs as at 31 March 2012 and of the group's and parent association's surplus [deficit] for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, the Industrial and Provident Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act and the Accounting Requirements for Registered Social Landlords General Determination 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required to report to you if, in our opinion:

- the information given in the report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the parent association, or returns adequate for our audit have not been received from branches not visited by us; or
- a satisfactory system of control has not been maintained over transactions; or
- the parent association financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

BDO llp

Donald Bawtree
BDO LLP, statutory auditor
Epsom, Surrey
United Kingdom
2 July 2012

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

Income and expenditure account

Consolidated Income and Expenditure account for the year ended 31 March 2012

	Notes	2012	2011 (Restated)
		£000	£000
Turnover	**2**	**212,730**	**208,249**
Cost of sales	2	(11,230)	(7,269)
Operating costs	2	(186,276)	(182,440)
Exceptional items	2	–	(2,747)
Operating surplus	**2**	**15,224**	**15,793**
Surplus on disposal of housing properties	4	4,468	–
Surplus on disposal of other assets	5	3	–
Deficit on disposal of subsidiary company		–	(215)
Interest receivable and similar income	8	7,771	6,132
Interest payable and similar charges	9	(23,197)	(18,189)
Other finance costs	10	(10)	(51)
Surplus on ordinary activities before tax	11	4,259	3,470
Taxation on surplus on ordinary activities	12	177	425
Surplus on ordinary activities after tax	**21**	**4,436**	**3,895**

All amounts relate to continuing activities.

Association Income and Expenditure account for the year ended 31 March 2012

	Notes	2012	2011 (Restated)
		£000	£000
Turnover	**2**	**181,615**	**142,925**
Cost of sales	2	(11,230)	(7,193)
Operating costs	2	(158,477)	(119,462)
Exceptional items	2	–	(2,747)
Operating surplus	**2**	**11,908**	**13,523**
Surplus on disposal of housing properties	4	4,468	–
Surplus on disposal of other assets	5	3	–
Interest receivable and similar income	8	3,850	2,696
Interest payable and similar charges	9	(13,316)	(9,081)
Other finance costs	10	–	(51)
Surplus on ordinary activities before tax	11	6,913	7,087
Taxation on surplus on ordinary activities	12	–	–
Surplus on ordinary activities after tax	**21**	**6,913**	**7,087**

All amounts relate to continuing activities.

The notes on pages 19-61 form part of the financial statements

Income and expenditure account

Statement of total recognised surpluses and deficits for the year ended 31 March 2012

	Notes	Group 2012 £000	Group 2011 (Restated) £000	Association 2012 £000	Association 2011 (Restated) £000
Surplus on ordinary activities after tax		4,436	3,895	6,913	7,087
Actuarial (loss)/gain on pension schemes	30	(31)	1,606	(31)	1,606
Unrealised surplus on revaluation of housing properties	21	85,548	108,920	75,746	106,250
Total recognised gains and losses for the year		89,953	114,421	82,628	114,943
Prior year adjustment	36	2,946	–	3,053	–
Total surpluses recognised since last annual report		**92,899**	**114,421**	**85,681**	**114,943**

Note of historical cost surpluses and deficits for the year ended 31 March 2012

	Notes	Group 2012 £000	Group 2011 (Restated) £000	Association 2012 £000	Association 2011 (Restated) £000
Reported surplus on ordinary activities before tax		4,259	3,470	6,913	7,087
Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	21	87	333	–	–
Historical cost surplus for the year on ordinary activities before tax		**4,346**	**3,803**	**6,913**	**7,087**
Taxation	12	177	425	–	–
Historical cost surplus for the year on ordinary activities after tax		**4,523**	**4,228**	**6,913**	**7,087**

The notes on pages 19-61 form part of the financial statements

Income and expenditure account

Reconciliation of movement in capital and reserves

	Group 2012 £000	Group 2011 (Restated) £000	Association 2012 £000	Association 2011 (Restated) £000
Reported surplus for the year	4,436	3,895	6,913	7,087
Negative goodwill (see note 36)	–	1,057	–	–
Actuarial (loss)/gain recognised in statement of realised surpluses and deficits	(31)	1,606	(31)	1,606
Other recognised surpluses and deficits relating to the year (net)	85,548	108,920	75,746	106,250
Net addition to reserves	89,953	115,478	82,628	114,943
Opening capital and reserves	568,047	452,569	560,928	445,985
Closing capital and reserves	658,000	568,047	643,556	560,928

The notes on pages 19-61 form part of the financial statements

Balance sheet

Balance sheets as at 31 March 2012 | **Registered number 16791R**

	Notes	Group 2012 £000	Group 2011 (Restated) £000	Association 2012 £000	Association 2011 (Restated) £000
Intangible assets					
Goodwill	33	29,090	32,827	15,100	16,869
Tangible fixed assets					
Housing properties at valuation	13	934,745	831,153	841,164	745,412
Other fixed assets	14	5,204	5,435	5,060	5,225
Investments	32	–	–	9,851	9,851
		969,039	869,415	871,175	777,357
Current assets					
Housing properties and stock for sale	15	11,252	18,574	11,252	18,574
Debtors: amounts falling due after one year	16	112,239	111,171	32,756	32,500
Debtors: amounts falling due within one year	17	37,745	34,499	51,427	33,156
Cash on short–term deposit		–	355	–	355
Cash at bank and in hand		23,826	15,295	10,898	8,721
		185,062	**179,894**	**106,333**	**93,306**
Creditors: amounts falling due within one year	18	(64,612)	(81,184)	(46,604)	(55,663)
Net current assets		**120,450**	**98,710**	**59,729**	**37,643**
Total assets less current liabilities		**1,089,489**	**968,125**	**930,904**	**815,000**
Creditors: amounts falling due after more than one year	19	431,252	399,178	287,111	253,172
Pension liability	30	237	900	237	900
Unrestricted capital and reserves					
Share capital	20	–	–	–	–
Revaluation reserve	21	652,672	567,211	624,455	548,709
General reserve	21	5,328	836	19,101	12,219
		658,000	568,047	643,556	560,928
		1,089,489	968,125	930,904	815,000

In accordance with the rules of the Association, all shareholdings relate to non-equity interests as referred to in Note 20.

These financial statements were approved and authorised for issue by the Board on 28 June 2012 and are signed on behalf of the Board by:

Lord Ben Stoneham
Chairman

Sanaya Robinson
Director

Delyth Hampton
Secretary

The notes on pages 19-61 form part of the financial statements

Consolidated cash flow statement

Consolidated cash flow statement for the year ended 31 March 2012

	Notes		Group 2012		Group 2011 (Restated)
		£000	£000	£000	£000
Net cash inflow from operating activities	**22**		**38,045**		**12,128**
Return on investments and servicing of finance					
Interest received		7,771		6,548	
Interest paid		(22,294)		(20,249)	
Interest element of finance lease payments		(85)		(86)	
Net cash outflow for return on investments and servicing of finance			**(14,608)**		**(13,787)**
Taxation			148		(54)
Capital expenditure and financial investment					
Housing properties under construction (including improvement to completed properties and property acquisitions)		(63,297)		(94,515)	
Social Housing Grants received		20,553		32,663	
Purchase of fixed assets		(999)		(1,074)	
Sale of fixed assets		3		(2)	
Sale of housing properties		5,223		(135)	
Net cash outflow for capital expenditure			**(38,517)**		**(63,063)**
Purchase of subsidiaries			–		(931)
Cash outflow before use of liquid resources and financing			**(14,932)**		**(65,707)**
Management of liquid resources	**23**		**355**		**7,665**
Financing					
Loans received		37,926		70,993	
Loans repaid		(14,791)		(4,488)	
Capital element of finance lease repaid		(27)		(27)	
Net cash inflow from financing			**23,108**		**66,478**
Increase in cash	**24**		**8,531**		**8,436**

The notes on pages 19-61 form part of the financial statements

Notes to 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 for Registered Social Landlords 2010 issued by the National Housing Federation, the Industrial and Provident Societies Acts 1965 to 2002, the Industrial and Provident Societies (Group Accounts) Regulations 1969, The Housing and Regeneration Act 2008 and 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, Supporting People contract income, management fees, income from provision of care and health services, revenue based grants received from local authorities and from the Homes and Communities Agency (HCA), income from first tranche sales of shared ownership and outright sales property and other income.

Charges for services provided and Supporting People income are recognised as income when the Group has provided the service concerned. Grants made as contributions to revenue expenditure are credited to income in the period in which the related expenditure is incurred. Income from the sale of leasehold properties is recognised as turnover at the completion date of the sale of the property.

In respect of Kent Community Partnership turnover is received from the Housing Management agent (Housing 21) in the form of rents and service charges payable on all properties and from Kent County Council in the form of a fixed income per completed unit (Unitary Charge) for the contract period.

Under Statement of Standard Accounting Practice 9 “Stocks and Long Term Contracts”, turnover is recognised with reference to the stage of completion of the project. The stage of completion for the project has been determined by reference to the proportion of the total projected costs, including finance costs, incurred to date.

In respect of Oldham Retirement Housing Partnership turnover is recognised by applying a fixed margin to operating costs over the contract period.

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 as, in the opinion of the directors, this is the period it is expected the Group will recover the value of the original investment.

Goodwill arising on the acquisition of Easley Health Limited represents the difference between the consideration paid and the fair value of the net assets acquired. The goodwill is amortised in the income and expenditure account on a straight line basis over 20 years, its estimated useful life.

Housing properties
Housing properties have been revalued as at the balance sheet date on an existing use for social housing basis (further detail is set out in note 13).

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 13.

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 an accrual for all costs certified to date including the amount of the sum retained by the Group under the construction contract.

1. Principal accounting policies continued

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 department costs

Development department 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

During the year ended 31 March 2012, the Group revised the period over which it depreciates its housing properties. Until 31 March 2011, the Group depreciated them over the estimated useful life of the asset as a whole and only capitalised reinvestment expenditure where works increased the net rental stream over the life of the property.

From 1 April 2011, housing properties are split between the structure and those major components which require periodic replacement. Replacement or restoration of such major components is capitalised and depreciated over the average estimated useful life, which has been set taking into account professional advice, the Group's asset management strategy and the requirements of the Decent Homes standard. The change in the method of estimating useful life has been adopted as it is considered that it shows a fairer representation of the results and the financial position of the Group. This has been applied with effect from 1 April 2010 and is reflected in our restated accounts for 2010-11.

Depreciation is charged over the expected useful economic lives of each component as follows:

	Years
Structure	100
Roof	25
Window/doors	25
Kitchen/bathrooms	28
External works	20
Mechanical services	20
Heating and plumbing	25
Fit out costs	10
Landscaping	5

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:

	Years
Leasehold office improvements	*
Land	**
Freehold office buildings	50
Office furniture and equipment	10
Motor vehicles	4
Computer software	5
Computer hardware	3

Landbank

Where land has been acquired and internally approved to the extent the scheme is intended for renting, it is held within fixed assets. Where it is unlikely that any scheme will proceed on acquired land, it is held within current assets and carried at the lower of cost and net realisable value. Any write downs to net realisable value are included in cost of sales.

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.

* Over the remaining period of the lease ** Is not depreciated

1. Principal accounting policies continued

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.

Where, following the sale of the property, SHG becomes repayable, to the extent that it is not subject to abatement, it is included as a liability until it is repaid or utilised.

Sinking funds
Sinking funds are maintained for each scheme with leasehold properties to cover future major repairs. These funds are managed through service charges to leaseholders.

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 13 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.

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
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 in accordance with FRS5 'Reporting the Substance of Transactions'. 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.

1. Principal accounting policies continued

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 18 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. The tax charge in the year relates to 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.

Significant estimation techniques
In the preparation of the financial statements, the Group makes estimates based on available information, expert advice and past experience. The financial statements contain the following significant estimates:

- Future sales proceeds on LCHO sales or outright sales based on previous sales.
- Carrying value on housing properties, based on the independent valuations prepared on the basis of existing use value for social housing using a discounted cash flow making allowances for outgoings against income receivable. No impairment is made on housing properties where the existing use value is lower than cost and the properties continue to satisfy the Group's charitable objectives.
- Carrying value of goodwill, based on forecast cash flows and a discount rate that reflects an appropriate risk premium on its weighted average interest rate. Growth rates are based on the specific market opportunity, the strength of the customer offer and investment in the business.
- Bad debt provisions based on previous experience, cash collected subsequent to the year end and financial viability of the customer.

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

	2012			
	Turnover £000	Cost of sales £000	Operating costs £000	Operating surplus £000
Social housing lettings (note 3)	88,333	–	(72,691)	15,642
Other social housing activities				
Supporting people	2,512	–	(2,998)	(486)
LCHO first tranche sales	13,676	(11,197)	–	2,479
Other	385	–	–	385
Non–social housing activities				
Outright sales	–	–	–	–
Management services	17,953	–	(8,170)	9,783
Care and Health services	89,040		(101,960)	(12,920)
Business development	–	–	(358)	(358)
Other	831	(33)	(99)	699
Total	**212,730**	**(11,230)**	**(186,276)**	**15,224**

	2011 (Restated)				
	Turnover £000	Cost of sales £000	Operating costs £000	Exceptional items £000	Operating surplus £000
Social housing lettings (note 3)	79,342	–	(63,354)	–	15,988
Other social housing activities					
Supporting people	2,542	–	(2,856)	–	(314)
LCHO first tranche sales	7,296	(6,583)	–	–	713
Other	385	–	–	–	385
Non–social housing activities					
Outright sales	625	(610)	–	–	15
Management services	16,317	–	(7,654)	–	8,663
Care and health services	101,064	–	(106,913)	(2,747)	(8,596)
Business development	–	–	(295)	–	(295)
Other	678	(76)	(1,368)	–	(766)
Total	**208,249**	**(7,269)**	**(182,440)**	**(2,747)**	**15,793**

The exceptional item is a significant non-recurring item, totalling £2.7m, being redundancy costs on the expiry of a major 10 year care contract.

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

	2012			
	Turnover £000	Cost of sales £000	Operating costs £000	Operating surplus £000
Social housing lettings (note 3)	**87,412**	**–**	**(70,988)**	**16,424**
Other social housing activities				
Supporting people	2,512	–	(2,998)	(486)
LCHO first tranche sales	13,676	(11,197)	–	2,479
Other	385	–	–	385
Non–social housing activities				
Outright sales	–	–	–	–
Management services	13,206	–	(7,826)	5,380
Care and health services	63,493	–	(76,300)	(12,807)
Business development	–	–	(358)	(358)
Other	826	(33)	(7)	786
Total pre gift aid	181,510	(11,230)	(158,477)	11,803
Gift aid	105	–	–	105
Total after gift aid	**181,615**	**(11,230)**	**(158,477)**	**11,908**

	2011 (Restated)				
	Turnover £000	Cost of sales £000	Operating costs £000	Exeptional items £000	Operating surplus £000
Social housing lettings (note 3)	**78,735**	**–**	**(62,353)**	**–**	**16,382**
Other social housing activities					
Supporting people	2,542	–	(2,856)	–	(314)
LCHO first tranche sales	7,296	(6,583)	–	–	713
Other	385	–	–	–	385
Non–social housing activities					
Outright sales	625	(610)	–	–	15
Management services	10,250	–	(7,699)	–	2,551
Care and health services	38,552	–	(46,259)	(2,747)	(10,454)
Business development	–	–	(295)	–	(295)
Other	655	–	–	–	655
Total pre gift aid	139,040	(7,193)	(119,462)	(2,747)	9,638
Gift aid	3,885	–	–	–	3,885
Total after gift aid	**142,925**	**(7,193)**	**(119,462)**	(2,747)	**13,523**

The exceptional item is a significant non-recurring item, totalling £2.7m, being redundancy costs on the expiry of a major 10 year care contract.

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

Group

	Housing for older people £000	General needs £000	Total 2012 £000	Total 2011 (restated) £000
Rent receivable net of identifiable service charges	58,686	2,310	60,996	54,741
Service charges receivable	27,021	316	27,337	24,601
Net rental income and turnover from social housing lettings	**85,707**	**2,626**	**88,333**	**79,342**
Services	24,895	253	25,148	23,335
Management	11,304	–	11,304	8,553
Routine maintenance	5,981	490	6,471	6,339
Planned maintenance	3,150	149	3,299	3,111
Major repairs expenditure	2,871	62	2,933	2,110
Leasehold and other contributions	3,553	(917)	2,636	2,188
Bad debts	309	(1)	308	132
Depreciation on housing properties	19,345	1,247	20,592	17,586
Operating costs on social housing lettings	**71,408**	**1,283**	**72,691**	**63,354**
Operating surplus on social housing lettings	**14,299**	**1,343**	**15,642**	**15,988**
Rent losses from voids	(4,431)	(551)	(4,982)	(4,337)

Association

	Housing for older people £000	General needs £000	Total 2012 £000	Total 2011 (restated) £000
Rent receivable net of identifiable service charges	57,204	3,128	60,332	54,129
Service charges receivable	26,764	316	27,080	24,606
Net rental income and turnover from social housing lettings	**83,968**	**3,444**	**87,412**	**78,735**
Services	24,546	234	24,780	23,165
Management	11,089	–	11,089	8,380
Routine maintenance	5,635	363	5,998	5,876
Planned maintenance	2,938	92	3,030	2,853
Major repairs expenditure	2,827	36	2,863	1,872
Leasehold and other contributions	3,959	466	4,425	3,891
Bad debts	309	(1)	308	132
Depreciation on housing properties	17,678	817	18,495	16,184
Operating costs on social housing lettings	**68,981**	**2,007**	**70,988**	**62,353**
Operating surplus on social housing lettings	**14,987**	**1,437**	**16,424**	**16,382**
Rent losses from voids	(4,427)	(549)	(4,976)	(4,326)

4. Surplus on disposal of existing rental housing properties and undeveloped land

	Group and Association	
	2012	**2011**
	£000	£000
Proceeds of sale	5,223	–
Less costs of sale at carrying value	(755)	–
Surplus on disposal	**4,468**	**–**

The above disposals 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.

5. Disposal of other assets

	Group and Association	
	2012	**2011**
	£000	£000
Proceeds of sale	3	(2)
Less cost	(3)	–
Add accumulated depreciation	3	2
Surplus on disposal	**3**	**–**

6. Directors' emoluments

The directors of Housing 21 are defined as members of the Board and the Executive Team. There were 16 directors during the year.

Both the Board and Executive Team received emoluments during the year.

	2012	**2011**
	£000	£000
Non-executive directors:		
Emoluments	90	104
Executive directors:		
Emoluments	834	757
Executive directors benefits in kind	4	13
Executive directors pension contributions	74	64
Total	**912**	**834**
Emoluments payable to the highest paid director, Pushpa Raguvaran Chief Executive:		
Emoluments	189	187
Pension contributions	15	15
Total	**204**	**202**

One of the directors, Kenneth Jeffries, is a resident of the Association during the year. His tenancy is on the same terms and conditions as other residents. He is unable to use his position as Board member to any advantage in his relationship with the Association as a resident.

7. Employee information

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

	Group 2012	Group 2011	Association 2012	Association 2011
Management and administration	787	890	674	604
Court managers	419	422	415	420
Care and ancillary	5,215	5,407	4,317	2,233
	6,421	6,719	5,406	3,257

Staff costs (for the above persons)

	Group 2012 £000	Group 2011 £000	Association 2012 £000	Association 2011 £000
Wages and salaries	101,050	103,435	81,807	58,098
Social security costs	7,348	7,712	5,668	4,126
Pension costs	1,241	1,648	1,204	1,605
	109,639	112,795	88,679	63,829

The movement in employee numbers is attributable to the trade and assets of Claimar Care Limited being hived up into Housing 21 Association Limited on 31 March 2011.

8. Interest receivable and similar income

	Group 2012 £000	Group 2011 £000	Association 2012 £000	Association 2011 £000
Interest received on cash deposits	21	30	7	11
Finance asset interest	6,211	5,677	390	197
Intercompany loans	–	–	1,914	2,063
HACO interest	–	42	–	42
Equity bridge–loans	1,539	383	1,539	383
	7,771	6,132	3,850	2,696

Finance asset interest

Within PFI and PPP contracts, the Group does not own the asset. Once a property is completed or refurbished, costs related to the property are transferred from work in progress to the finance debtor and shown in debtors over more than one year. The finance debtor is recovered via the unitary charge contract income and amortised over the remaining life of the contract. Until the debtor is fully amortised, an interest charge is released to the income and expenditure account, which is based upon the value of the debtor outstanding. This interest is included within interest receivable.

9. Interest payable and similar charges

	Group 2012 £000	Group 2011 £000	Association 2012 £000	Association 2011 £000
On loans from local authorities:				
Repayable wholly or partly in more than 5 years	28	28	28	28
On loans from other lenders:				
Interest payable on loans	23,113	19,650	12,806	10,009
Less: capitalised interest	(1,165)	(2,067)	(563)	(1,384)
Interest payable on finance leases	85	86	85	86
Other interest payable	1,136	492	960	342
	23,197	18,189	13,316	9,081

10. Other finance costs

	Group 2012 £000	Group 2011 £000	Association 2012 £000	Association 2011 £000
Other finance costs	10	–	–	–
On pension liability (Note 30)	–	51	–	51
	10	51	–	51

11. Surplus on ordinary activities before tax

	Group 2012 £000	Group 2011 (Restated) £000	Association 2012 £000	Association 2011 (Restated) £000
Surplus on ordinary activities before tax is after charging:				
Depreciation - owned assets	21,899	19,245	19,708	17,069
- leased assets	16	7	16	7
Amortisation of goodwill	3,737	3,717	1,769	238
Interest element of finance lease payments	85	86	85	86
Payments under operating leases	289	764	119	58
Auditors' remuneration (including VAT and expenses):				
-In their capacity as auditors	202	157	172	50
-In respect of other services	89	130	89	139

12. Taxation

The War Memorial Village Derby 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, Oldham Retirement Housing Partnership Limited and Gharana Housing Association Limited have charitable status, and 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.

The following Companies are subject to UK Corporation tax at the prevailing rate:

- Housing 21 Property Services Limited
- Claimar Care Group Ltd
- Claimar Care Ltd
- Easley Health Ltd
- Surecare Community Services Ltd
- Firstcall Community Systems Ltd
- Primary Care Services Ltd
- Complete Care Holdings Ltd
- Paediatric Nursing Link Ltd

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

Current taxation	**Group 2012** £000	**Group 2011** £000	**Association 2012** £000	**Association 2011** £000
UK corporation tax	21	35	–	–
Deferred tax	–	(438)	–	–
Adjustments in respect of prior years	(198)	(22)	–	–
	(177)	(425)	–	–

Current tax reconciliation

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

	Group 2012 £000	**Group 2011** £000	**Association 2012** £000	**Association 2011** £000
Surplus on ordinary activities before taxation	4,259	3,470	6,913	7,087
Tax at the standard rate of tax of 26% (2011 – 28%)	1,107	972	1,797	1,984
Effects of:				
Expenses not deductible for tax	164	164	–	–
Capital allowances in excess of depreciation	(2)	(797)	(1)	(854)
Group relief	228	–	(88)	(4)
Exemption for charitable activities	(1,319)	(1,050)	(1,708)	(1,126)
Other timing differences	1	(400)	–	–
Dividends from UK companies	(30)	–	–	–
Gift aid (deduction in prior year)	(326)	647	–	–
Adjustments in respect of prior years	–	(22)	–	–
Losses carried forward	–	61	–	–
Total current tax charge	**(177)**	**(425)**	**–**	**–**

Notes to the financial statements

13. Housing properties at valuation – Group

Group	Freehold land and buildings			Leasehold buildings			Finance lease buildings	Housing under construction			Total (as restated)
Cost or Valuation	**Housing for older people** (valuation) £000	**Housing for general needs** (valuation) £000	**Shared owner-ship** (valuation) £000	**Housing for older people** (valuation) £000	**Housing for general needs** (valuation) £000	**Shared owner-ship** (valuation) £000	**Freehold land and buildings** (valuation) £000	**Housing for general needs** (cost) £000	**Housing owner-ship** (cost) £000	**Shared land and buildings** (cost) £000	£000
At 1 April 2011 as previously stated	574,161	38,015	3,146	177,258	15,130	7,912	1,506	11,388	–	3,322	831,838
Prior year adjustment (note 36)	(685)	–	–	–	–	–	–	–	–	–	(685)
At 1 April 2011 (restated)	573,476	38,015	3,146	177,258	15,130	7,912	1,506	11,388	–	3,322	**831,153**
Additions: works to existing properties	16,216	548	20	373	–	–	37	34,086	–	13,097	64,377
Transfers to current assets	–	–	–	–	–	–	–	–	–	3,539	3,539
Disposals	(961)	(3,160)	–	–	–	(88)	–	–	–	–	(4,209)
Completed projects cost	5,844	–	–	50,551	–	3,714	–	(47,486)	–	(12,623)	–
Completed projects SHG and other grant	(3,113)	–	–	(28,220)	–	(3,294)	–	26,413	–	8,214	–
SHG and other grant received in the year	–	–	–	–	–	–	–	(21,999)	–	(4,486)	(26,485)
SHG on disposal	1,380	–	143	–	–	–	–	–	–	–	1,523
Surplus on revaluation	40,032	1,972	(302)	29,437	–	(6,913)	621	–	–	–	64,847
At 31 March 2012	**632,874**	**37,375**	**3,007**	**229,399**	**15,130**	**1,331**	**2,164**	**2,402**	**–**	**11,063**	**934,745**
Depreciation At 1 April 2011	–	–	–	–	–	–	–	–	–	–	–
Charge for the year on revalued amounts	14,713	475	2	5,279	–	149	83	–	–	–	20,701
Released on disposal revaluation	(238)	–	–	–	–	–	–	–	–	–	(238)
Transfer on revaluation	(14,475)	(475)	(2)	(5,279)	–	(149)	(83)	–	–	–	(20,463)
At 31 March 2012	–	–	–	–	–	–	–	–	–	–	–
Net book value at 31 March 2012	**632,874**	**37,375**	**3,007**	**229,399**	**15,130**	**1,331**	**2,164**	**2,402**	**–**	**11,063**	**934,745**
Net book value at 31 March 2011	573,476	38,015	3,146	177,258	15,130	7,912	1,506	11,388	–	3,322	831,153
Net book value at 31 March 2012 is represented by:											
Gross cost	604,620	27,938	19,151	254,203	15,130	10,467	3,073	17,644	–	11,063	963,289
Less: SHG and other grants	(327,692)	(4,060)	(18,629)	(78,655)	–	(11,894)	(97)	(15,242)	–	–	(456,269)
Less: Accumulated depreciation	(184,792)	(11,531)	(151)	(27,084)	–	(197)	(1,192)	–	–	–	(224,947)
Add: Accumulated surplus/(deficit) on revaluation	540,738	25,028	2,636	80,935	–	2,955	380	–	–	–	652,672
Total	**632,874**	**37,375**	**3,007**	**229,399**	**15,130**	**1,331**	**2,164**	**2,402**	**–**	**11,063**	**934,745**

13. Housing properties at valuation – Association

Association	Freehold land and buildings			Leasehold buildings			Finance lease buildings	Housing under construction			Total (as restated)
Cost or Valuation	**Housing for older people** (valuation) £000	**Housing for general needs** (valuation) £000	**Shared owner-ship** (valuation) £000	**Housing for older people** (valuation) £000	**Housing for general needs** (valuation) £000	**Shared owner-ship** (valuation) £000	**Freehold land and buildings** (valuation) £000	**Housing for general needs** (cost) £000	**Housing owner-ship** (cost) £000	**Shared land and buildings** (cost) £000	£000
At 1 April 2011 as previously stated	568,291	36,538	3,146	111,947	–	7,912	1,506	13,435	–	3,322	746,097
Prior year adjustment (note 36)	(685)	–	–	–	–	–	–	–	–	–	(685)
At 1 April 2011 (restated)	567,606	36,538	3,146	111,947	–	7,912	1,506	13,435	–	3,322	**745,412**
Additions: works to existing properties	16,138	498	20	373	–	–	37	34,086	–	13,097	64,249
Disposals	(961)	(3,160)	–	–	–	(88)	–	–	–	–	(4,209)
Completed projects cost	5,844	–	–	50,551	–	3,714	–	(47,486)	–	(12,623)	–
Transfer to current assets	–	–	–	–	–	–	–	–	–	3,539	3,539
Completed projects SHG and other grant	(3,113)	–	–	(28,220)	–	(3,294)	–	26,413	–	8,214	–
SHG and other grant received in the year	–	–	–	–	–	–	–	(21,999)	–	(4,486)	(26,485)
SHG on disposal	1,380	–	143	–	–	–	–	–	–	–	1,523
Surplus on revaluation	38,906	2,029	(302)	22,794	–	(6,913)	621	–	–	–	57,135
At 31 March 2012	**625,800**	**35,905**	**3,007**	**157,445**	**–**	**1,331**	**2,164**	**4,449**	**–**	**11,063**	**841,164**
Depreciation At 1 April 2011	–	–	–	–	–	–	–	–	–	–	–
Charge for the year on revalued amounts	14,576	436	2	3,365	–	149	83	–	–	–	18,611
Released on disposal revaluation	(238)	–	–	–	–	–	–	–	–	–	(238)
Transfer on revaluation	(14,338)	(436)	(2)	(3,365)	–	(149)	(83)	–	–	–	(18,373)
At 31 March 2012	–	–	–	–	–	–	–	–	–	–	–
Net book value at 31 March 2012	**625,800**	**35,905**	**3,007**	**157,445**	**–**	**1,331**	**2,164**	**4,449**	**–**	**11,063**	**841,164**
Net book value at 31 March 2011	567,606	36,538	3,146	111,947	–	7,912	1,506	13,435	–	3,322	745,412
Net book value at 31 March 2012 is represented by:											
Gross cost	596,791	26,759	19,151	198,094	–	10,466	3,073	19,691	–	11,063	885,088
Less: SHG and other grants	(322,030)	(4,055)	(18,629)	(78,655)	–	(11,894)	(97)	(15,242)	–	–	(450,602)
Less: accumulated depreciation	(183,703)	(10,947)	(151)	(21,587)	–	(197)	(1,192)	–	–	–	(217,777)
Add: accumulated surplus/(deficit) on revaluation	534,742	24,148	2,636	59,593	–	2,956	380	–	–	–	624,455
Total	**625,800**	**35,905**	**3,007**	**157,445**	**–**	**1,331**	**2,164**	**4,449**	**–**	**11,063**	**841,164**

13. Housing properties at valuation (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 2012. 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 £921,280,000 for completed properties (2011: £816,443,000).

The values of completed developments moved into housing stock from housing under construction during the year included capitalised interest (rates applied during year: 4.2% on debit balances and 0.5% on credit balances) of £1,165,000 (2011: £2,067,000). The cumulative value of capitalised interest is not available.

13. Housing properties at valuation (continued)

Analysis of completed housing properties at valuation

	Group 2012 £000	Group 2011 (Restated) £000	Association 2012 £000	Association 2011 (Restated) £000
Freeholds	673,256	614,637	664,712	607,290
Long leaseholds	245,860	200,300	158,776	119,859
Short leaseholds	2,164	1,506	2,164	1,506
	921,280	**816,443**	**825,652**	**728,655**

Capital grants

Group	**Completed schemes** £000	**Schemes in the course of construction** £000	**Total** £000
Social Housing Grant			
1 April 2011	328,947	7,382	336,329
Disposal	(1,523)	–	(1,523)
Receivable in year	–	26,485	26,485
Completed projects	30,804	(30,804)	–
At 31 March 2012	**358,228**	**3,063**	**361,291**
Other Grants			
1 April 2011	78,335	16,643	94,978
Receivable in year	–	–	–
Completed projects	3,823	(3,823)	–
At 31 March 2012	**82,158**	**12,820**	**94,978**
Total			
1 April 2011	407,282	24,025	431,307
Disposal	(1,523)	–	(1,523)
Receivable in year	–	26,485	26,485
Completed projects	34,627	(34,627)	–
At 31 March 2012	**440,386**	**15,883**	**456,269**

Within the figure for 'Other grants, receivable in the year' is a total of £nil (2011: £476k) relating to land donated by local authorities. The valuation of this land, covering one scheme, has been accounted as a cost of development and also treated as a capital grant.

13. Housing properties at valuation (continued)

Capital grants

Association	Completed schemes	Schemes in the course of construction	Total
	£000	£000	£000
Social Housing Grant			
1 April 2011	328,942	7,382	336,324
Disposals	(1,523)	–	(1,523)
Receivable in year	–	26,485	26,485
Completed projects	30,804	(30,804)	–
At 31 March 2012	**358,223**	**3,063**	**361,286**
Other Grants			
		16,643	
1 April 2011	72,673	–	89,316
Receivable in year	–	(3,823)	–
Completed projects	3,823	12,820	–
At 31 March 2012	**76,496**		**89,316**
Total			
		24,025	
1 April 2011	401,615	–	425,640
Disposals	(1,523)	26,485	(1,523)
Receivable in year	–	(34,627)	26,485
Completed projects	34,627	**15,883**	–
At 31 March 2012	**434,719**		**450,602**

Social Housing Grant	Group 2012	Group 2011	Association 2012	Association 2011
	£000	£000	£000	£000
Capital grants deducted from housing properties – cost	456,269	431,307	450,602	425,640
Add: cumulative amount credited to income and expenditure account	72	72	72	72
Total Social Housing Grant receivable to date	**456,341**	**431,379**	**450,674**	**425,712**

14. Other fixed assets – Group

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 2011	240	3,532	206	1,054	13	11,037	16,082
Additions	8	33	–	87	–	871	999
Disposals	–	–	–	(15)	(3)	–	(18)
At 31 March 2012	**248**	**3,565**	**206**	**1,126**	**10**	**11,908**	**17,063**
Depreciation							
At 1 April 2011	215	558	51	747	5	9,075	10,651
Charge for the year	16	69	–	145	8	976	1,214
Disposals	–	–	–	(3)	(3)	–	(6)
At 31 March 2012	**231**	**627**	**51**	**889**	**10**	**10,051**	**11,859**
Net book value at 31 March 2012	**17**	**2,938**	**155**	**237**	**–**	**1,857**	**5,204**
Net book value at 31 March 2011	25	2,974	155	307	8	1,966	5,435

14. Other Fixed Assets – Association

Association	Leasehold office improvements £000	Freehold offices £000	Office equipment £000	Motor vehicles £000	Computer equipment £000	Total £000
Cost						
At 1 April 2011	428	3,532	1,296	87	11,480	16,823
Additions	8	33	29	–	878	948
Disposals	–	–	–	(3)	–	(3)
At 31 March 2012	**436**	**3,565**	**1,325**	**84**	**12,358**	**17,768**
Depreciation						
At 1 April 2011	247	555	1,081	78	9,637	11,598
Charge for the year	16	69	43	9	976	1,113
Disposals	–	–	–	(3)	–	(3)
At 31 March 2012	**263**	**624**	**1,124**	**84**	**10,613**	**12,708**
Net book value at 31 March 2012	**173**	**2,941**	**201**	**–**	**1,745**	**5,060**
Net book value at 31 March 2011	181	2,977	215	9	1,843	5,225

15. Housing properties and stock for sale

	Group 2012 £000	Group 2011 (restated) £000	Association 2012 £000	Association 2011 (restated) £000
Low cost home ownership properties for sale	9,058	12,315	9,058	12,315
Low cost home ownership properties under construction	1,509	1,565	1,509	1,565
Outright properties for sale	–	4,009	–	4,009
Landbank (note 36)	685	685	685	685
	11,252	**18,574**	**11,252**	**18,574**

16. Debtors: amounts falling due after one year

	Group 2012 £000	Group 2011 £000	Association 2012 £000	Association 2011 £000
Work in progress recoverable	941	4,724	–	–
Finance debtor	111,298	106,447	6,776	6,520
Amount owing from subsidiaries	–	–	25,980	25,980
	112,239	**111,171**	**32,756**	**32,500**

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.

17. Debtors: amounts falling due within one year

	Group 2012 £000	Group 2011 £000	Association 2012 £000	Association 2011 £000
Rental debtors	3,103	2,595	3,074	2,585
Less provision for bad debts	(939)	(706)	(936)	(706)
	2,164	**1,889**	**2,138**	**1,879**
Trade debtors	12,470	13,855	10,780	10,469
Other debtors	22,165	18,755	15,112	12,287
SHG and other grants received in advance	946	–	946	–
Amount owing from subsidiaries	–	–	22,451	8,521
	37,745	**34,499**	**51,427**	**33,156**

18. Creditors: amounts falling due within one year

	Group 2012 £000	Group 2011 £000	Association 2012 £000	Association 2011 £000
Housing loans	7,599	16,581	3,243	3,238
Obligations under finance leases	43	37	43	37
Amount owing to subsidiaries	–	–	8,819	8,876
Trade creditors	1,130	4,606	898	3,599
SHG and other grants received in advance	–	3,463	–	3,463
Corporation tax	31	60	–	3
Other creditors including PAYE and social security	12,187	9,662	11,125	9,293
Accruals and deferred income	43,622	46,775	22,476	27,154
	64,612	**81,184**	**46,604**	**55,663**

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

	Group 2012 £000	Group 2011 £000	Association 2012 £000	Association 2011 £000
Loans				
Local Authority residual loans	172	173	172	173
Government loans	11,139	11,119	10,932	10,912
Debenture stock	14,000	14,000	14,000	14,000
Bank loans	356,114	333,296	206,037	172,275
Other secured loans	57,500	57,500	57,500	57,500
Sub total	438,925	416,088	288,641	254,860
Debenture stock – premium on issue	271	271	271	271
	439,196	**416,359**	**288,912**	**255,131**
Less: funding costs to be amortised	(2,763)	(3,061)	(976)	(1,182)
	436,433	**413,298**	**287,936**	**253,949**
Less: amounts falling due within one year	(7,599)	(16,581)	(3,243)	(3,238)
Total loans due after one year	**428,834**	**396,717**	**284,693**	**250,711**
Finance leases				
Finance leases	2,461	2,498	2,461	2,498
Less: amounts falling due within one year	(43)	(37)	(43)	(37)
Total finance leases due after one year	**2,418**	**2,461**	**2,418**	**2,461**
	431,252	**399,178**	**287,111**	**253,172**

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 4.68% (2011: 4.50%).

The loans are due as follows:

Loan stocks and bank loans	Group 2012 £000	Group 2011 £000	Association 2012 £000	Association 2011 £000
Repayable as follows:				
In one year or less	7,599	16,581	3,243	3,238
In more than one year and less than two years	53,816	7,594	48,269	3,243
In more than two years and less than five years	22,425	23,417	11,884	11,164
In five years or more	355,085	368,496	225,245	237,215
	438,925	**416,088**	**288,641**	**254,860**

20. Share capital

	2012 £	2011 £
Allotted, issued and fully paid	31	31

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. Unrestricted reserves

	General reserve £000	Negative goodwill £000	Group Revaluation reserve £000	General reserve £000	Association Revaluation reserve £000
At 1 April 2011	122,863	1,057	444,127	133,192	427,736
Prior year adjustment – component accounting	(122,027)	(1,057)	123,084	(120,973)	120,973
At 1 April 2011 – restated	836	–	567,211	12,219	548,709
Surplus for the year	4,436	–	–	6,913	–
Revaluation of properties	–	–	85,548	–	75,746
Actuarial loss on pension scheme liability	(31)	–	–	(31)	–
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	87	–	(87)	–	–
At 31 March 2012	**5,328**	**–**	**652,672**	**19,101**	**624,455**

The adoption of component accounting has resulted in the capitalisation of major repairs which had previously been expensed, writing off the residual values of any components that have been replaced and expensing the additional depreciation arising as a consequence of the shorter component lives.

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

	2012 £000	2011 £000 (restated)
Operating surplus	**15,224**	**15,793**
Depreciation	21,915	17,076
Amortisation of goodwill	3,737	3,717
Amortisation of loan costs	(655)	(348)
Pension schemes subject to FRS 17, current service cost	47	317
Pension schemes subject to FRS 17, contributions paid	(336)	(238)
Pension schemes subject to FRS 17, past service cost	–	(824)
Pension schemes subject to FRS 17, settlements and curtailments	(405)	54
Movement in Housing Properties and Stock for Sale	7,322	3,324
Increase in debtors	(3,370)	(24,943)
Decrease in creditors	(5,434)	(1,800)
Net cash inflow from operating activities	**38,045**	**12,128**

23. Analysis of the management of liquid resources

	2012 £000	2011 £000
Decrease in short term deposits	(355)	(7,665)

24. Analysis of the changes in net debt

	At 1 April 2011 £000	Cash flows £000	Non–cash items £000	At 31 March 2012 £000
Cash	15,295	8,531	–	23,826
Bank loans due within 1 year	(16,581)	16,581	(7,599)	(7,599)
Bank loans due after 1 year	(396,717)	(39,716)	7,599	(428,834)
Finance leases due within 1 year	(37)	37	(43)	(43)
Finance leases due after 1 year	(2,461)	–	43	(2,418)
	(400,501)	(14,567)	–	(415,068)
Cash on short term deposit	355	(355)	–	–
Total	**(400,146)**	**(14,922)**	**–**	**(415,068)**

25. Reconciliation of the movement in net debt

	2012 £000	2011 £000
Increase in cash in the period	**8,531**	**8,436**
Cash inflow from increase in debt	(23,135)	(66,505)
Loans acquired	–	(204)
Movement in short term deposits	(355)	(7,665)
Changes in net debt resulting from cash flows	**(14,959)**	**(65,938)**
Finance leases	37	32
Movement in net debt in the year	**(14,922)**	**(65,906)**
Net debt at 1 April 2011	**(400,146)**	**(334,240)**
Net debt at 31 March 2012	**(415,068)**	**(400,146)**

26. Housing accommodation

The number of units of accommodation at 31 March 2012 was:

	Group 2012	Group 2011	Association 2012	Association 2011
Owned and managed				
Housing for older people	14,436	13,901	14,336	13,851
General needs	544	580	544	580
Leased	1,448	1,379	1,413	1,344
Staff accommodation	290	292	289	291
Owned but managed by others				
General needs	94	94	48	48
Managed for others				
Housing for older people	1,916	1,969	281	281
General needs	9	5	51	51
Staff accommodation	8	8	4	4
Total	**18,745**	**18,228**	**16,966**	**16,450**
Units in development				
For rent	384	662	384	662
For shared ownership	117	79	117	79
For outright sale	55	–	55	–
Total	**556**	**741**	**556**	**741**

27. Capital commitments

	Group 2012 £000	Group 2011 £000	Association 2012 £000	Association 2011 £000
Capital expenditure contracted but not provided for	17,049	66,759	16,742	63,156
Capital expenditure approved but not contracted for	89,468	134,010	89,468	134,010

Capital expenditure contracted but not provided for represents the amount committed to development sites for which the Group has a contractual obligation. Capital expenditure approved but not contracted represents potential commitments to development schemes for which funding has been allocated and form part of the corporate plan approved by the board. A formal investment appraisal is conducted on each development scheme before the Group enters a contractual obligation.

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 2012 £000	Group & Association 2011 £000
In one year or less	43	37
Between one and two years	48	42
Between two and five years	184	164
In five years or more	2,186	2,254
	2,461	**2,497**

29. Commitments under operating leases

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

	Group 2012 £000	Group 2011 £000	Association 2012 £000	Association 2011 £000
On land and buildings:				
In one year or less	115	128	115	110
In two – five years	601	563	514	488
In five or more years	277	312	199	312
	993	1,003	828	910
On other assets:				
In one year or less	21	8	21	3
In two – five years	64	189	53	75
	85	197	74	78

30. Pension liability

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

Group & Association

	2012	2011
	£000	£000
London Borough of Redbridge	(97)	(97)
London Borough of Lewisham	(140)	(124)
London Borough of Barnet	-	(679)
	(237)	**(900)**

The movement on the pension scheme liabilities is scheduled below:

Year ended 31 March 2012	Total	London Borough of Redbridge	London Borough of Lewisham	London Borough of Barnet
	£000	£000	£000	£000
Deficit at the beginning of the year	900	97	124	679
Current service cost, charged to operating surplus	47	–	11	36
Other finance costs, charged to surplus (note 10)	–	1	4	(5)
Past service cost	–	–	–	–
Actuarial loss/(gain), charged to the statement of recognised surpluses and deficits	31	31	10	(10)
Contribution paid	(336)	(32)	(9)	(295)
Settlements and curtailments	(405)	–	–	(405)
Deficit at the end of the year	**237**	**97**	**140**	**–**

Year ended 31 March 2011	Total	London Borough of Redbridge	London Borough of Lewisham	London Borough of Barnet
	£000	£000	£000	£000
Deficit at the beginning of the year	3,146	127	241	2,778
Current service cost, charged to operating surplus	317	–	12	305
Other finance (costs, charged to surplus (note 10)	51	1	8	42
Past service cost	(824)	(36)	(35)	(753)
Actuarial (gain)/loss, charged to the statement of recognised surpluses and deficits	(1,606)	5	(93)	(1,518)
Contribution paid	(238)	–	(9)	(229)
Settlements and curtailments	54	–	–	54
Deficit at the end of the year	**900**	**97**	**124**	**679**

30. Pension liability (continued)

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

Year ended 31 March 2012	Total	London Borough of Redbridge	London Borough of Lewisham	London Borough of Barnet
	£000	£000	£000	£000
Actuarial loss / (gain)	31	31	10	(10)
Charged/(released) to the statement of recognised surpluses and deficits	31	31	10	(10)

Year ended 31 March 2011	Total	London Borough of Redbridge	London Borough of Lewisham	London Borough of Barnet
	£000	£000	£000	£000
Actuarial (gain)/ loss	(1,606)	5	(93)	(1,518)
Charged/(released) to the statement of recognised surpluses and deficits	(1,606)	5	(93)	(1,518)

Analysis of projected pension expense for the year to 31 March 2012

Year ended 31 March 2012	Total	London Borough of Redbridge	London Borough of Lewisham	London Borough of Barnet
	£000	£000	£000	£000
Projected current service cost	47	–	11	36
Interest obligation	119	25	19	75
Expected return on plan assets	(119)	(24)	(15)	(80)
Past service cost	–	–	–	–
Losses on curtailments and settlements	(405)	–	–	(405)
Total	**(358)**	**1**	**15**	**(374)**

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.

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

An employer can elect to operate different benefit structures for their active members and their new entrants. An employer can only operate one open 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 173 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:

Valuation discount rates	**%pa**
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

31. Pensions (continued)

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 table above .

The scheme's 30 September 2011 valuation is currently in progress and will be finalised by 31 December 2012. The results of the 2011 valuation will be included in next year's Disclosure note.

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.

New employers that do not transfer any past service liabilities to the scheme pay contributions at the ongoing future service contribution rate. This rate is reviewed at each valuation and new employers joining the scheme between valuations up until 1 April 2010 do not contribute towards the deficit until two valuations have been completed after their date of joining. New employers joining the scheme after 1 April 2010 will be liable for past service deficit contributions from the valuation following joining. 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 provided a response in respect of the September 2008 actuarial valuation in August 2011, stating that it does not propose to take any scheme funding action under Part 3 of the Pensions Act 2004.

The scheme actuary has prepared an actuarial report that provides an approximate update on the funding position of the scheme as at 30 September 2010. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the scheme to £1,985 million and indicated a reduction in the shortfall of assets compared to liabilities to approximately £497 million, equivalent to a past service funding level of 80.0%.

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.

31. Pensions (continued)

The debt for the scheme as a whole is calculated by comparing the liabilities for the scheme (calculated on a buyout basis ie 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 2011. As of the date the estimated employer debt for Housing 21 was £ 41,892,617.

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 £578k (2011: £508k). There were 294 employee members at the year end (2011: 309). 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 Housing 21 and the pension cost of this scheme for the Company in 2012 was £16k (2011: £26k). There was 1 employee member at the year end (2011: 1). 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 £33k (2011: £43k) with 14 employee members at the year end (2011: 18).

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 £ 66k (2011: £241k). There were 15 employee members at the year end (2011: 111 employees). Employee contributions were 5.5 % or 7.5 % (2011: 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 16.6% totalling £45k (2011: £43k). There were 13 employee members at the year end (2011:14). Employee contributions were 5.5% or 7.5% (2011: 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 15.3% totalling £448k (2011: £464k). There were 186 employee members at the year end (2011: 197). 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.

31. Pensions (continued)

During the accounting period Housing 21 paid contributions at 20% totalling £ 9k (2011: £15k). There was 1 employee members at the year end (2011: 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 21.0% totalling £102k (2011: £102k). There were 25 (2011: 26) 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 19.5% totalling £29k (2011: £45k). There were 14 (2011: 17) employee members at the year end. Employee contributions were between 5.5% and 7.5%.

London Borough of Barnet Pension Scheme
From 1 June 2011 Housing 21 entered into a new pension arrangement with the London Borough of Barnet. The London Borough of Barnet pension scheme is a defined benefit scheme. However Housing 21's liability in relation to its employees is capped at 9%. 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 19.8% totalling £163k (2011: £nil). There were 50 (2011: nil) 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 last formal valuation of the Fund was at 31 March 2010 with the next formal valuation due as at 31 March 2013. An actuarial valuation has been prepared as at 31 March 2012 on behalf of Housing 21 (the Employer). For this purpose the value of the Fund as at 31 March 2012 has been estimated based upon the latest split of investments by category which was at 28 February 2011. The value of the Fund's liabilities as at 31 March 2011 was assessed by rolling forward the value of the Employer's liabilities reported as at the latest valuation.

31. Pensions (continued)

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

	%pa 2012	%pa 2011	%pa 2010	%pa 2009	%pa 2008
Inflation rate	2.5	2.8	3.8	3.1	3.6
Discount rate	4.8	5.5	5.5	6.9	6.9
Expected rate of salary increases	4.3	4.6	5.3	4.6	5.1
Rate of pension increases	2.5	2.8	3.8	3.1	3.6

Mortality

The life expectancy is based on the SAPS 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	21.9 years	24.7 years
Future pensioners	23.8 years	26.5 years

Investment Returns

The return on the Fund in market value terms for the year to 31 March 2012 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 2011 to 31 December 2011	2.2%
Estimated return for period from 1 April 2011 to 31 March 2012	5.6%

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 2012	%pa 2011	%pa 2010	%pa 2009	%pa 2008
Equities	6.2	7.5	7.8	7.0	7.7
Bonds	3.8	4.9	5.0	5.4	5.7
Property	4.4	5.5	5.8	4.9	5.7
Cash	3.5	4.6	4.8	4.0	4.8

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

	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Equities	219	215	199	138	205
Bonds	134	126	115	109	110
Property	24	15	10	12	18
Cash	16	15	13	35	29
Total	**393**	**371**	**337**	**294**	**362**

	31 March 2012 £000	31 March 2011 £000	31 March 2010 £000	31 March 2009 £000	31 March 2008 £000
Estimated employer assets	393	371	337	292	361
The present value of scheme liabilities	(490)	(468)	(464)	(366)	(385)
Deficit related to Housing 21	(97)	(97)	(127)	(74)	(24)

31. Pensions (continued)

Reconciliation of defined benefit contributions

Year ended	31 March 2012 £000	31 March 2011 £000
Opening defined benefit obligation	468	464
Interest cost	25	23
Actuarial losses	28	47
Past service costs / (gains)	–	(36)
Estimated benefits paid	(31)	(30)
Closing defined benefit obligation	**490**	**468**

Reconciliation of fair value of assets employed

Year ended	31 March 2012 £000	31 March 2011 £000
Opening fair value of assets employed	371	337
Expected return on assets	24	22
Contributions by the employer	32	–
Actuarial gains/(losses)	(3)	42
Benefits paid	(31)	(30)
Closing fair value of assets employed	393	371

Amounts for current and previous accounting periods

	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Fair value of assets employed	393	371	337	292	361
Present value of defined benefit obligations	(490)	(468)	(464)	(366)	(385)
Deficit	(97)	(97)	(127)	(74)	(24)
Experience gains/(losses) on assets	(3)	42	55	(67)	(132)
Experience gains/(losses) on liabilities	(11)	(26)	–	–	104
Cumulative actuarial gains/(losses)	(69)	(38)	(33)	13	61

The pension cost of this scheme to the Association for the year was £nil (2011: £nil).
There were no employee members during the year.

The estimated employer's contributions for the year to 31 March 2013 are £32,000.

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 2010 with the next formal valuation due as at 31 March 2013. An actuarial valuation has been prepared as at 31 March 2012 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 December 2010. The value of the fund's liabilities as at 31 March 2012 was assessed by rolling forward the value of the Employer's liabilities reported as at the latest valuation.

31. Pensions (continued)

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

	%pa 2012 £000	%pa 2011 £000	%pa 2010 £000	%pa 2009 £000	%pa 2008 £000
Inflation rate	2.5	3.8	3.8	3.1	3.6
Discount rate	4.8	5.5	5.5	6.9	6.9
Expected rate of salary increases	4.8	5.1	5.3	4.6	5.1
Rate of pension increases	2.5	3.8	3.8	3.6	3.6

Mortality
The life expectancy is based on the SAPS 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	21.0 years	23.8 years
Future pensioners	22.9 years	25.7 years

Investment Returns
The return on the fund in market value terms for the year to 31 March 2012 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 2011 to 31 December 2011	(2.3%)
Estimated return for period from 1 April 2011 to 31 March 2012	2.7%

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 2012	%pa 2011	%pa 2010	%pa 2009	%pa 2008
Equities	6.2	7.5	7.8	7.0	7.7
Bonds	3.9	4.9	5.0	5.6	5.7
Property	4.4	5.5	5.8	4.9	5.7
Cash	3.5	4.6	4.8	4.0	4.8

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

	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Equities	162	168	223	154	208
Bonds	41	36	50	42	52
Property	21	20	21	18	31
Cash	5	2	3	7	4
Total	**229**	**226**	**297**	**221**	**295**

	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Estimated employer assets	229	226	297	221	295
The present value of scheme liabilities	(369)	(350)	(538)	(349)	(351)
Deficit related to Housing 21	(140)	(124)	(241)	(128)	(56)

Notes to the financial statements

31. Pensions (continued)

Reconciliation of defined benefit contributions

Year ended	31 March 2012 £000	31 March 2011 £000
Opening defined benefit obligation	350	538
Current service costs	11	12
Interest cost	19	28
Contributions by members	2	3
Actuarial losses/(gains)	1	(167)
Past service costs	–	(35)
Estimated benefits paid	(14)	(29)
Closing defined benefit obligation	369	350

Reconciliation of fair value of assets employed

Year ended	31 March 2012 £000	31 March 2011 £000
Opening fair value of assets employed	226	297
Expected return on assets	15	20
Contributions by members	2	3
Contributions by employers	9	9
Actuarial gains/(losses)	(9)	(74)
Benefits paid	(14)	(29)
Closing fair value of assets employed	229	226

Amounts for current and previous accounting periods

	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Fair value of assets employed	229	226	297	221	295
Present value of defined benefit obligations	(369)	(350)	(538)	(349)	(351)
Deficit	(140)	(124)	(241)	(128)	(56)
Experience gains/(losses) on assets	(9)	(74)	64	(92)	6
Experience gains/(losses) on liabilities	(3)	140	–	–	(63)
Cumulative actuarial gains/(losses)	12	22	(71)	33	98

The pension cost of this scheme to the Association for the year was £11k (2011: £12k). There were 3 employee members at the end of the year (2011: 3). The contribution rate of the Association for the year ended 31 March 2012 was 18.5% (2011: 18.5%) and for employees 5% or 6%.

The estimated employer's contributions for the year to 31 March 2013 are £9k.

London Borough of Lewisham Pension Scheme

Until 31 May 2011 the Association was 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 2010. An actuarial valuation has been prepared as at 31 May 2011 (the termination date) on behalf of Housing 21 (the Employer). For this purpose the value of the Fund as at 31 May 2011 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 May 2011 was assessed by rolling forward the value of the Employer's liabilities reported as at the latest valuation.

31. Pensions (continued)

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

	%pa 2012 £000	%pa 2011 £000	%pa 2010 £000	%pa 2009 £000	%pa 2008 £000
Inflation rate	3.4	3.5	3.9	3.0	3.6
Discount rate	5.3	5.5	5.5	6.7	6.9
Expected rate of salary increases	4.9	5.0	5.4	4.5	5.1
Rate of pension increases	2.6	2.7	3.9	3.0	3.6

Mortality

The post retirement mortality tables adopted were the S1PA heavy tables allowing for long cohort projection, with a minimum 1% improvement and a 90% scaling factor.

The assumed life expectancy at age 65 are:

	Males	Females
Retiring today	20.0 years	24.0 years
Retiring in 20 years	22.0 years	25.9 years

Investment Returns

The return on the Fund (on a bid value to bid value basis) for the period to 31 March 2011 is estimated to be 1.0%. 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 period 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 2012	%pa 2011	%pa 2010	%pa 2009	%pa 2008
Equities	7.2	7.5	7.6	7.1	7.8
Gilts	4.1	4.4	4.5	4.0	5.7
Bonds	5.3	5.5	5.5	6.5	5.7
Property	5.1	5.4	5.5	6.6	5.7
Cash	3.0	3.0	3.0	3.0	4.8

The values for each main category of assets held on behalf of Housing 21 within the Fund as at 31 March 2012 as follows:

	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Equities	–	4,181	4,226	2,879	3,811
Bonds	–	2,613	1,499	1,224	941
Property	–	299	273	253	354
Cash	–	373	818	703	534
Total	**–**	**7,466**	**6,816**	**5,059**	**5,640**

	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Estimated employer assets	–	7,466	6,816	5,059	5,640
The present value of scheme liabilities	–	(8,145)	(9,594)	(5,577)	(5,470)
Deficit related to Housing 21	–	(679)	(2,778)	(518)	170

31. Pensions (continued)

Reconciliation of defined benefit contributions

Period ended	31 March 2012 £000	31 March 2011 £000
Opening defined benefit obligation	8,145	9,594
Current service costs	36	305
Interest cost	75	496
Contributions by members	11	80
Actuarial losses/(gains)	(7,824)	(1,492)
Losses on curtailments/(settlement)	(405)	54
Past service costs	–	(753)
Estimated benefits paid	(38)	(139)
Closing defined benefit obligation	–	8,145

Reconciliation of fair value of assets employed

Period ended	31 March 2012 £000	31 March 2011 £000
Opening fair value of assets employed	7,466	6,816
Expected return on assets	80	454
Contributions by members	11	80
Contributions by employers	295	229
Actuarial gains	(7,814)	26
Benefits paid	(38)	(139)
Closing fair value of assets employed	–	7,466

Amounts for current and previous accounting periods

	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Fair value of assets employed	–	8,145	9,594	5,577	5,640
Present value of defined benefit obligations	–	(7,466)	(6,816)	(5,059)	(5,470)
(Deficit)/surplus	–	(679)	(2,778)	(518)	170
Experience gains/(losses) on assets	–	26	1,207	(1,242)	(418)
Experience gains on liabilities	–	1,031	–	–	62
Cumulative actuarial gains/(losses)	–	(570)	(2,088)	193	938

The pension cost of this scheme to the Association for the same period was £36k (2011: £305k). At the end of the period there were 78 employee members (2011: 77).

The contribution rate of the Association for the period ended 31 March 2012 was 17.9% (2011: 17.9%) and for employees 5.5% to 7.5%.

The estimated employer's contributions for the year to 31 March 2013 are £nil.

The new scheme entered into with London Borough of Barnet is accounted for as a defined contribution scheme in accordance with FRS17 as it's liabilities are capped. The details for this scheme are disclosed above.

32. Investments and subsidiary undertakings (continued)

Cost	Group £000	Association £000
At 1 April 2011 and 31 March 2012	-	9,851

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
Claimar Care Group Ltd (Holding company providing Management Services to its Subsidiary undertakings)	England and Wales	Private limited company	Housing 21 is a member and controls the composition of the Board
Claimar Care Ltd (Supply of home care services to both private individuals and social services)	England and Wales	Private limited company	Housing 21 is a member and controls the composition of the Board
Surecare Community Services Ltd (Supply and sale of franchises within the domiciliary care sector)	England and Wales	Private limited company	Housing 21 is a member and controls the composition of the Board

32. Investments and subsidiary undertakings (continued)

Name and principal activity	Country of registration	Status	Basis of control
First Call Community Systems Ltd (Provision of domiciliary care)	England and Wales	Private company limited	Housing 21 is a member and controls the composition of the Board
Primary Care Services Ltd (Supply of training within the healthcare sector)	England and Wales	Private company limited	Housing 21 is a member and controls the composition of the Board
Complete Care Holdings Ltd (Provision of health care packages to severely disabled individuals)	England and Wales	Private company limited	Housing 21 is a member and controls the composition of the Board
Paediatric Nursing Link Ltd (Provider of agency nurses)	England and Wales	Private company limited	Housing 21 is a member and controls the composition of the Board
Easley Health Ltd (Provision of domiciliary care)	England and Wales	Private company limited	Housing 21 is a member and controls the composition of the Board
Gharana Housing Association Ltd (Provision of sheltered accommodation for the elderly)	England and Wales	Industrial and provident society	Housing 21 is a member and controls the composition of the Board

The following Companies are dormant

Name and principal activity	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
Dementia Voice	England and Wales	Private limited company by guarantee	Dementia Voice is wholly under the control of Housing 21
A + D Care Plus Limited	England and Wales	Private limited company	Ownership of two £1 shares being 100% of the issued share capital

32. Investments and subsidiary undertakings (continued)

Name and principal activity	Country of registration	Status	Basis of control
Abbeydale Homecare Limited	England and Wales	Private limited company	Ownership of two £1 shares being 100% of the issued share capital
Acorn Homecare Limited	England and Wales	Private limited company	Ownership of 5,567 £1 shares being 100% of the issued share capital
Boundary Care Services Limited	England and Wales	Private limited company	Ownership of 100 £1 shares being 100% of the issued share capital
BR Care Group Limited	England and Wales	Private limited company	Ownership of 4 £1 shares being 100% of the issued share capital
Central Care Services Limited	England and Wales	Private limited company	Ownership of 2 £1 shares being 100% of the issued share capital
Complete Personal Assistance Ltd	England and Wales	Private limited company	Ownership of 10,000 £1 shares being 100% of the issued share capital
Complete Training Ltd	England and Wales	Private limited company	Ownership of 100 £1 shares being 100% of the issued share capital
Complete Case Management Holdings Ltd	England and Wales	Private limited company	Ownership of 67,500 £1 shares being 100% of the issued share capital
Complete Independent Living Services Ltd	England and Wales	Private limited company	Ownership of 100 £1 shares being 100% of the issued share capital
Complete Ability Ltd	England and Wales	Private limited company	Ownership of 100 £1 shares being 100% of the issued share capital
Everycare (Bradford) Limited	England and Wales	Private limited company	Ownership of 2 £1 shares being 100% of the issued share capital
First Call Response Limited	England and Wales	Private limited company	Ownership of 100 £1 shares being 100% of the issued share capital
Jemma Care Limited	England and Wales	Private limited company	Ownership of 100 £1 shares being 100% of the issued share capital

32. Investments and subsidiary undertakings (continued)

Name and principal activity	Country of registration	Status	Basis of control
Lynks Care Limited	England and Wales	Private limited company	Ownership of 200 £1 shares being 100% of the issued share capital
Medgal Care Limited	England and Wales	Private limited company	Ownership of 100 £1 shares being 100% of the issued share capital
MK Homecare Limited	England and Wales	Private limited company	Ownership of 100 £1 shares being 100% of the issued share capital
Practicare Limited	England and Wales	Private limited company	Ownership of 100 £1 shares being 100% of the issued share capital
Ravenscroft One Limited	England and Wales	Private limited company	Ownership of 6 £1 shares being 100% of the issued share capital
Ravenscroft Homelink Limited	England and Wales	Private limited company	Ownership of 100 £1 shares being 100% of the issued share capital
Stockwell Care Services Ltd	England and Wales	Private limited company	Ownership of 1,000 £1 shares being 100% of the issued share capital
Twenty 4 seven Homecare Services Ltd	England and Wales	Private limited company	Ownership of 2 £1 shares being 100% of the issued share capital
Walsall Homecare Limited	England and Wales	Private limited company	Ownership of 50,000 £1 shares being 100% of the issued share capital

33. Goodwill

On 28 February 2007 the Association acquired 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 (2011: £153k).

On 18 July 2007 the Association acquired JBK Social Care Limited, 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 £84k (2011: £85k).

On 28 September 2009 the Association acquired 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 for the Group was £3,480k (2011: £3,479k), and for the Association £1,532k (2011: £nil). The amortisation charge within the Association has arisen following the hive up of Claimar Care Limited on 31 March 2011.

On 30 September 2010 Surecare Community Services Ltd acquired Easley Health Ltd for £758k. 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. The goodwill amortised in the year was £20k (2011: £nil).

On 31 March 2011 the Group acquired Gharana Housing Association Ltd for nil consideration. Negative goodwill has arisen on the difference between the price paid for the business and the fair value of the net assets.

	Group 2012	Group 2011	Association 2012	Association 2011
Cost				
At 1 April	39,169	38,777	17,967	3,475
Purchased in the year	–	392	–	–
Hive up of Claimar Care Ltd	–	–	–	14,492
At 31 March	39,169	39,169	17,967	17,967
Amortisation				
At 1 April	(6,342)	(2,625)	(1,098)	(860)
Amortised during the year	(3,737)	(3,717)	(1,769)	(238)
At 31 March	(10,079)	(6,342)	(2,867)	(1,098)
Total 31 March 2012	**29,090**	**32,827**	**15,100**	**16,869**

The Group has assessed goodwill using discounted cash flows and considers the carrying value to be appropriate. The discount rate of 8% reflects a risk premium on the Group's weighted average interest rate. The growth assumptions are ahead of national predictions and reflect the unique market in which the Group operates, the strong customer offer and significant investment in the businesses.

The trade and assets of Claimar Care Limited were hived up into Housing 21 Association Ltd on 31 March 2011.

34. 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).

35. 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 (2011: £1,488k) at a rate of 10.625%. The balance at the year end was £14m (2011: £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.

36. Prior Year Adjustment Note

In accordance with the Statement of Recommended Practice – Accounting by registered social housing providers Update 2010, the Housing 21 Group has adopted new accounting policies from 1 April 2011. A prior period adjustment has been required in respect of the following items:

1) The adoption of component accounting has resulted in the capitalisation of major repairs which had previously been expensed, writing off the residual values of any components that have been replaced and expensing the additional depreciation arising as a consequence of the shorter component lives. This has resulted in a net prior period adjustment of £122m (Association - £121m).

2) Land which had been acquired where it was unlikely that any scheme would proceed had previously been accounted for in fixed assets. This land is now accounted for as current assets and is held at the lower of cost and net realisable value. This has resulted in a transfer of £0.7m.

3) The negative goodwill arising on the acquisition of Gharana Housing Association Limited has been transferred into Revenue Reserves (£1.1m).

There is no impact on fixed assets as the adjusted depreciation charge is offset by transfers from the revaluation reserve.

As a result, comparative figures for the year ended 31 March 2011 have been adjusted as follows:

Group	**Surplus for the year** £000	**Net Assets** £000
As previously reported	**949**	**968,125**
Effect of the adoption of component accounting	2,946	–
As restated	**3,895**	**968,125**

36. Prior Year Adjustment Note (continued)

Further analysis is provided as:

	Housing property valuation £000	Housing property depreciation £000	Negative goodwill £000	Revaluation £000	General reserves £000
Balance at 31 March 2011 – as previously stated	**831,838**	**–**	**1,057**	**444,127**	**122,863**
Prior period adjustments:					
Restatement of Landbank assets	(685)	–	–	–	–
Adoption of component accounting	–	178,750	–	958	176,110
Accounting for negative goodwill	–	–	(1,057)	–	1,057
Revaluation	–	(178,750)	–	122,126	(299,194)
Balance at 31 March 2011 – As restated	**831,153**	**–**	**–**	**567,211**	**836**

Association	Surplus for the year £000	Net Assets £000
As previously reported	**4,034**	**815,000**
Effect of the adoption of component accounting	3,053	–
As restated	**7,087**	**815,000**

Further analysis is provided as:

	Housing property valuation £000	Housing property depreciation £000	Negative goodwill £000	Revaluation £000	General reserves £000
Balance at 31 March 2011 – as previously stated	**746,097**	**–**	**–**	**427,736**	**133,192**
Prior period adjustments:					
Restatement of Landbank assets	(685)	–	–	–	–
Adoption of component accounting	–	177,909	–	–	177,909
Revaluation	–	(177,909)	–	120,973	(298,882)
Balance at 31 March 2011 – As restated	**745,412**	**–**	**–**	**548,709**	**12,219**

Notes

Notes

housing21

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

0370 192 4000
enquiries@housing21.co.uk

www.housing21.co.uk

designed by www.peachycreative.co.uk