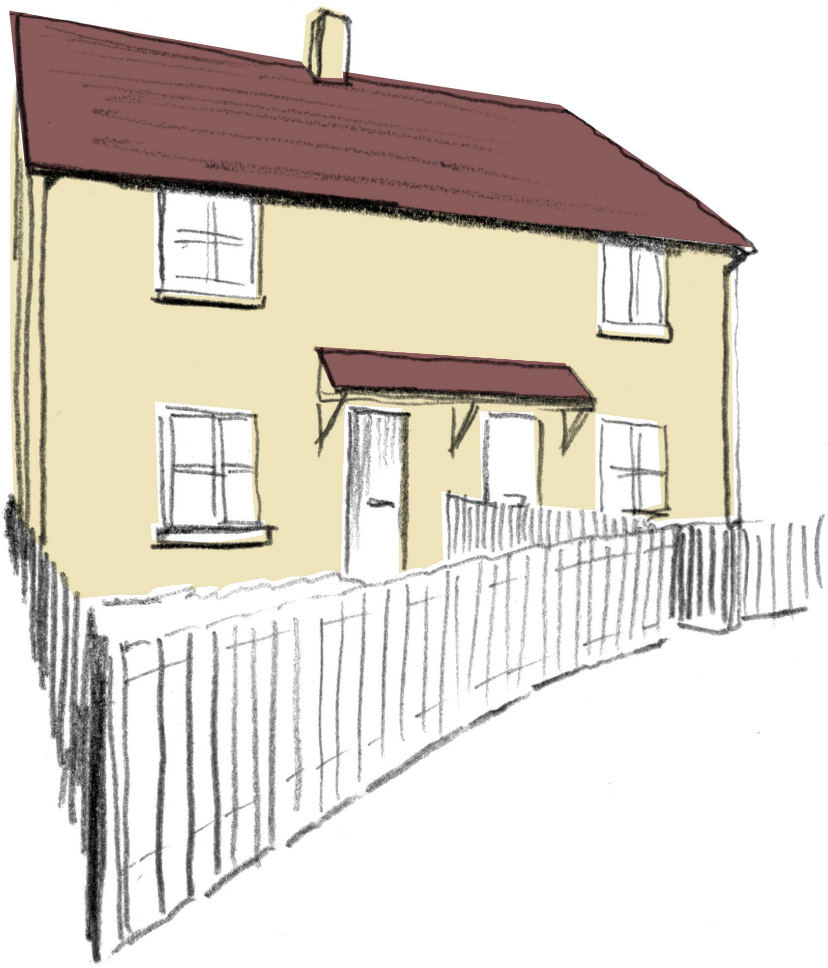
Grant Thornton

Industrial and Provident Society
Registered with the Tenant Services Authority
Housing Properties carried at Valuation

Affordable housing provider

Report and financial statements
For the year ended 31 March 2011



Foreword

Arthur Merchant
Head of Housing

I am delighted to introduce the Grant Thornton model accounts for the social housing sector 2011.

We have indicated within these model accounts the effect that the 2010 SORP update will have. Our survey suggests that many providers will wait until the 2012 financial statements before the new SORP is fully adopted. However, these accounts will provide a steer for Boards and finance teams as to the likely presentation and disclosure changes.

There are many issues facing the sector this year and so it is more important than ever that the financial statements narrative provides clear signposts to the users to highlight key issues, risk and future opportunities. The Operating and Financial Review provides a useful mechanism to ensure your messages are clear to the reader of the accounts.

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Introduction

These model accounts are intended as a guide for registered housing providers preparing financial statements in accordance with the Statement of Recommended Practice (SORP).

During 2010 the National Housing Federation published an update to the SORP; **Accounting by Registered Social Housing Providers Update 2010** (SORP 2010). This version updates the previous version, Accounting by Registered Social Landlords 2008 (SORP 2008).

Compliance with SORP 2010 is mandatory for accounting periods commencing on or after 1 April 2011, although early adoption is encouraged. This means that for associations and groups preparing financial statements to 31 March 2011, there is a choice as to which SORP to apply. These model accounts are designed to be used whether it is SORP 2008 or SORP 2010 which is being followed.

We have made a number of assumptions in preparing these model accounts, which users should be aware of. These have been set out below, along with some guidelines, which should assist users following the accounts:

- Affordable Housing Provider does not have any listed debt. Organisations with such instruments should consult directly with their auditors prior to preparing their financial statements
- Key changes from our 2010 model accounts are highlighted in yellow. These relate primarily to changes in the SORP (showing the differences the 2010 version of the SORP be adopted) and the accounting treatment relating to the gain in pension schemes as a result of the government announcement regarding the move to CPI as opposed to RPI
- We have used a single set of figures regardless of whether SORP 2008 or SORP 2010 is adopted (ie whether or there is a prior year adjustment). The difference in the figures is effectively within the opening reserves balance
- Where there is a choice in disclosure, these are shown in italics

Users should also consider whether other changes in the SORP are applicable to their own organisation, for example, in respect of the presentation of negative goodwill and the accounting treatment of any combinations which have occurred during the year.

Industrial and Provident Society registration number	13010S
Tenant Services Authority registration number:	S0123
Registered office:	Social House 1 Park Avenue Wimbledon London SW19 2BQ
Board:	Richard Giles (Chair) Carol Smith Christopher Allen Linda Carter Caroline Drake David Lyles John Marks (from 7 January 2011) Ursula Sethi (from 7 January 2011) Jenny Jones Michael Shore Hugh Boone (to 31 October 2010) Teresa Pitman (to 30 September 2010)
Chief Executive and Secretary:	Tom Sheraton
Executive Directors:	Peter Small (Director of Finance, to 31 October 2010) Paula Large (Director of Finance, from 1 December 2010) Ray Taylor (Director of Development) Alison Blake (Director of Housing Services)
Bankers:	Berkley Bank plc 21a Canary Quay London E10 3ST
Solicitors:	Clifford Michaels 65 Finsbury Place London EC3P 1QR
Auditors:	Ink & Blott LLP Registered Auditors Chartered Accountants 210 Westminster Road London EC1N 2OP

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The Board of Affordable Housing Provider is pleased to present its report together with the audited financial statements of Affordable Housing Provider Limited (the association) and Affordable Housing Provider Group (the group) for the year ended 31 March 2011.

The group comprises the association and its subsidiary undertakings Friends Housing Association and New Housing Limited.

Activities

The group's principal activities are the development and management of affordable housing, residential and care homes.

The group's head office is based in Wimbledon and its properties are primarily in south-east and central England, although Friends Housing Association has properties in Yorkshire.

The association is non-charitable and operates three key business streams:

- housing for rent, primarily by families who are unable to rent or buy at open market rates
- supported housing and care for people who need additional housing-related support or additional care
- low-cost home ownership, primarily shared ownership whereby residents purchase a share in the equity of their homes and pay rent to the association on the remainder.

As well as managing over 5,000 properties, the group develops new affordable housing and is a founding member of the Social Housing Development (SHD) Partnership providing access to grant funding under the Homes and Communities Agency (HCA) National Affordable Housing Programme.

The group also provides non-social housing, in particular accommodation for students in higher education and residential care for elderly people. However the group's focus remains its social housing activities and these are expected to continue to constitute over 80% of the group's activities by turnover.

Board members and executive directors

The present board members and executive directors of the group are set out inside the front cover (page i). This year there have been changes to both the board and executive team, as follows:

Two of our longer-serving board members, Hugh Boone and Teresa Pitman resigned from the board on 31 October 2010 and 30 September 2010 respectively. We are pleased to welcome two new board members; John Marks, bringing housing management expertise, and Ursula Sethi, who will strengthen the financial skills of the board, being financial controller at Choco Group.

The executive directors are the chief executive and other members of the group's senior management team. They hold no interest in the association's shares and act as executives within the authority delegated by the board. Peter Small, director of finance, resigned during the year and Paula Large joined the group as director of finance and resources on 1 December 2010. The other executive directors served throughout the year. Group insurance policies indemnify board members and officers against liability when acting for the group.

Service contracts
The chief executive is appointed on a rolling three-year service contract. The other executive directors are employed on the same terms as other staff, their notice periods ranging from three to six months.

Pensions
The executive directors are members of either the Social Housing Pension Scheme or the Midshire County Council Pension Fund, both defined benefit (final salary) pension schemes. They participate in the schemes on the same terms as all other eligible staff and the group contributes to the schemes on behalf of its employees.

Other benefits
The executive directors are entitled to other benefits such as the provision of a car and health care insurance. Full details of their individual remuneration packages are included in note 10 to the audited financial statements.

Objectives and strategy
The group's objectives and strategy are set out in a business plan that is reviewed and approved by the board each year. The five key objectives are summarised as follows:

- **Development** - to provide quality homes to people in need
- **Finance** - to improve efficiencies and increase financial strength of the group
- **Customer service** - to meet our customers' needs and provide excellent services
- **Asset management** - to invest in our homes
- **Good place to work** - to invest in our people

Performance and development
Senior management and the board monitor achievement of the group's objectives by measuring performance against the targets that are set out below. The board agrees targets each year that are designed to manage development and deliver continuous service improvement.

Objective	Target
Finance - to improve efficiencies and increase financial strength of the group	• achieve budgeted surplus • meet lenders' covenants • manage rent arrears below 4.0% of rental income • rent losses due to properties not being let ('void') less than 1.5% of rental income
Development - to provide quality homes to people in need	• develop 200 new homes per year • develop 150 new homes for rent per year • deliver in line with HCA Programme • deliver new homes that achieve 'Eco Homes' rating 'very good'
Asset management - to invest in our homes	• achieve SAP energy rating of 75 for all homes by 2011 • deliver planned maintenance programme in line with approved plan and budgets

Customer service - to meet our customers' needs and provide excellent services	• improve standards of customer service to exceed most recent customer survey (79% satisfied) • 90% of repairs to be completed within 28 days • achieve an 80% 'satisfied' rating for outcome of antisocial behaviour cases
Good place to work - to invest in our people	• staff turnover should not exceed 18% • absence due to sickness should not exceed 3% • to ensure appraisal process is fully implemented across all disciplines and that training needs are identified and actioned appropriately • improve staff satisfaction survey results to 85%

Performance against these targets for each objective in 2010-11 is set out overleaf. Our performance against financial performance indicators is set out in Table 1 (page 10) and summarised below.

Finance

In a gloomy economic climate and depressed housing market, the board had set a challenging budget for the year. Planned rental increases were half a percent above inflation, the maximum permitted under our rent plan, reflecting Tenant Services Authority (TSA) guidance on rent restructuring and we anticipated increases in staff costs, due primarily to recruitment and increases in pension contributions and national insurance, as well as higher insurance premiums and repair costs than in previous years. We have continued to generate small surpluses from property sales, principally shared ownership staircasing and are pleased to report a consolidated surplus before taxation of £1.1million (2010: £2.5million), broadly in line with budget. Our financial performance has meant we have met lenders' covenants.

The consolidated surplus for the year transferred to reserves was £0.3million (2010: £1.9million) this [*includes/excludes*] a gain of £0.2million resulting from the government's announcement to link future pension increases to CPI as opposed to RPI, as the directors [*consider / do not consider*] that a constructive obligation existed in respect of future increases being linked to RPI prior to this announcement [*it would be useful to add further detail as to the basis of this assessment*]. At the year-end total unrestricted reserves amounted to £14.3million (2010: £13.2million). Further details of reserves transfers are shown in note 25 to the financial statements.

Rent losses from voids

Our target for the year was to manage our housing properties to minimise the length of time they remain empty between lettings and keep related losses below 1.5% of rental income receivable. We fell short of the target with rent losses of 3.6% (2010: 4.0%) and the focus for our housing management team in the coming year will be to reduce the length of time between a property becoming vacant and being let. Their target for the coming year is to reduce rent losses to 1.5% of rental income.

Rent arrears

Overall rent arrears at the year-end had risen to 6.8% (2010: 4.3%), above the target of 4.0%, due primarily to the timing of a payment of housing benefit arrears, paid shortly after the year-end. Our target for the coming year is to manage rent arrears within 4.0% of rental income.

Development

We achieved our development targets with 108 new homes transferred into management during the year, together with a further 60 units of student accommodation and 34 homes for shared ownership or outright sale. This enabled us to meet the development requirements of the HCA during the year.

Asset management

We are continuing to extend and improve our residential and nursing care home accommodation. We have invested £300,000 this year to ensure all our homes continue to meet local authority registration standards. In addition, we completed the conversion of some of our older sheltered housing properties to one and two-bedroomed flats and are pleased to report that demand for the new accommodation has been high.

The proportion of our general needs and supported housing properties meeting the Decent Homes Standard increased from 92% to 97% during the year. Those properties that have not been improved to Decent Homes Standard are 45 homes that were transferred from Borsetshire Council in 2008 and are due to be completed by March 2011, in accordance with the transfer agreement. 89% of our properties achieved a SAP rating of at least 75 (2010: 84%), slightly below our target of 91%. Following completion of the improvement programme to the Borsetshire properties we anticipate all our properties will achieve the higher SAP rating.

Customer service

Performance against the repair indicator has a direct impact on our service to tenants and we are pleased to report an improvement in our routine repairs service with 90% of jobs completed within 28 days (2010: 8%), achieving target response times.

For 2011-12 we will increase our focus on completing urgent repairs within our 7 day target, with the aim of completing 90% within this timeframe.

We improved our overall 'satisfied' rating from 79% to 82% in the year in our annual customer survey, indicating that our efforts to continuously improve our standards of customer service have been a success. In addition, 81% of tenants reported they were satisfied with the outcome of antisocial behaviour cases, above our 80% target.

We actively encourage tenants' involvement in decision-making by promoting tenant involvement. We have increased the number of tenant board members and established clear reporting arrangements between tenant groups and the board.

Our clear and simple complaints policy is issued to all tenants. During the year we received 65 complaints of which 59 were resolved promptly to the satisfaction of the tenants. We are continuing to investigate and take action on the remaining complaints, received in March 2011, relating mainly to repairs performance.

Good Place to work

We recognise that the success of our business depends on the quality of our managers and staff. In any organisation staff changes are inevitable, however a high level of staff turnover leads to increased recruitment costs, lower productivity and morale and reduced internal controls assurance during the changeover period.

Our target for staff turnover, calculated as number of leavers in the year divided by the permanent staff headcount at the end of the year, is no more than 18%. For 2010-11 our staff turnover of 16% (2010: 18%) was within target.

Absence due to sickness fell to 2.9% this year (2010: 3.4%), which is within our target of 3%.

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.

We are committed to equal opportunities and in particular we support the employment of disabled people, both in recruitment and in retention of employees who become disabled whilst employed by the group.

Overall staff satisfaction rating is 83% against a target of 85% and we will be aiming to improve our performance against this target in the coming year.

Risks and uncertainties

Risks that may prevent the group achieving its objectives are considered and reviewed annually by the senior management team and board as part of the corporate planning processes. The risks are recorded and assessed in terms of their impact and probability. Major risks, presenting the greatest threats to the group, are reported to the board quarterly together with action taken to manage the risks, including assessments of key controls, and the outcome of the action. The major risks to successful achievement of the group's objectives going forward are considered below.

Key risk	Action being taken
Current economic climate and impact on public sector funds and the housing market The future reductions in capital grants and changes to the housing benefit rules, along with the wider economic downturn, have been identified as key risks to the group. Such changes are likely to impact on the group's ability to deliver its planned development programme and may also affect core activities, for example if rental arrears increase as a result of reductions in housing benefit, or costs increase due to the rise in VAT.	• regular review of business plan to ensure that the group has adequate resources to deliver committed activities and development • monitoring rental arrears and working closely with tenants to recover these on a timely basis • reviewing our cost base to identify cost savings where possible
Low demand for housing properties developed for sale The group's development programme includes low cost home ownership. Success depends on demand for the properties. Low demand in the housing market generally has an impact on low cost home ownership schemes.	• continual review of planned developments. Removing potential low cost home ownership schemes where these may be slow to sell • re-appraising planned schemes to offer alternative forms of tenure • improved marketing techniques
Delivery of development programme Successful delivery of the programme depends on continued support from the HCA for the group and other members of the SHD Partnership, as well as the ability and willingness of development contractors to continue to build our schemes in a challenging economic environment.	• maintaining regular contact with the HCA on the development programme • enhancing credit checks on new contractors and re-assessing existing contractors • monitoring progress of schemes under development, with regular meetings with contractors

Key risk	Action being taken
Availability of finance Availability of loan finance is key to a thriving housing market. Potential impact on the group's ability to deliver its development programme as well as difficulty for potential shared ownership purchasers to raise finance.	• regular communication with lenders to maintain strong relationships • close monitoring of lenders' covenants, reported to the board each month • negotiating new facilities well in advance of need
Rise in final salary pension scheme liabilities become unaffordable The group could face significant liabilities for meeting pension fund deficits. The group's contribution to the fund may need to increase significantly in order to fund the scheme.	• exposure regularly monitored through review of valuations and discussions with actuarial professionals
Change in government policy or new legislation Such changes could have significant impact on the sector and therefore the operations of the group e.g. changes to the planning or tax regimes may increase costs of new developments reducing scheme affordability.	• staff maintain close contact with key external bodies to ensure any changes are fully understood before they impact the group • proposed regulatory changes are considered at project appraisal stage
Performance failure Performance failures in services to our customers would affect our rating with the TSA and our reputation in the sector. Failure to deliver our development programme may result in a withdrawal of capital grant.	• regular customer satisfaction surveys carried out and performance monitored • development programme monitored on an on-going basis. Any issues discussed with TSA and HCA as early as possible
Loss of key staff Retention of quality staff and managers is key to successful delivery of our business plans.	• staff development programme, including regular performance appraisals, implemented and monitored • staff satisfaction survey carried out annually

Financial position

The group's five-year income and expenditure accounts and balance sheets are summarised in Table 1 (page 10) and the following paragraphs highlight key features of the group's financial position at 31 March 2011.

Accounting policies

The group's principal accounting policies are set out on pages 23 to 27 of the financial statements. The policies that are most critical to the financial results relate to accounting for housing properties and include: capitalisation of costs; deduction of capital grant from the cost of assets; housing property depreciation; and treatment of shared ownership properties.

The group has adopted the Statement of Recommended Practice (SORP) Accounting by Registered Social Housing Providers Update 2010 at 31 March 2011. The key change has been the requirement for the group to identify and separately account for the major components which make up its housing property assets.* [*Prior period balances have been adjusted to reflect this change in accounting policy which has resulted in an effective transfer between the revenue reserve and revaluation reserve of £2.1million (note 34). / This has resulted in a reassessment of the remaining useful economic lives of these components and no prior year adjustment has been made.*]**

****The Statement of Recommended Practice (SORP) Accounting by Registered Social Housing Providers Update 2010 is mandatory for accounting periods on or after 1 April 2011, include only if adopted early.***

**Delete as appropriate

Housing properties

At 31 March 2011 the group owned 5,470 housing properties (2010: 5,192).

The board appointed external professional valuers to undertake the triennial valuation of the group's housing properties as at 31 March 2011. The value of the properties, on an existing use for social housing basis, was £87.9million and this has been reflected in the valuation of properties in the financial statements. On valuation, the surplus of £13.1million over the carrying value has been taken to the property revaluation reserve.

Our investment in housing properties this year was funded through a mixture of social housing grant, loan finance and working capital where we continue to show a strong current asset balance, an important indicator of liquidity. The group treasury management arrangements are considered below.

Pension costs

The group participates in two pension schemes, the Social Housing Pension Scheme (SHPS) and the MCCPF. Both these are final salary schemes, offering good benefits for our staff. The group has contributed to the schemes in accordance with levels, set by the actuaries, of between 11.7% and 13.3%. A full actuarial valuation of the MCCPF has been undertaken as at 31 March 2010 and the next actuarial valuation of the SHPS, will be as at 30 September 2011.

Capital structure and treasury policy

The group borrowed a further £12million during the year, to develop general family housing and student accommodation. By the year end group borrowings amounted to £68.8million of which £2.6million falls due to be paid within the next year as shown overleaf.

Maturity	**2011**	**2010**
	£m	**£m**
Within one year	2.6	1.7
Between one and two years	3.1	1.8
Between two and five years	19.0	13.7
After five years	44.1	41.6
	68.8	58.8

The group borrows, principally from banks and building societies, at both fixed and floating rates of interest. Interest rate swaps are used to generate the desired interest profile and to manage the group's exposure to interest rate fluctuations. The group's policy is to keep between 55 per cent and 65 per cent of its borrowings at fixed rates of interest. At the year-end, 62 per cent of the group's borrowings were at fixed rates after taking account of interest rate swaps (2010: 58 per cent).

The fixed rates of interest range from 6.5% to 11.5% and in the current market, where long term fixed rates are just above 5% and are unlikely to rise to 11.5%, this means that the group is paying interest at rates substantially in excess of market levels. The board has approved, in principal plans to restructure group debt during the next financial year.

The trend information in Table 1 (page 10) shows that gearing, calculated as total loans as a percentage of capital grants and reserves, had increased to 43.5% by 31 March 2011 (2010: 43.4%) meaning that at the year end the group was more highly geared than at any time during the past five years. During the next twelve months further planned borrowings to finance new developments could increase the gearing to 45.0%. However, anticipated increased revenue from new and recent developments should bring the level of gearing down below 45.0% by the end of the new financial year, in line with targets set by the board.

The group's lending agreements require compliance with a number of financial and non-financial covenants. The group's position is monitored on an on-going basis and reported to the board each quarter. Recent reports confirmed that the group was in compliance with its loan covenants at the balance sheet date and the board expects to remain compliant in the foreseeable future.

The group has cash balances of £3.6million at 31 March 2011 (2010: £2.2million) and the current ratio stands at 2.1 (2010: 1.7). The group monitors cash flow forecasts closely to ensure that sufficient funds are available to meet liabilities when they fall due, whilst not incurring unnecessary finance costs, by only drawing on loan facilities when required.

Cash flows

Cash inflows and outflows during the year are shown in the consolidated cash flow statement (page 22). The cash inflow from operating activities fell this year to £734,000 (2010: £4,994,000), partly reflecting the reduction in operating surplus arising mainly because rent increases have been restricted whilst staff and maintenance costs have increased substantially above price inflation. In addition, at the year-end there were a number of properties held awaiting sale (£573,000) and the cash from these sales was received in the next financial year.

Future developments

A key influence on the timing of borrowings is the rate at which development activity takes place. The board has approved plans to spend almost £14million during the next financial year to develop general housing and acquire further student accommodation, as we continue to invest in this area. Some £8.3million of the investment will be through new borrowings with the balance funded through social housing grant. Undrawn loan facilities of £8.5million are available under existing arrangements and we are currently negotiating further new facilities, including the refinancing of some fixed interest debt, with two selected lenders.

Following a full survey of the condition of our housing stock, a new planned maintenance programme was approved and implemented during the year. We have designated £4.0million in our major repairs reserve to underpin the revenue expenditure in this re-investment programme.

[Organisations may wish to consider whether such reserves continue to be appropriate following the adoption of component accounting].

The group continues to assess the impact of the Comprehensive Spending Review on its business plan and intended future developments. The group's resources are only committed to a scheme once funding has been secured. Other initiatives will be developed over the next year to assist our tenants in dealing with changes to housing and other benefits.

Table 1 – Group highlights, five-year summary

For the year ended 31 March	2011	2010	2009	2008	2007
Group Income and Expenditure account (£'000)		*[Restated]*			
Total turnover	19,491	18,756	14,610	11,359	10,326
Income from lettings	16,246	14,836	11,802	9,457	8,467
Operating surplus	1,982	4,122	3,973	2,427	2,206
Surplus for the year transferred to reserves	324	1,882	1,687	1,352	1,221
Group Balance Sheet (£'000)					
Housing properties	87,875	67,361	51,838	34,962	31,196
Other fixed assets	4,324	4,204	2,863	3,012	2,163
Fixed assets	92,199	71,565	54,701	37,974	33,359
Net current assets	6,463	4,274	6,955	9,434	8,576
Total assets less current liabilities	98,662	75,839	61,656	47,408	42,115
Loans (due over one year)	66,312	57,128	46,080	34,674	31,385
Pensions liability	774	910	916	987	1,145
Provision for deferred taxation	742	604	474	493	497
Other long term liabilities	272	222	196	28	142
Reserves : restricted	-	-	4,780	3,543	3,285
: designated	4,098	2,500	1,652	2,135	1,683
: revenue	10,244	10,679	3,817	1,837	1,387
: revaluation	16,220	3,796	3,741	3,711	2,211
: total	30,562	16,975	13,990	11,226	8,566
	98,662	75,839	61,656	47,408	42,115
Housing properties owned at year end:	**No**	**No**	**No**	**No**	**No**
Social housing	4,635	4,467	4,153	3,135	2,811
Non-social housing	835	725	315	315	315
	5,470	**5,192**	**4,468**	**3,450**	**3,126**
Statistics:					
Operating surplus as % of turnover	10.2%	22.0%	23.9%	21.4%	21.4%
Surplus for year as % of income from lettings	2.0%	12.7%	14.3%	14.0%	14.0%
Rent losses *(voids and bad debts as % of rent and service charges receivable)*	3.6%	4.0%	2.1%	2.3%	2.5%
Rent arrears *(gross arrears as % of rent and service charges receivable)*	6.8%	4.3%	6.8%	5.7%	3.4%
Liquidity *(current assets divided by current liabilities)*	2.1	1.7	2.1	3.1	2.3
Gearing *(total loans as % of capital grants plus reserves)*	43.5%	43.4%	34.6%	38.8%	39.9%
Total reserves per home owned	£5,411	£3,090	£3,131	£3,254	£2,740

Internal controls assurance*

The board acknowledges its overall responsibility, applicable to all organisations within the group, for establishing and maintaining the whole system of internal control and for reviewing its effectiveness.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by the group is ongoing, has been in place throughout the period commencing 1 April 2010 up to the date of approval of the report and financial statements.

Key elements of the control framework include:

- board approved terms of reference and delegated authorities for audit, housing and finance committees
- clearly defined management responsibilities for the identification, evaluation and control of significant risks
- robust strategic and business planning processes, with detailed financial budgets and forecasts
- formal recruitment, retention, training and development policies for all staff
- established authorisation and appraisal procedures for significant new initiatives and commitments
- a sophisticated approach to treasury management which is subject to external review each year
- regular reporting to the appropriate committee on key business objectives, targets and outcomes
- board approved whistle-blowing and anti-theft and corruption policies
- board approved fraud policies, covering prevention, detection and reporting, together with recoverability of assets
- regular monitoring of loan covenants and requirements for new loan facilities.

A fraud register is maintained and is reviewed by the audit committee on a quarterly basis. During the year there were a number of minor frauds reported within the care and support business streams. The overall value of the frauds was below the threshold for reporting to the TSA, however the audit committee requested an internal audit review of internal controls in this sensitive area. The outcome of the review was reported in February 2011 and action on recommendations is monitored by the audit committee.

The board cannot delegate ultimate responsibility for the system of internal control but has delegated authority to the audit committee to regularly review the effectiveness of the system of internal control. The board receives audit committee quarterly reports and meeting minutes. The audit committee has received the chief executive's annual review of the effectiveness of the system of internal control for the group, and the annual report of the internal auditor, and has reported its findings to the board.

NHF Code of Governance

We are pleased to report that the group complies with the principal recommendations of the NHF Code of Governance (revised). There is one key governance-related matter to highlight this year:

- The audit committee has agreed an external audit protocol setting out policies and procedures for periodic review and selection of external auditors and for determining what non-audit work can be undertaken. The level of fees paid for this work is set out in note 5 to the financial statements.

[*] Circular 07/07 withdrawn with effect from 1 April 2011. However, registered providers are encouraged to include a statement on internal controls assurance which accords with good practice and should form part of their approach to self-regulation.

Donations

The group donated £450 to the Crisis at Christmas appeal (2010: £430) and made no political donations.

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

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

Industrial and Provident Societies Acts and registered social landlord legislation requires the board to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under the Industrial and Provident Society legislation 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 and surplus or deficit of the association and group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the [*Statement of Recommended Practice: Accounting by registered social landlords (2008)/ Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers Update 2010**], have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and association and enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, the Housing Act 1996 (to 31 March 2011), the Housing and Regeneration Act 2008 (from 1 April 2011) and the Accounting Requirements for Registered Social Landlords General Determination 2006. It is also responsible for safeguarding the assets of the association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board is responsible for ensuring that the report of the board is prepared in accordance with the [*Statement of Recommended Practice: Accounting by registered social landlords (2008)/Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers Update 2010.**]

The board is responsible for the maintenance and integrity of the corporate and financial information on the group's website.

Going concern

The group's business activities, its current financial position and factors likely to affect its future development are set out within this Operating and Financial Review. The group has in place long-term debt facilities (including £8.5million of undrawn facilities at 31 March 2011), which provide adequate resources to finance committed reinvestment and development programmes, along with the group's day to day operations. The group also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

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

Annual general meeting
The annual general meeting will be held on 18 September 2011 at Social House, Wimbledon.

Disclosure of information to auditors
At the date of making this report each of the association's board members, as set out on page i, confirm the following:

- so far as each director is aware, there is no relevant information needed by the association's auditors in connection with preparing their report of which the association's auditors are unaware
- each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant information needed by the association's auditors in connection with preparing their report and to establish that the association's auditors are aware of that information.

External auditors
A resolution to re-appoint Ink and Blott LLP will be proposed at the forthcoming annual general meeting.

Statement of compliance
In preparing this Operating and Financial Review and Board report, the board has followed the principles set out in the *[SORP 2008/2010*]*.

The report of the board was approved by the board on 1 July 2011 and signed on its behalf by:

Richard Giles
Chairman

delete as appropriate

Independent auditor's report to the members of Affordable Housing Provider

We have audited the financial statements of Affordable Housing Provider for the year ended 31 March 2011 which comprise the group and association income and expenditure accounts, the group and association statements of total recognised surpluses and deficits, the group and association note of historical cost surpluses and deficits, the group and association reconciliations of movement in funds the group, the group and association balance sheets, the group cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the housing association's members, as a body, in accordance with regulations made under Section 4 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the housing 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 housing association and the housing 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 Responsibilities (set out on page 12), the board is 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

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 association's affairs as at 31 March 2011 and of the group's and association's surplus for the year then ended;
- have been properly prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, the Housing and Regeneration Act 2008 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 the Industrial and Provident Societies Acts 1965 to 2002 require us to report if, in our opinion:

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

Ink and Blott LLP
Statutory Auditor, Chartered Accountants
London, England
2 July 2011

Affordable Housing Provider

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2011

	Note	2011	2010
			[Restated]
		£'000	£'000
Turnover: continuing activities	3	19,491	18,756
Cost of sales	3	(1,573)	(2,241)
Operating costs	3	(15,936)	(12,393)
Operating surplus: continuing activities	3	1,982	4,122
Deficit on sale of fixed assets - housing properties	6	(358)	(25)
Interest receivable and other income	7	2,114	1,661
Interest payable and similar charges	8	(2,656)	(3,212)
Other finance costs	9	(29)	(28)
Surplus on ordinary activities before taxation		1,053	2,518
Tax on surplus on ordinary activities	11	(729)	(636)
Surplus for the financial year	25	324	1,882

The accompanying notes form part of these financial statements

[The comparatives for the year-ended 31 March 2010 have been restated as the group has introduced component accounting in accordance with the Statement of Recommended Practice (SORP) Accounting by Registered Social Housing Providers Update 2010. Further detail can be found in note 34 to these financial statements.]

Affordable Housing Provider

ASSOCIATION INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2011

	Note	2011	2010
			[Restated]
		£'000	£'000
Turnover: continuing activities	3	16,396	15,832
Cost of sales	3	(1,573)	(2,241)
Operating costs	3	(13,712)	(10,256)
Operating surplus: continuing activities	3	1,111	3,335
Deficit on sale of fixed assets - housing properties	6	(340)	(3)
Interest receivable and other income	7	1,748	1,327
Interest payable and similar charges	8	(1,824)	(2,465)
Other finance costs	9	(29)	(28)
Surplus on ordinary activities before taxation		666	2,166
Tax on surplus on ordinary activities	11	(617)	(626)
Surplus for the financial year	25	49	1,540

The accompanying notes form part of these financial statements

[The comparatives for the year-ended 31 March 2010 have been restated as the association has introduced component accounting in accordance with the Statement of Recommended Practice (SORP) Accounting by Registered Social Housing Providers Update 2010. Further detail can be found in note 34 to these financial statements.]

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS

	Group		Association	
	2011	2010	2011	2010
		[Restated]		*[Restated]*
	£'000	£'000	£'000	£'000
Surplus for the financial year	324	1,882	49	1,540
Unrealised surplus on revaluation of housing properties	13,088	-	12,086	-
Unrealised (deficit)/surplus on revaluation of investments	(15)	10	(15)	10
Actuarial gain relating to pension scheme	249	70	249	70
Recognition of reduction in deferred tax asset	(59)	(2)	(59)	(2)
Total recognised surpluses and deficits relating to the year	13,587	1,960	12,310	1,618
Prior year adjustment (note 34)	-		-	
Total recognised surpluses and deficits since last report	13,587		12,310	

[Included within the actuarial gain is £223,000 relating to the government's announcement on 22 June 2010 that future pensions increases would be linked to RPI as opposed to CPI. The group and company have recognised this amount in the Statement of Total Recognised Surpluses and Deficits in accordance with the Urgent Issues Task Force (UITF) Abstract 48, as the directors consider that no constructive obligation existed prior to the announcement to link such benefit increases to RPI. As such, the resulting gain has been accounted for as change in actuarial assumption.]

Note that all organisations with an FRS 17 valuation, which is affected by the government's announcement to link future pension increases, to CPI, as opposed to RPI should refer to the guidance within UITF Abstract 48 in order to determine the most appropriate accounting treatment, based on its own circumstances. Such considerations should be made by reference to the way in which each scheme has operated historically and the expectations of members prior to the announcement. Although we have shown this gain as a change in actuarial assumptions, this should not be taken to imply that such treatment is preferred, or indeed suitable without full consideration of the relevant factors.

NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS

	Group		Association	
	2011	**2010**	**2011**	**2010**
		[Restated]		***[Restated]***
	£'000	**£'000**	**£'000**	**£'000**
Reported surplus on ordinary activities before taxation	1,053	2,518	666	2,166
Realisation of property revaluation gains	440	53	340	3
Excess of actual depreciation charge over historical cost depreciation	209	60	184	50
Historical cost surplus on ordinary activities before taxation	1,702	2,631	1,190	2,219
Historical cost retained surplus	973	1,995	573	1,593

RECONCILIATION OF MOVEMENTS IN GROUP'S AND ASSOCIATION'S FUNDS

	Group		Association	
	2011	**2010**	**2011**	**2010**
	£'000	**£'000**	**£'000**	**£'000**
Opening total funds	16,975	15,015	13,952	12,334
Total recognised surpluses and deficits relating to the year	13,587	1,960	12,310	1,618
Closing total funds	30,562	16,975	26,262	13,952

Affordable Housing Provider

CONSOLIDATED BALANCE SHEET

At 31 March 2011

	Note	2011	2010
			[Restated]
		£'000	£'000
Tangible fixed assets			
Housing properties	12	87,875	67,361
Other tangible fixed assets	13	4,324	4,204
		92,199	71,565
Current assets			
Properties for sale	15	2,373	1,251
Debtors	16	4,142	3,002
Investments	17	2,460	4,272
Cash at bank and in hand		3,627	2,224
		12,602	10,749
Creditors: amounts falling due within one year	18	(6,139)	(6,475)
Net current assets		6,463	4,274
Total assets less current liabilities		98,662	75,839
Creditors: amounts falling due after more than one year	19	66,584	57,350
Provisions for liabilities	23	742	604
Net pension liability	9	774	910
		68,100	58,864
Capital and reserves			
Revaluation reserves	25	16,220	3,796
Designated reserve	25	4,098	2,500
Revenue reserve	25	10,244	10,679
Consolidated funds	25	30,562	16,975
		98,662	75,839

The accompanying notes form part of these financial statements
The financial statements were approved by the Board of Directors on 1 July 2011

Richard Giles	**Carol Smith**	**Tom Sheraton**
Chairman	**Vice chairman**	**Secretary**

Note: The Determination requires that, in the case of an Industrial and Provident Society, the balance sheet should be signed by two board members and the secretary.

ASSOCIATION BALANCE SHEET

For the year ended 31 March 2011

	Note	2011	2010
		£'000	£'000
Tangible fixed assets			[Restated]
Housing properties	12	74,783	56,176
Other tangible fixed assets	13	4,324	4,204
		79,107	60,280
Current assets			
Properties for sale	15	2,373	1,251
Debtors	16	3,439	2,250
Investments	17	1,440	3,252
Cash at bank and in hand		2,249	1,902
		9,501	8,655
Creditors: amounts falling due within one year	18	(5,003)	(5,847)
Net current assets		4,498	2,808
Total assets less current liabilities		83,605	63,088
Creditors: amounts falling due after more than one year	19	55,924	47,733
Provisions for liabilities	23	645	493
Net pension liability	9	774	910
		57,343	49,136
Capital and reserves			
Revaluation reserves	25	14,720	3,173
Designated reserve	25	3,278	2,500
Revenue reserve	25	8,264	8,279
Association's funds	25	26,262	13,952
		83,605	63,088

The accompanying notes form part of these financial statements
The financial statements were approved by the Board of Directors on 1 July 2011

Richard Giles	**Carol Smith**	**Tom Sheraton**
Chairman	**Vice chairman**	**Secretary**

Note: The Determination requires that, in the case of an Industrial and Provident Society, the balance sheet should be signed by two board members and the secretary.

For the year ended 31 March 2011

	Note	2011 £'000	2009 £'000
Net cash inflow from operating activities	26	734	4,994
Returns on investments and servicing of finance			
Interest received		2,003	1,693
Interest paid		(4,087)	(5,526)
Interest element of finance lease payments		(18)	(18)
Net cash outflow from returns on investments and servicing of finance		(2,102)	(3,851)
Taxation			
Corporation tax paid		(491)	(675)
Capital expenditure and financial investment			
Purchase and construction of housing properties		(18,749)	(16,380)
Social housing grant - received		6,458	1,618
Other capital grant - received		2,367	421
Purchase of other fixed assets		(902)	(1,300)
Sale of housing properties		2,307	978
Social housing grant - repaid		(30)	-
Other capital grant - repaid		-	(6)
Sale of other fixed assets		2	-
Net cash outflow from capital expenditure and financial investment		(8,547)	(14,669)
Management of liquid resources			
Cash withdrawn from money market deposit accounts		1,797	1,376
Net cash inflow from management of liquid resources		1,797	1,376
Financing			
Loans received		11,859	13,406
Housing loans repaid		(1,897)	(2,027)
Capital element of finance lease rentals		(15)	(9)
Net cash inflow from financing		9,947	11,370
Increase/(decrease) in cash	27	1,338	(1,455)

1 Legal status

The association is registered under the Industrial and Provident Societies Act 1965 and is registered with the Tenant Services Authority (TSA) as a housing provider.

2 Accounting policies

Basis of accounting

The financial statements of the group and company are prepared in accordance with UK Generally Accepted Accounting Principles (UK GAAP) and the [*Statement of Recommended Practice: Accounting by registered social landlords, issued in January 2008 (SORP 2008)/ Statement of Recommended Practice (SORP): Accounting by Registered Social Housing Providers Update 2010*]* and comply with the Accounting Requirements for registered social landlords General Determination 2006.

Basis of consolidation

The group accounts consolidate the accounts of the association and all its subsidiaries at 31 March using acquisition accounting.

Turnover and revenue recognition

Turnover compromises rental income receivable in the year, income from shared ownership first tranche sales, sales of properties built for sale and other services included at the invoiced value (excluding VAT) of goods and services supplied in the year and revenue grants receivable in the year.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale. Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

Deferred taxation

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Except as noted below, full provision for deferred taxation is made under the incremental liability method on all timing differences that have arisen, but not reversed by the balance sheet date.

In accordance with FRS 19, deferred tax is not provided for gains on the sale of non-monetary assets, if the taxable gain will probably be rolled over.

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

Value added tax

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

delete as appropriate

Interest payable

Interest is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development if it represents either:

a interest on borrowings specifically financing the development programme after deduction of social housing grant (SHG) received in advance; or
b a fair amount of interest on borrowings of the company as a whole after deduction of SHG received in advance to the extent that they can be deemed to be financing the development programme.

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

Derivatives

The group uses interest rates swaps to reduce its exposure to future increases in the interest rates on floating rate loans. The notional principal is not reflected in the group's balance sheet. Payments made under swaps are accrued over the payment period on a straight-line basis and adjusted against interest payable on the loans.

Pensions

The group participates in two funded multi-employer defined benefit schemes, the Social Housing Pension Scheme (SHPS) and the Midshire County Council Pension Fund (MCCPF).

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

For the MCCPF, scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit, adjusted for deferred tax, is presented separately from other net assets on the balance sheet. A net surplus is recognised only to the extent that it is recoverable by the association.

The current service cost and costs from settlements and curtailments are charged against operating profit. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included net in other finance costs. Actuarial gains and losses are reported in the statement of total recognised gains and losses.

Pre-contract costs

Costs incurred in bidding for and securing contracts for the supply of products and services under the Private Finance Initiative are recognised as expenses as incurred up to the date of announcement of preferred bidder. Where the group is successful in attaining preferred bidder status, those costs that are incurred after attaining preferred bidder status and are directly attributable to the contract are recognised as an asset.

Housing properties
Housing properties are principally properties available for rent.

Completed housing and shared ownership properties are stated at Existing Use Value for Social Housing (EUV-SH). Full revaluations of the properties are undertaken every three years and interim valuations are carried out where there are indications of a significant change in value.

Housing properties under construction are stated at cost less related social housing and other capital grants. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

Works to existing properties which *[replace a component that has been treated separately for depreciation purposes, along with those works that]* result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements.

Shared ownership properties under development are split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover. The remaining element is classed as a fixed asset and included in housing properties, initially at cost.

Direct overhead costs associated with new developments or improvements are capitalised.

Donated land
Land donated by local authorities and others is added to cost at the market value of the land at the time of the donation. Where the land is not related to a specific development and is donated by a public body an amount equivalent to the increase in value between market value and cost is added to other grants. Where the donation is from a non-public source, the value of the donation is included as income.

Social housing grant
Social Housing Grant (SHG) is receivable from the Homes and Communities Agency and formerly from the Housing Corporation and is utilised to reduce the capital costs of housing properties, including land costs. *[It is allocated to the land and structure components in proportion to their cost.]* SHG due from the HCA or received in advance is included as a current asset or liability. SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates.

SHG is subordinated to the repayment of loans by agreement with the HCA. SHG released on sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included in the balance sheet in creditors. *[Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which has been allocated to the component is released to the income and expenditure account. Upon disposal of the associated property, the group is required to recycle these proceeds, as such a contingent liability is disclosed to reflect this.]*

Other grants
Other grants are receivable from local authorities and other organisations. Capital grants are utilised to reduce the capital costs of housing properties, including land costs. Grants in respect of revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which they relate.

Depreciation of housing properties

Freehold land is not depreciated. Depreciation of buildings is charged so as to write down the net book value to the estimated residual value, on a straight-line basis, over their estimated useful economic lives in the business. The depreciable amount is arrived at on the basis of original cost, less the proportion of SHG and other grants attributable to housing properties, less residual value. The group's housing properties are depreciated at the following annual rates:

General needs - houses	1%
General needs - flats	2%
Sheltered housing	2%
Student housing	2%
Residential care and nursing homes	2%

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

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

Structure	*1%*
Roofs	*2%*
Kitchens	*10%*
Bathrooms	*10%*

[only include if component accounting is applied]

Impairment

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

Where there is evidence of impairment, fixed assets are written down to their recoverable amount, being the higher of the net realisable value or the value in use to the group. Any such write down is charged to operating surplus.

Other tangible fixed assets

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

Freehold buildings	2%
Long leasehold property	Over life of lease
Furniture, fixtures and fittings	10%
Computers and office equipment	20%
Motor vehicles	20%

Leased assets
Assets held under finance leases are included in the balance sheet and depreciated in accordance with the group's normal accounting policies. The present value of future rentals is shown as a liability.

The interest element of rental obligations is charged to the income and expenditure account over the period of the lease in proportion to the balance of capital repayments outstanding.

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

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

Current asset investments
Investments are stated at market value. Changes in market value are taken to the revaluation reserve.

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

Reserves
The group establishes *restricted reserves* for specific purposes where their use is subject to external restrictions and *designated reserves* where reserves are earmarked for a particular purpose.

Major repairs reserve
The group's commitment to fund other major repairs is recognised by the transfer from accumulated surpluses to the designated *major repairs reserve* - the amount is based on the expected future liabilities arising from the results of the group's latest stock condition survey.

Revaluation reserve
The difference between the market value of investments and the historical cost carrying value is credited to the *investment revaluation reserve*. When housing properties are revalued, the difference between the valuation and carrying value of *the land and structure elements of* housing properties is credited to the *housing property revaluation reserve.*

3 Particulars of turnover, cost of sales, operating costs and operating surplus

Group - continuing activities

2011	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings	14,273	-	(12,377)	1,896
Other social housing activities				
Supporting people	552	-	(560)	(8)
Development costs not capitalised	-	-	(132)	(132)
Management services	459	-	(617)	(158)
First tranche shared ownership sales	976	(930)	-	46
Other *	134	-	(548)	(414)
	2,121	(930)	(1,857)	(666)
Non-social housing activities				
Lettings	1,995	-	(1,702)	293
Development for sale	1,102	(643)	-	459
	3,097	(643)	(1,702)	752
	19,491	(1,573)	(15,936)	1,982

2010	Turnover £'000	Cost of sales £'000	Operating costs *[Restated]* £'000	Operating surplus *[Restated]* £'000
Social housing lettings	12,963	-	(9,556)	3,407
Other social housing activities				
Supporting people contract income	541	-	(546)	(5)
Development costs not capitalised	-	-	(134)	(134)
Management services	591	-	(563)	28
First tranche shared ownership sales	995	(905)	-	90
Other *	43	-	(119)	(76)
	2,170	(905)	(1,362)	(97)
Non-social housing activities				
Lettings	1,968	-	(1,475)	493
Development for sale	1,655	(1,336)	-	319
	3,623	(1,336)	(1,475)	812
	18,756	(2,241)	(12,393)	4,122

The Determination requires 'other' income/costs to be analysed, suggesting a materiality level of 5% of turnover/operating costs.

Particulars of turnover, cost of sales, operating costs and operating surplus

Association - continuing activities

2011	Turnover	Cost of sales	Operating costs	Operating surplus
	£ '000	£ '000	£ '000	£ '000
Social housing lettings	11,178	-	(10,153)	1,025
Other social housing activities				
Supporting people	552	-	(560)	(8)
Development costs not capitalised	-	-	(132)	(132)
Management services	459	-	(617)	(158)
First tranche shared ownership sales	976	(930)	-	46
Other *	134	-	(548)	(414)
	2,121	(930)	(1,857)	(666)
Non-social housing activities				
Lettings	1,995	-	(1,702)	293
Development for sale	1,102	(643)	-	459
	3,097	(643)	(1,702)	752
	16,396	(1,573)	(13,712)	1,111

2010	Turnover	Cost of sales	Operating costs [Restated]	Operating surplus [Restated]
	£ '000	£ '000	£ '000	£ '000
Social housing lettings	10,123	-	(7,503)	2,620
Other social housing activities				
Supporting people contract income	541	-	(546)	(5)
Development costs not capitalised	-	-	(134)	(134)
Management services	591	-	(563)	28
First tranche shared ownership sales	995	(905)	-	90
Other *	33	-	(109)	(76)
	2,160	(905)	(1,352)	(97)
Non-social housing activities				
Lettings	1,894	-	(1,401)	493
Development for sale	1,655	(1,336)	-	319
	3,549	(1,336)	(1,401)	812
	15,832	(2,241)	(10,256)	3,335

The Determination requires 'other' income/costs to be analysed, suggesting a materiality level of 5% of turnover/operating costs.

For the year ended 31 March 2011

Particulars of income and expenditure from social housing lettings

Group

	2011							2010 [Restated]
	General needs housing	Supported housing and housing for older people	Temporary social housing	Key worker housing	Care homes	Low cost home ownership	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Rent receivable net of identifiable service charges	6,947	398	1,124	575	1,748	707	11,499	10,299
Service income	230	87	8	85	434	501	1,345	1,075
Charges for support services	-	383	-	-	-	-	383	290
Net rental income	7,177	868	1,132	660	2,182	1,208	13,227	11,664
Other HCA revenue grants	100	-	-	-	-	-	100	28
Other revenue grants	394	51	-	-	501	-	946	1,271
Turnover from social housing lettings	7,671	919	1,132	660	2,683	1,208	14,273	12,963
Management	(2,160)	(452)	(821)	(396)	(1,201)	(218)	(5,248)	(3,215)
Services	(282)	(509)	-	(90)	(468)	(498)	(1,847)	(1,402)
Routine maintenance	(907)	(66)	(103)	(50)	(205)	(123)	(1,454)	(1,024)
Planned maintenance	(351)	(18)	(8)	(8)	(142)	(28)	(555)	(455)
Major repairs expenditure	(2,182)	-	-	-	-	-	(2,182)	(2,385)
Bad debts	(152)	(24)	(38)	(2)	(18)	(2)	(236)	(260)
Property lease charges	(23)	-	-	-	-	-	(23)	(21)
Depreciation of housing properties	(327)	-	-	-	(73)	(24)	(424)	(312)
Impairment of housing properties	(60)	-	-	-	-	-	(60)	-
Other costs	(189)	(21)	(2)	(12)	(115)	(9)	(348)	(482)
Operating costs on social housing lettings	(6,633)	(1,090)	(972)	(558)	(2,222)	(902)	(12,377)	(9,556)
Operating surplus/(deficit) on social housing lettings	1,038	(171)	160	102	461	306	1,896	3,407
Void losses	143	33	40	5	41	12	274	246

For the year ended 31 March 2011

Particulars of income and expenditure from social housing lettings

Association

	2011							2010
								[Restated]
	General needs housing	Supported housing and housing for older people	Temporary social housing	Key worker housing	Care homes	Low cost home ownership	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Rent receivable net of identifiable service charges	5,450	398	1,124	-	1,748	406	9,126	8,261
Service income	172	87	8	-	434	171	872	290
Charges for support services	-	383	-		-	-	383	875
Net rental income	5,622	868	1,132	-	2,182	577	10,381	9,426
Other HCA revenue grants	80	-	-	-	-	-	80	28
Other revenue grants	165	51	-	-	501	-	717	669
Turnover from social housing lettings	5,867	919	1,132	-	2,683	577	11,178	10,123
Management	(1,596)	(452)	(821)	-	(1,201)	(82)	(4,152)	(2,629)
Services	(209)	(509)	-	-	(468)	(167)	(1,353)	(1,118)
Routine maintenance	(750)	(66)	(103)	-	(205)	(106)	(1,230)	(768)
Planned maintenance	(241)	(18)	(8)	-	(142)	(28)	(437)	(259)
Major repairs expenditure	(1,922)	-	-	-	-	-	(1,922)	(1,878)
Bad debts	(142)	(24)	(38)	-	(18)	(2)	(224)	(241)
Property lease charges	(12)	-	-	-	-	-	(12)	(10)
Depreciation of housing properties	(320)	-	-	-	(73)	(16)	(409)	(258)
Impairment of housing properties	(60)	-	-	-	-	-	(60)	-
Other costs	(206)	(21)	(2)	-	(116)	(9)	(354)	(342)
Operating costs on social housing lettings	(5,458)	(1,090)	(972)	-	(2,223)	(410)	(10,153)	(7,503)
Operating surplus/(deficit) on social housing lettings	409	(171)	160	-	460	167	1,025	2,620
Void losses	110	33	40	-	41	6	237	237

Particulars of turnover from non-social housing lettings

	Group 2011 £'000	Group 2010 £'000	Association 2011 £'000	Association 2010 £'000
Student accommodation	856	809	856	809
Registered nursing homes	1,139	1,159	1,139	1,085
	1,995	1,968	1,995	1,894

4 Accommodation in management and development

Group and association

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

	Group 2011 No	Group 2010 No	Association 2011 No	Association 2010 No
Social housing				
General housing	2,804	2,698	2,301	2,113
Supported housing and housing for older people	138	134	138	134
Low cost home ownership	261	228	249	232
Temporary social housing	660	647	660	647
Key worker housing	257	250	-	-
Residential care homes	515	510	515	510
Total owned	4,635	4,467	3,863	3,636
Accommodation managed for others	609	650	609	650
Total managed	5,244	5,117	4,472	4,286
Non-social housing				
Registered nursing homes	165	165	165	165
Student accommodation	670	560	670	560
Total owned and managed	835	725	835	725
Accommodation in development at the year end	510	315	490	310

The group manages accommodation for Small Housing Association Limited, a registered social landlord operating in Wimbledon.

The group owns 140 supported housing units (2010: 140) that are managed on its behalf, under management agreements, by other bodies who contract with Supporting People Administering Authorities and carry the financial risk relating to the supported housing units.

5 Operating surplus

The operating surplus is arrived at after charging/(crediting):

	Group		Association	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Depreciation of housing properties	496	416	421	390
Impairment of housing properties	60	-	60	-
Depreciation of other tangible fixed assets	769	609	769	609
Surplus on disposal of other tangible fixed assets	(2)	-	(2)	-
Operating lease rentals				
- land and buildings	62	62	62	62
- office equipment and computers	37	37	37	37
Auditors' remuneration (including VAT)				
- for audit services	33	28	29	23
- for non-audit services:				
- tax compliance	10	8	8	6
- tax advisory	-	8	-	8
- other	14	24	14	21

This disclosure of fees for non-audit services exceeds the requirements of the Determination for external auditors' remuneration to be split between audit and non-audit services.

6 Deficit on sale of fixed assets - housing properties

	Group		Association	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Disposal proceeds	1,807	1,112	1,405	550
Carrying value of fixed assets	(1,478)	(1,003)	(1,233)	(424)
	329	109	172	126
Capital grant recycled (note 20)	(672)	(123)	(497)	(118)
Disposal proceeds fund (note 21)	(15)	(11)	(15)	(11)
	(358)	(25)	(340)	(3)

7 Interest receivable and other income

	Group		Association	
	2011	2010	2011	2010
	£ '000	£ '000	£ '000	£ '000
Interest receivable and similar income	2,084	1,632	1,718	1,298
Income from listed investments	25	24	25	24
Income from other investments	5	5	5	5
	2,114	1,661	1,748	1,327

8 Interest payable and similar charges

	Group		Association	
	2011	2010	2011	2010
	£ '000	£ '000	£ '000	£ '000
Finance leases	18	18	18	18
Loans and bank overdrafts	4,263	4,270	3,391	3,523
	4,281	4,288	3,409	3,541
Interest payable capitalised on housing properties under construction	(1,625)	(1,076)	(1,585)	(1,076)
	2,656	3,212	1,824	2,465
Capitalisation rate used to determine the finance costs capitalised during the period	4.5%	4.4%	4.5%	4.4%

Where development interest on borrowings is written off, the amount charged to I & E should be disclosed (SORP). Where material, deferred interest or interest charge on late payment of tax should be disclosed.

9 Employees

Average monthly number of employees expressed as full time equivalents:

	Group		Association	
	2011	2010	2011	2010
	No	No	No	No
Administration	29	24	24	21
Development	48	47	40	39
Housing, support and care	146	134	120	108
	223	205	184	168

Employee costs:

	Group		Association	
	2011	2010	2011	2010
	£ '000	£ '000	£ '000	£ '000
Wages and salaries	3,699	3,591	2,976	2,889
Social security costs	371	358	301	291
Other pension costs	425	421	414	417
	4,495	4,370	3,691	3,597

The association's employees are members of the Midshire County Council Pension Fund (MCCPF) or of the Social Housing Pension Scheme (SHPS). The employees of other group members are members of the SHPS. Further information on each scheme is given overleaf.

Social Housing Pension Scheme (Group and association)

Affordable Housing Provider participates in SHPS (the Scheme). The Scheme is funded and is contracted-out of the State Pension 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 until 31 March 2007. From April 2007 there are three benefit structures available, namely:

1.1 Final salary with a 1/60th accrual rate.

1.2 Final salary with a 1/70th accrual rate.

1.3 Career average revalued earnings (CARE) with a 1/60th accrual rate.

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

1.4 Final salary with a 1/80th accrual rate.

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

A defined contribution benefit structure has been 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.

Affordable Housing Provider Limited has operated the final salary with a 1/60th accrual rate, final salary with a 1/70th accrual rate benefit structure for active members as at 31 March 2010. This does not reflect any benefit structure changes made from April 2010.

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

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

During the accounting period Affordable Housing Provider paid contributions at the rate of 13.5% to 15% member contributions varied between 5.5% and 6.5%.

As at the balance sheet date there were 26 active members of the Scheme employed by Affordable Housing Provider. The annual pensionable payroll in respect of these members was 650,000. Affordable Housing Provider continues to offer membership of the Scheme to its employees.

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

The 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 69.7%.

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

	% p.a.
Valuation Discount Rates:	
Pre-Retirement	7.8
Non Pensioner Post Retirement	6.2
Pensioner Post Retirement	5.6
Pensionable Earnings Growth	4.7
Price Inflation	3.2
Pension Increases:	
Pre 88 GMP	0.0
Post 88 GMP	2.8
Excess Over GMP	3.0

Expenses for death-in-service insurance, administration and Pension Protection Fund (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% p.a.

Mortality post retirement – 90% S1PA Year of Birth, long cohort projection, minimum improvement 1% p.a.

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

Benefit Structure	**Long-term Joint Contribution Rate (% of pensionable salaries)**
Final salary with a 1/60th accrual rate	17.8
Final salary with a 1/70th accrual rate	15.4
Career average revalued earnings (CARE) with a 1/60th accrual rate	14.9
Final salary with a 1/80th accrual rate	13.5
Career average revalued earnings (CARE) 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 30 September 2020, dropping to 3.1% from 1 October 2020 to 30 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.

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 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 SHPS.

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

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

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2009. 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 £1,723 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £738 million, equivalent to a past service funding level of 70.0%.

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.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

[The above disclosures will need to be updated to reflect the latest information provided by the Pensions Trust for 2011 for each association.]

Midshire County Council Pension Fund (Association)

The MCCPF is a multi-employer scheme, administered by Midshire County Council under the regulations governing the Local Government Pension Scheme, a defined benefit scheme. The most recent formal actuarial valuation was completed as at 31 March 2010 and rolled forward, allowing for the different financial assumptions required under FRS 17, to 31 March 2011 by a qualified independent actuary.

The employers' contributions to the MCCPF by the association for the year ended 31 March 2011 were £190,000 (2010: £186,000) at a contribution rate of 13.3% of pensionable salaries, set until the next funding valuation at 31 March 2011.

Estimated employers' contributions to the MCCPF during the accounting period commencing 1 April 2011 are £196,000.

Financial assumptions

	31 March 2011 % per annum	**31 March 2010 % per annum**
Discount rate	6.7	6.7
Future salary increases	3.0	3.0
Future pension increases	3.0	3.0
Inflation assumption	3.0	3.0

Mortality assumptions

The post-retirement mortality assumptions adopted to value the benefit obligation at March 2010 and March 2011 are consistent with those used for the formal funding valuation as at 31 March 2007 and are based on the PA92 series projected to calendar year 2007 for pensioners and 2018 for non-pensioners.

The assumed life expectations on retirement at age 65 are:

	2011 No. of years	2010 No. of years
Retiring today:		
Males	22.2	22.2
Females	25.2	25.2
Retiring in 20 years:		
Males	22.3	22.3
Females	26.0	26.0

Expected return on assets

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (ie as at 1 April 2010 for the year to 31 March 2011). The return on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an adjustment to reflect default risk) respectively at the relevant date. The return on equities and property is then assumed to be a margin above gilt yields.

The expected returns on assets are:

	Expected return on assets at		
	1 April 2011 % pa	1 April 2010 % pa	1 April 2009 % pa
Equities	7.4%	7.3%	7.1%
Gilts	3.9%	4.0%	4.3%
Bonds	6.2%	6.5%	6.6%
Properties	6.7%	6.8%	6.6%
Cash	3.0%	3.0%	5.0%

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

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

	2011 £ '000	2010 £ '000
Current service cost	210	201
Loss on settlements	-	19
Amounts charged to operating costs	210	248

	2011 £ '000	2010 £ '000
Expected return on scheme assets	(120)	(151)
Interest on scheme liabilities	149	179
Amounts charged to other finance costs	29	28
Actual return on scheme assets	553	206

Statement of total recognised surpluses and deficits

Year ended 31 March	2011 £'000	2010 £'000
Actuarial gain/(loss) in pension scheme recognised in STRSD	249	70
Cumulative actuarial gain/(loss) recognised in STRSD	(323)	(572)

[Included within the actuarial gain is £223,000 relating to the government's announcement on 22 June 2010 that future pensions increases would be linked to RPI as opposed to CPI. The group and company have recognised this amount in the Statement of Total Recognised Surpluses and Deficits in accordance with the Urgent Issues Task Force (UITF) Abstract 48, as the directors consider that no constructive obligation existed prior to the announcement to link such benefit increases to RPI. As such, the resulting gain has been accounted for as change in actuarial assumption.]

Note that all organisations with an FRS 17 valuation, which is affected by the government's announcement to link future pension increases, to CPI, as opposed to RPI should refer to the guidance within UITF Abstract 48 in order to determine the most appropriate accounting treatment, based on its own circumstances. Such considerations should be made by reference to the way in which each scheme has operated historically and the expectations of members prior to the announcement. Although we have shown this gain as a change in actuarial assumptions, this should not be taken to imply that such treatment is preferred, or indeed suitable without full consideration of the relevant factors.

Amounts recognised in the balance sheet

Net pension liability at 31 March	**2011**	**2010**
	£'000	**£'000**
Present value of funded obligation	(3,172)	(3,205)
Fair value of scheme assets (bid value)	2,067	1,905
	(1,105)	(1,300)
Present value of unfunded obligations	-	-
Unrecognised past service cost	-	-
	(1,105)	(1,300)
Related deferred tax asset	331	390
Net liability recognised in balance sheet	(774)	(910)

Reconciliation of opening and closing balances of the present value of scheme liabilities

	2011	**2010**
	£'000	**£'000**
Opening scheme liabilities	(3,205)	(3,055)
Current service cost	(210)	(201)
Interest cost	(149)	(179)
Actuarial gains	(101)	(234)
Benefits paid	493	464
Closing scheme liabilities	(3,172)	(3,205)

Reconciliation of opening and closing balances of the fair value of scheme assets

	2011 £'000	2010 £'000
Opening fair value of scheme assets	1,905	1,728
Expected return on scheme assets	120	151
Actuarial gains	350	304
Contributions by employer	185	186
Benefits paid	(493)	(464)
Closing fair value of scheme assets	2,067	1,905

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

	2011 %	2010 %
Equities	28	22
Gilts	22	26
Bonds	18	17
Properties	18	16
Cash	14	19

Amounts for the current and previous four accounting periods

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Present value of scheme liabilities	(3,172)	(3,205)	(3,055)	(3,123)	(3,201)
Fair value of scheme assets	2,067	1,905	1,728	1,750	1,823
Surplus/(deficit) on scheme	(1,105)	(1,300)	(1,327)	(1,373)	(1,378)
Experience adjustment on plan liabilities *	50	-	-	-	-
Experience adjustment on plan assets *	-	-	-	-	-

**** The experience adjustments arising on plan liabilities and on plan assets may be expressed either as amounts or as a percentage of plan liabilities and of plan assets respectively at each balance sheet date.***

Sensitivity analysis

Adjustment to mortality age rating assumption	+ 1 year	None	- 1 year
	£'000	£'000	£'000
Present value of total obligation	3,050	3,172	3,294
Aggregate of current service cost and interest cost	342	359	376

[disclosure of sensitivity analysis is best practice only]

10 Board members and executive directors

				2011	2010
	Basic salary	Benefits in kind	Pension contributions	Total	
	£'000	£'000	£'000	£'000	£'000
Chief Executive					
Tom Sheraton	81	5	9	95	83
Director of Finance					
Peter Small	35	3	4	42	72
Paula Large	28	2	2	32	-
Director of Development					
Ray Taylor	55	4	6	65	59
Director of Housing Services					
Alison Blake	55	4	6	65	59
	254	18	27	299	273

None of the board members received emoluments. The emoluments of the highest paid director, the Chief Executive, excluding pension contributions, were £86,000 (2010: £76,000).

The Chief Executive is a member of the Social Housing Pension Scheme. He is an ordinary member of the pension scheme and no enhanced or special terms apply. The association does not make any further contribution to an individual pension arrangement for the Chief Executive.

Peter Small, the Director of Finance, left during the year and received an enhancement to his contracted salary amounting to £24,019, including a lump sum pension payment of £19,000, in respect of the loss of office of director.

The group paid £6,651 to Empire Housing Group for making available the services of Paula Large as acting Director of Finance, prior to joining permanently on 1 December 2010.

* ***The Determination requires disclosure of aggregate emoluments payable to directors and former directors during the period, analysed between those paid to executive directors and those paid to non-executive directors. Detailed disclosure of emoluments of individual directors, as shown above, is voluntary and under the Data Protection Act 1998, associations are required to obtain individual's consent to disclose personal data about them in their accounts.***

In addition, it is a requirement of the Determination to disclose: emoluments, excluding pension contributions, payable to the highest paid director during the period; aggregate amount of any compensation payable to directors or past directors in respect of loss of office; aggregate amount of director's or past director's pensions; and aggregate amount of any consideration payable to third parties for making available the services of any person to perform the role of director.

11 Tax on surplus on ordinary activities

	Group 2011 £ '000	Group 2010 £ '000	Association 2011 £ '000	Association 2010 £ '000
Current tax				
UK corporation tax on surplus for the year	581	504	455	489
Adjustments in respect of prior years	10	(35)	10	(35)
	591	469	465	454
Deferred tax				
Net origination and reversal of timing differences	138	167	152	172
	729	636	617	626

	Group 2011 £ '000	Group 2010 £ '000	Association 2011 £ '000	Association 2010 £ '000
Current tax reconciliation				
Surplus on ordinary activities before tax	1,053	2,518	666	2,166
Theoretical tax at UK corporation tax rate 28% (2010: 28%)	295	705	186	606
• depreciation of non-qualifying assets	505	294	423	277
• capital allowances in excess of depreciation	(110)	(120)	(110)	(120)
• non-taxable gains on asset sales	(22)	(20)	(21)	(18)
• other timing differences	(316)	(287)	(287)	(296)
• other non-deductible expenditure	229	83	264	80
• utilisation of tax losses	-	(151)	-	(40)
• adjustments to tax charge in respect of prior periods	10	(35)	10	(35)
Current tax charge	591	469	465	454

Factors that may affect future tax charges

The group has no intention of selling any of its properties, except those purchased by tenants under the Right to Buy scheme, or under shared-ownership arrangements. If a property is disposed of under the Right to Buy scheme, any gain will be eligible for rollover relief and should not result in any immediate corporation tax liability. During the year, six properties were sold for £249,000 under the Right to Buy scheme. The resultant corporation tax liability of £22,000 has been deferred by reinvesting the proceeds into replacement assets.

The group has now used up all other brought-forward tax losses, which have reduced tax payments in recent years.

12 Tangible fixed assets - properties

Group - housing properties	Social housing properties held for letting	Non-social housing properties held for letting	Housing properties for letting under construction	Completed shared ownership housing properties	Shared ownership housing properties under construction	Total housing properties
Cost or valuation	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 April 2010	66,187	1,671	8,767	2,389	585	79,599
Additions	-	-	7,823	-	3,012	10,835
Properties acquired	-	2,500	-	-	-	2,500
Works to existing properties	2,042	-	-	-	-	2,042
Interest capitalised	-	-	1,365	-	260	1,625
Schemes completed	6,776	890	(7,666)	2,000	(2,000)	-
Disposals	(968)	-	-	(1,282)	-	(2,250)
Valuation adjustment	5,085	39	-	(1,935)	-	3,189
At 31 March 2011	79,122	5,100	10,289	1,172	1,857	97,540
Depreciation and impairment						
At 1 April 2010	-	-	-	-	-	-
Charged in year	388	72	-	24	-	484
Released on disposal	(22)	-	-	(3)	-	(25)
Valuation adjustment	(366)	(72)	-	(21)	-	(459)
At 31 March 2011	-	-	-	-	-	-
Social housing grant						
At 1 April 2010	-	-	6,143	-	419	6,562
Additions	2,353	-	4,350	-	902	7,605
Schemes completed	6,346	-	(6,346)	655	(655)	-
Disposals	(362)	-	-	(310)	-	(672)
Valuation adjustment	(8,337)	-	-	(345)	-	(8,682)
At 31 March 2011	-	-	4,147	-	666	4,813
Other capital grant						
At 1 April 2010	-	-	2,193	-	-	2,193
Additions	-	-	3,492	-	-	3,492
Schemes completed	833	-	(833)	-	-	-
Disposals	(75)	-	-	-	-	(75)
Valuation adjustment	(758)	-	-	-	-	(758)
At 31 March 2011	-	-	4,852	-	-	4,852
Net book value						
At 31 March 2011	79,122	5,100	1,290	1,172	1,191	87,875
At 31 March 2010	63,279	1,641	431	1,844	166	67,361

Tangible fixed assets - properties

Association - housing properties	Social housing properties held for letting	Non-social housing properties held for letting	Housing properties for letting under construction	Completed shared ownership housing properties	Shared ownership housing properties under construction	Total housing properties
Cost or valuation	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 April 2010	54,654	1,712	8,354	1,978	433	67,131
Additions	-	-	8,538	-	2,282	10,820
Properties acquired	-	2,500	-	-	-	2,500
Works to existing properties	1,663	-	-	-	-	1,663
Interest capitalised	-	-	1,335	-	250	1,585
Schemes completed	6,722	890	(7,612)	1,418	(1,418)	-
Disposals	(861)	-	-	(885)	-	(1,746)
Valuation adjustment	4,248	(2)	-	(1,292)	-	2,954
At 31 March 2011	66,426	5,100	10,615	1,219	1,547	84,907
Depreciation and impairment						
At 1 April 2010	-	-	-	-	-	-
Charged in year	381	12	-	76	-	469
Released on disposal	(14)	-	-	(2)	-	(16)
Valuation adjustment	(367)	(12)	-	(74)	-	(453)
At 31 March 2011	-	-	-	-	-	-
Social housing grant						
At 1 April 2010	-	-	5,730	-	304	6,034
Additions	1,701	-	4,993	-	887	7,581
Schemes completed	6,144	-	(6,144)	498	(498)	-
Disposals	(311)	-	-	(186)	-	(497)
Valuation adjustment	(7,534)	-	-	(312)	-	(7,846)
At 31 March 2011	-	-	4,579	-	693	5,272
Other capital grant						
At 1 April 2010	-	-	2,193	-	-	2,193
Additions	-	-	3,492	-	-	3,492
Schemes completed	833	-	(833)	-	-	-
Disposals	-	-	-	-	-	-
Valuation adjustment	(833)	-	-	-	-	(833)
At 31 March 2011	-	-	4,852	-	-	4,852
Net book value						
At 31 March 2011	66,426	5,100	1,184	1,219	854	74,783
At 31 March 2010	52,395	1,680	431	1,441	129	56,076

Tangible fixed assets - properties

Valuation

Completed housing properties are stated at Existing Use Value for Social Housing (EUV-SH), including notional directly attributable acquisition costs, as at 31 March 2011. The group's housing properties have been valued by WRH Churchill Chartered Surveyors, professional external valuers. The full valuation of properties was undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors as follows:

	£'000
Completed properties at valuation	
Affordable Housing Provider Limited	72,745
New Housing Limited	10,723
Friends Housing Association Limited	1,926
Housing properties under construction at cost net of SHG and other grants	
Affordable Housing Provider Limited	2,038
New Housing Limited	354
Friends Housing Association Limited	89
	87,875

In valuing housing properties, discounted cash flow methodology was adopted with key assumptions:

Discount rate	6.0%
Annual inflation rate, after first two years	2.5%
Level of long-term annual rent increase	3.0%

The carrying value of housing properties that would have been included in the financial statements had the assets been carried at historical cost less capital grants and depreciation is as follows:

	Group		Association	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Housing properties at historical cost	202,903	174,156	168,672	150,670
Depreciation and impairment	(1,421)	(1,099)	(1,314)	(1,033)
Social housing grant	(111,822)	(104,889)	(91,431)	(84,347)
Other capital grant	(17,995)	(14,578)	(15,854)	(12,362)
	71,665	53,590	60,073	52,928

Expenditure on works to existing properties

	Group		Association	
	2011	2010	2011	2010
		[Restated]		*[Restated]*
	£'000	£'000	£'000	£'000
Improvement works capitalised	56	200	56	180
Components capitalised	1,986	1,685	1,607	1,355
Amounts charged to the income and expenditure account	2,182	2,385	1,922	1,878
	4,224	4,270	3,585	3,413

Social housing grant

	Group		Association	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Total accumulated social housing grant received or receivable at 31 March:				
Capital grant	111,822	104,889	91,431	84,347
Revenue grant	7,387	7,104	6,066	5,803
	119,209	111,993	97,497	90,150

Finance costs

	Group		Association	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Aggregate amount of finance costs included in the cost of housing properties	6,085	4,460	5,060	3,475

Housing properties book value, net of depreciation and grants

	Group		Association	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Freehold land and buildings	57,484	42,730	46,973	33,636
Long leasehold land and buildings	22,356	16,856	19,775	14,665
Short leasehold land and buildings	8,035	7,775	8,035	7,775
	87,875	67,361	74,783	56,076

Impairment
An impairment provision of £60,000 was made in March 2011 to reduce the carrying value of certain properties in Westchester to their net realisable value, following a decision by the Board to dispose of these properties.

[*Component accounting*
The group has adopted the Statement of Recommended Practice (SORP) Accounting by Registered Social Housing Providers Update 2010 at 31 March 2011. This has required the group to identify the major components which make up its housing property assets and depreciate these over individual useful economic lives.

Prior period balances have been adjusted to reflect this change in accounting policy, which has resulted in a transfer of £ from X reserve to X reserve. Further details of this adjustment are provided in note 34. / or

This has resulted in a reassessment of the remaining useful economic lives of these components. The impact of this relifing of assets is to increase the depreciation charge for the year by £[ ]. No prior year adjustment has been made].]*

delete as appropriate

13 Tangible fixed assets - other

	Group and association				
	Freehold offices £'000	Computers and office equipment £'000	Furniture, fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 April 2010	2,885	2,022	290	612	5,809
Additions	342	452	80	15	889
Disposals	-	(31)	(16)	(47)	(94)
At 31 March 2011	3,227	2,443	354	580	6,604
Depreciation					
At 1 April 2010	181	918	125	381	1,605
Charged in the year	67	444	58	200	769
Released on disposal	-	(31)	(16)	(47)	(94)
At 31 March 2011	248	1,331	167	534	2,280
Net book value					
At 31 March 2011	2,979	1,112	187	46	4,324
At 31 March 2010	2,704	1,104	165	231	4,204

The net book value of other tangible fixed assets includes £85,000 (2010: £115,000) in respect of assets under finance leases. Depreciation charged in the year on these assets amounted to £3,000 (2010: £5,000).

14 Investments in subsidiaries

As required by statute, the financial statements consolidate the results of New Housing Limited and Friends Housing Association Limited which were subsidiaries of the association at the end of the year. The association has the right to appoint members to the boards of the two subsidiaries and thereby exercises control over them. Both subsidiaries are registered social landlords.

Affordable Housing Provider is the ultimate parent undertaking.

During the year the association provided management services for New Housing Limited and charged New Housing Limited £100,000 (2010: £60,000).

15 Properties for sale

	Group		Association	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Shared ownership properties:				
Completed properties	573	735	573	735
Work in progress	619	195	619	195
	1,192	930	1,192	930
Properties developed for outright sale	1,181	321	1,181	321
	2,373	1,251	2,373	1,251

16 Debtors

	Group 2011 £'000	Group 2010 £'000	Association 2011 £'000	Association 2010 £'000
Due within one year				
Rent and service charges receivable	1,035	573	880	424
Less: provision for bad and doubtful debts	(287)	(244)	(225)	(182)
	748	329	655	242
Social housing grant receivable	170	20	170	20
Other capital grant receivable	96	48	96	48
Revenue grant receivable	307	377	285	351
Other debtors	2,031	1,687	1,611	1,125
Prepayments and accrued income	670	541	502	464
	4,022	3,002	3,319	2,250
Due after more than one year				
Prepayments and accrued income	120	-	120	-
	4,142	3,002	3,439	2,250

17 Current asset investments

	Group 2011 £'000	Group 2010 £'000	Association 2011 £'000	Association 2010 £'000
Investments listed on a recognised stock exchange	110	125	110	125
Money market deposits	2,220	4,017	1,200	2,997
Other investments	130	130	130	130
	2,460	4,272	1,440	3,252

The listed investments are carried in the financial statements at market value. The historical cost of these investments for both group and association is set out below.

	2011 £'000	2010 £'000
Listed investments - historical cost	100	100

18 Creditors: amounts falling due within one year

	Group		Association	
	2011	**2010**	**2011**	**2010**
	£'000	**£'000**	**£'000**	**£'000**
Debt (note 22)	2,552	1,712	1,959	1,307
Trade creditors	550	314	458	222
Rent and service charges received in advance	253	253	201	201
Social housing grant received in advance	-	535	-	535
Other capital grants received in advance	75	927	75	927
Amounts owed to group undertakings	-	-	302	63
Recycled capital grant fund (note 20)	10	30	10	12
Corporation tax	568	468	501	428
Other taxation and social security	48	15	47	14
Unpaid contributions for retirement benefits	16	14	16	14
Other creditors	1,303	1,421	721	1,389
Accruals and deferred income	764	786	713	735
	6,139	6,475	5,003	5,847

Other grants received in advance will be utilised against capital expenditure in 2011-12.

19 Creditors: amounts falling due after more than one year

	Group		Association	
	2011	**2010**	**2011**	**2010**
	£'000	**£'000**	**£'000**	**£'000**
Debt (note 22)	66,312	57,128	55,669	47,511
Recycled capital grant fund (note 20)	236	200	219	200
Disposal proceeds fund (note 21)	36	22	36	22
	66,584	57,350	55,924	47,733

20 Recycled capital grant fund

	Group		Association	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
At 1 April	230	221	212	203
Grants recycled	672	123	497	118
Interest accrued	18	16	16	14
Transfers from other group members	-	-	12	-
Withdrawals	(644)	(130)	(496)	(123)
	276	230	241	212
Repayment of grant	(30)	-	(12)	-
At 31 March	246	230	229	212
Amount of grant due for repayment	10	30	10	12

Withdrawals from the recycled capital grant fund were used for the purchase and development of new housing schemes for letting and for approved works to existing properties.

The Determination requires disclosure of the reasons for taking grant out of the Fund.

21 Disposal proceeds fund

	Group		Association	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
At 1 April	22	14	22	14
Net sales proceeds recycled	15	11	15	11
Interest accrued	2	2	2	2
Withdrawals	(3)	(5)	(3)	(5)
At 31 March	36	22	36	22

Withdrawals from the disposal proceeds fund were used for approved works to existing housing properties.

The Determination requires disclosure of the reasons for taking grant out of the Fund.

22 Debt analysis

Borrowings

	Group		Association	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Due within one year				
Bank overdraft	65	-	-	-
Bank loans	1,826	1,356	1,360	1,013
Local authority loans	36	36	36	36
Other loans	610	305	548	243
	2,537	1,697	1,944	1,292
Due after more than one year				
Bank loans	52,735	44,647	45,731	38,633
Local authority loans	857	893	656	692
Other loans	14,145	11,493	10,707	8,091
less: issue costs	(1,505)	-	(1,505)	-
	66,232	57,033	55,589	47,416
Total loans	68,769	58,730	57,533	48,708

Security

Local authority and other loans are secured by fixed charges on individual properties. The bank loans are secured by a floating charge over the assets of the association and by fixed charges on individual properties.

Terms of repayment and interest rates

The loans from local authorities are repaid in half-yearly instalments, over the estimated life of the scheme on which the loan is secured, at fixed rates of interest ranging from 8.5% to 11.5%. The final instalments fall to be repaid in the period 2011 to 2050.

The bank and other loans are repaid in half-yearly instalments at fixed rates of interest ranging from 6.5% to 11%. The final instalments fall to be repaid in the period 2011 to 2028.

At 31 March 2011 the group had undrawn loan facilities of £8.5m (2010: £13m).

Based on the lender's earliest repayment date, borrowings are repayable as follows:

	Group		Association	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Within one year or on demand	2,537	1,697	1,944	1,292
One year or more but less than two years	3,117	1,796	2,625	1,369
Two years or more but less than five years	19,028	13,714	16,228	10,895
Five years or more	44,087	41,523	36,736	35,152
	68,769	58,730	57,533	48,708

Obligations under finance leases

	Group		Association	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Due within one year	15	15	15	15
Due after more than one year	80	95	80	95
	95	110	95	110

The obligations under finance leases are repayable by equal instalments in less than five years.

23 Provisions for liabilities

Deferred tax

	Group		Association	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
At 1 April	604	437	493	321
Transfer from income and expenditure account	138	167	152	172
At 31 March	742	604	645	493
Comprising:				
Capital allowances	300	410	300	410
Short-term timing differences	442	194	345	83
	742	604	645	493

24 Non-equity share capital

	2011	2010
	£	£
Shares of £1 each issued and fully paid		
At 1 April	43	37
Shares issued during the year	3	10
Shares surrendered during the year	(3)	(4)
At 31 March	43	43

The shares provide members with the right to vote at general meetings of the association, but do not provide any rights to dividends or distributions on a winding up.

25 Reserves

Group	Revaluation reserve - housing properties	Revaluation reserve - investments	Major repairs reserve	Revenue reserve	Total reserves
	£'000	£'000	£'000	£'000	£'000
At 1 April 2010 (as previously stated)	*5,830*	*25*	*2,500*	*8,620*	*16,975*
Prior year adjustment (note 34)	*(2,059)*	*-*	*-*	*2,059*	*-*
At 1 April 2010 as restated	*3,771*	*25*	*2,500*	*10,679*	*16,975*
Surplus for the year	-	-	-	324	324
Surplus on revaluation of properties	13,088	-	-	-	13,088
Deficit on revaluation of investments	-	(15)	-	-	(15)
Actuarial gain relating to pension scheme	-	-	-	190	190
Transfer in respect of depreciation on revalued properties	(209)			209	-
Transfer in respect of realised gain on disposal of revalued properties	(440)			440	-
Transfers from revenue reserve	-	-	2,100	(2,100)	-
Transfers to revenue reserve	-	-	(502)	502	-
At 31 March 2011	16,210	10	4,098	10,244	30,562

At 31 March 2011, the revenue reserve included £774,000 defined pensions liability net of related deferred tax (2010: £910,000).

Association	Revaluation reserve - housing properties	Revaluation reserve - investments	Major repairs reserve	Revenue reserve	Total reserves
	£'000	£'000	£'000	£'000	£'000
At 1 April 2010 (as previously stated)	*4,420*	*25*	*2,500*	*7,007*	*13,952*
Prior year adjustment (note 34)	*(1,272)*	*-*	*-*	*1,272*	*-*
At 1 April 2010 as restated	*3,148*	*25*	*2,500*	*8,279*	*13,952*
Surplus for the year	-	-	-	49	49
Surplus on revaluation of properties	12,086	-	-	-	12,086
Deficit on revaluation of investments	-	(15)	-	-	(15)
Actuarial gain relating to pension scheme	-	-	-	190	190
Transfer in respect of depreciation on revalued properties	(184)	-	-	184	-
Transfer in respect of realised gain on disposal of revalued properties	(340)	-	-	340	-
Transfers from revenue reserve	-	-	1,200	(1,200)	-
Transfers to revenue reserve	-	-	(422)	422	-
At 31 March 2011	14,710	10	3,278	8,264	26,262

At 31 March 2011, the revenue reserve included £774,000 defined pensions liability net of related deferred tax (2010: £910,000).

26 Net cash inflow from operating activities

	2011 £'000	2010 £'000
Operating surplus	1,982	4,122
Depreciation of tangible fixed assets	1,265	1,025
Impairment of tangible fixed assets	60	-
(Surplus) on disposal of tangible fixed assets	(2)	-
Defined benefit pension scheme operating charge	210	201
Defined benefit pension scheme contributions paid	(185)	(186)
	3,330	5,162
Working capital movements		
Properties for sale	(1,122)	434
Debtors	(1,102)	(215)
Creditors	(372)	(387)
Net cash outflow from operating activities	734	4,994

27 Reconciliation of net cash flow to movement in net debt

	2011 £'000	2010 £'000
Increase/(decrease) in cash	1,338	(1,455)
Cash inflow from decrease in liquid resources	(1,797)	(1,376)
Cash inflow from increase in debt	(9,974)	(11,385)
Cash outflow from decrease in lease finance	15	15
Change in net debt resulting from cash flows	(10,418)	(14,201)
Change in market value of investments	(15)	10
Movement in net debt for the period	(10,433)	(14,191)
Net debt at 1 April	(52,344)	(38,153)
Net debt at 31 March	(62,777)	(52,344)

28 Analysis of changes in net debt

	1 April 2010 £'000	Cashflow £'000	Non-cash movement £'000	31 March 2011 £'000
Cash at bank and in hand	2,224	1,403	-	3,627
Bank overdraft	-	(65)	-	(65)
Changes in cash	2,224	1,338	-	3,562
Current asset investment	4,272	(1,797)	(15)	2,460
Loans	(58,730)	(9,974)	-	(68,704)
Finance leases	(110)	15	-	(95)
Changes in debt	(58,840)	(9,959)	-	(68,799)
Changes in net debt	(52,344)	(10,418)	(15)	(62,777)

29 Capital commitments

	Group		Association	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Capital expenditure				
Expenditure contracted for but not provided in the accounts	3,678	6,965	3,558	6,502
Expenditure authorised by the board, but not contracted	10,200	12,800	9,800	11,900
	13,878	19,765	13,358	18,402

The above commitments will be financed primarily through borrowings (£8.3m), which are available for draw-down under existing loan arrangements, with the balance (£5.6m) funded through social housing grant.

The Determination requires disclosure of an indication of the proposed financing of capital expenditure commitments eg grant, loans, property sales.

30 Contingent assets/liabilities

The group and association had no contingent liabilities at 31 March 2011 (2010: nil).

[The group receives capital grant from the Homes and Communities Agency, which is used to fund the acquisition and development of housing properties and their components. In certain circumstances upon disposal of grant funded properties the group is required to recycle this grant by crediting the Recycled Capital Grant Fund.

At 31 March 2011, the group has disposed of components, which had received £136,000 (2010 (restated) £125,000) of grant funding. Although the disposal of these components has not given rise to a relevant event for the purposes of recycling the grant (as the group retains the property asset) it does have a future obligation to recycle such grant once the property is disposed of.

As the timing of any future disposal is uncertain, in accordance with Financial Reporting Standard ("FRS") 12 - Provisions, Contingent Liabilities and Contingent Assets, no provision has been recognised in these financial statements.]*

**** Each entity will need to consider whether such disclosure is required.***

31 Leasing commitments

Operating lease payments amounting to £216,000 (2010: £99,000) are due within one year. The leases to which these amounts relate expire as follows:

	Group and association			
	2011		2010	
	Land and buildings	Office equipment and computers	Land and buildings	Office equipment and computers
	£'000	£'000	£'000	£'000
In one year or less	6	-	-	10
Between one and five years	32	20	28	27
In five years or more	142	16	34	-
	180	36	62	37

32 Related parties

Diana Crawford, a member of the board, is a trustee of Friendly Charity. The charity manages the group's Supported Hostels providing special care services. During the year the group paid management fees totalling £380,000 (2010: £370,000) to Friendly Charity.

There are two tenant members of the board, Michael Shore and Caroline Drake. Their tenancies are on normal commercial terms and they are not able to use their position to their advantage.

One member of the board, David Lyles, is a councillor with Shires District Council, a local authority having nomination rights over tenancies for certain group properties. All transactions with the council are on normal commercial terms and David Lyles is not able to use his position to his advantage.

33 Financial assets and liabilities

This is voluntary disclosure.

The board policy on derivatives and financial instruments is explained in the Operating and Financial Review and Board Report.

Financial assets

Other than short-term debtors, financial assets held are equity instruments in other entities, cash deposits placed on money markets at call, seven-day and monthly rates and cash at bank. They are sterling denominated and the interest rate profile at 31 March was:

	2011 £ '000	2010 £ '000
Floating rate	5,847	6,241
Financial assets on which no interest is earned	240	255
	6,087	6,496

The financial assets on which no interest is earned comprise trade investments that have no fixed maturity. The remaining financial assets are floating rate, attracting interest at rates that vary with bank rates.

Financial liabilities excluding trade creditors – interest rate risk profile

The group's financial liabilities are sterling denominated. After taking into account various interest rate swaps, the interest rate profile of the group's financial liabilities at 31 March was:

	2011 £ '000	2010 £ '000
Floating rate	26,199	23,836
Fixed rate	42,570	34,894
Total (note 22)	68,769	58,730

The fixed rate financial liabilities have a weighted average interest rate of 10% (2010: 12%) and the weighted average period for which it is fixed is 19 years (2010: 19 years).
The floating rate financial liabilities comprise bank loans and overdrafts that bear interest at rates based on the six-month LIBOR.
The debt maturity profile is shown in note 22.

Borrowing facilities

The group has undrawn committed borrowing facilities. The facilities available at 31 March in respect of which all conditions precedent had been met were as follows:

	2011 £ '000	2010 £ '000
Expiring in one year or less	3,980	5,300
Expiring in more than one year but not more than two years	3,675	3,220
Expiring in more than two years	847	4,334
	8,502	12,854

Fair values of financial assets and liabilities

	2011		2010	
	Book value	**Fair value**	**Book value**	**Fair value**
	£ '000	**£ '000**	**£ '000**	**£ '000**
Primary financial instruments held or issued to finance the group's operations				
Current asset trade investments	240	245	255	259
Other financial assets	5,977	5,977	6,371	6,371
Short-term financial liabilities and current portion of long-term borrowings	(2,537)	(2,512)	(1,697)	(1,698)
Long-term borrowings	(66,232)	(68,003)	(57,033)	(59,047)
Derivative financial instruments held to manage the interest rate profile				
Interest rate swaps	-	180	-	-

The fair values have been calculated by discounting cash flows at prevailing interest rates.

Gains and losses on hedges

As explained in the Operating and Financial Review and Board report (page 7), the group uses interest rate swaps to manage its interest rate profile. Changes in the fair values of these instruments, used as hedges, are not recognised in the financial statements until the hedged position matures. An analysis of these unrecognised gains and losses is as follows:

	Gains	**Losses**	**Total net gains/losses**
	£'000	**£'000**	**£'000**
Unrecognised gains and losses on hedges at 31 March 2010	180	-	180
Of which:			
Gains and losses expected to be recognised in 2011-11	-	-	-
Gains and losses expected to be recognised in 2011-11 or later	180	-	180

Note: further disclosures relating to unrecognised gains and losses on hedges at the start of the reporting period, whether recognised in the year or carried forward, are required where such hedging transactions have occurred.

34 Prior year adjustment

The prior year adjustment reflects the introduction of component accounting in accordance with SORP update 2010 which confirms that housing properties always comprise of several components.

The group has determined that its properties include major components as set out in note 2 to these financial statements. The SORP 2010 requires these components to be accounted for separately to the land and structure of the building for depreciation purposes.

The effect of this change in accounting policy is to increase the group's surplus for the year ending 31 March 2010 by £433,000 and the association's surplus by £203,000. The cumulative effect on group reserves is £nil and on company reserves is £nil.

Impact of component accounting

Group	***Cumulative prior year adjustments to 31 March 2009 £'000***	***Prior year adjustment for 2009/10 £'000***	***Cumulative prior year adjustment to 31 March 2010 £'000***
Income and expenditure account			
Operating costs - depreciation charge	(462)	(67)	(529)
Operating costs - major improvement expenditure	2,088	500	2,588
Impact on operating surplus	1,626	433	2,059
Balance sheet			
Housing properties (valuation)			
At 31 March as previously stated	52,244		67,361
Additional capitalisation of components	2,088	500	2,588
Revaluation adjustment	(2,088)	(500)	(2,588)
At 31 March as restated	52,244		67,361
Housing properties (depreciation)			
At 31 March as previously stated	-		-
Additional depreciation	(462)	(67)	(529)
Revaluation adjustment	462	67	529
At 31 March as restated	-		-
Revenue reserves			
Revenue reserve at 31 March as previously stated	6,965		8,620
Impact on operating surplus	1,626	433	2,059
Revenue reserve at 31 March as restated	**8,591**		**10,679**
Revaluation reserve – housing properties			
Revaluation reserve at 31 March as previously stated	4,656		5,830
Valuation adjustment	(1,626)	(433)	(2,059)
Revaluation reserve – housing properties at 31 March as restated	**3,030**		**3,771**

Association	***Cumulative prior year adjustments to 31 March 2009***	***Prior year adjustment for 2009/10***	***Cumulative prior year adjustment to 31 March 2010***
	£'000	***£'000***	***£'000***
Income and expenditure account			
Operating costs - depreciation charge	(212)	(32)	(244)
Operating costs - major improvement expenditure	1,281	235	1,516
Impact on operating surplus	1,069	203	1,272
Balance sheet			
Housing properties (valuation)			
At 31 March as previously stated	42,141		56,076
Additional capitalisation of components	1,281	235	1,516
Valuation adjustment	(1,281)	(235)	(1,516)
At 31 March as restated	42,141		56,076
Housing properties (depreciation)			
At 31 March as previously stated	-		-
Additional depreciation	(212)	(32)	(244)
Valuation adjustment	212	32	244
At 31 March as restated	-		-
Revenue reserves			
Revenue reserve at 31 March as previously stated	6,899		7,007
Impact on operating surplus	1,069	203	1,272
Revenue reserve at 31 March as restated	**7,968**		**8,279**
Revaluation reserve – housing properties			
Revaluation reserve at 31 March as previously stated	3,300		4,420
Valuation adjustment	(1,069)	203	(1,272)
Revaluation reserve – housing properties at 31 March as restated	**2,231**		**3,148**