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Report of the Board and Financial Statements

Year ended 31 March 2011

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Board Members

The day-to-day activity of Circle is carried out by Executive Directors on behalf of the Board.

As at 31 March 2011 the Board of Circle Anglia Limited comprised:

Sir Robin Young	Group Chair and independent member
Mark Rogers	Group Chief Executive
Robert Burgin	Independent member
Martin Shaw OBE	Independent member
Jane Clarkson JP	Independent member
Murray Foster	South Anglia Housing Limited
Baroness Jones of Whitchurch	Circle 33 Housing Trust Limited
Simon Braid	Independent member - appointed 1 June 2010
Tania Brisby	Independent member - appointed 29 March 2011
Jane Gurney-Read	Circle Living Limited - appointed 1 January 2011
Brenda Reynolds	Roddons Housing Association – appointed 1 January 2011

The following served as Board members, but resigned during the year to 31 March 2011:

Alan Catterick	Mole Valley Housing Association - resigned 1 January 2011
Nicola Lucking	Wherry Housing Association - resigned 30 June 2010
Michael Webber	Russet Homes Limited - resigned 30 September 2010

Group Executive Officers

Mark Rogers	Group Chief Executive
Calum Mercer	Executive Director (Finance)
Andy Doylend	Executive Director (Operations)
David Williams	Executive Director (Strategy and New Business) – resigned 28 April 2011
Sarah Trota	Executive Director (People and Business Transformation)

Stock profile

A. Mercian Housing Association
Owns and manages 3,400 properties in the greater Birmingham area

B. Rockingham Forest
Working together with Rockingham Forest Housing Association to provide new homes in Northamptonshire

C. Roddons Housing Association
Managing nearly 3,800 properties including 14 sheltered schemes in Cambridgeshire

D. Wherry Housing Association
Owns and manages over 7,000 homes in Norfolk, Suffolk, Lincolnshire and Cambridgeshire

E. South Anglia Housing
Owns and manages over 7,000 homes across 26 local authorities in Hertfordshire, Bedfordshire and Essex

F. Circle 33, Merton Priory Homes and Old Ford
Circle 33 owns over 15,000 homes across London and in 48 local authority areas

Merton Priory Homes manages and owns over 9,000 properties in South West London

Old Ford Housing Association manages and owns over 5,000 properties in East London - Tower Hamlets and Havering

G. Mole Valley Housing Association
Manages 3,800 homes including 17 sheltered schemes in Surrey

H. Russet
Manages over 6,600 properties in Kent

1. Ealing
2. Harrow
3. Brent
4. Hammersmith
5. Barnet
6. Kensington & Chelsea
7. Westminster
8. Camden
9. City
10. Islington
11. Haringey
12. Enfield
13. Hackney
14. Tower Hamlets
15. Waltham Forest
16. Newham
17. Redbridge
18. Barking & Dagenham
19. Havering
20. Merton
21. Wandsworth
22. Lambeth
23. Southwark
24. Lewisham
25. Croydon



Introduction from the Chair

It's been a strong year for us with good customer satisfaction results and robust finances. Our new partners Merton Priory Homes and Mercian have been successfully integrated into the Group and we have forged ahead with major regeneration programmes making an incredible difference to the communities we work in. In the Spring we changed our name to Circle, to reflect our national reach and high number of homes in London.

Following our six years of fast expansion it has been really important to us to set our strategy and focus for the future. This will ensure that we are offering the best service to our customers, offering the best value for money, and are set up in the best way to do this.

We are now more than twice the size we were when we came into being in 2005 thanks to mergers, stock transfers and organic growth. In new areas of growth we continue to prosper too – our telecare provider, Invicta, now has nearly 100,000 customers.

Reinforcing our dedication to reaching as many people as we can, enhancing Life Chances has been embedded as our mission. This mission is clear and will remain. Whatever the economic and political circumstances, we will provide our customers with the best homes, services and care and support while building sustainable and cohesive communities. Together with my Board, I am committed to supporting our management team to deliver to those most in need of our services.

Sir Robin Young
Chairman



"Enhancing Life Chances has been truly embedded as our mission"

Introduction from the CEO

This has been an unprecedented year of change for housing. From the way new affordable homes will be delivered, to the announcement of reforms to welfare benefit and a further change of regulatory approach.

We are living in times of complex economic and external environments. It is imperative that we become even more rigorous in our approach and squeeze every penny to deliver the best possible service to more customers. We have brought down our operating cost by £4m in the last year alone, and have clear plans in place to improve on this. While the growth figure may seem impressive, now is the time to make our size work for us. This year we have got our business transformation programme underway. We have a new procurement team in place, to ensure that we have the best deal in place for every partner. Alongside this we are reviewing our whole repairs and maintenance strategy and as

well as saving more than £100million over ten years believe that our new approach will make us the best in the sector for customer loyalty. Circle is determined to be nimble and ready to adapt so that we can help more people reach their potential.

It's been important for me to be involved in government and sector discussions about the new direction in policy. At the core of our conversations has been the desire to make sure that we have the freedom and flexibility to put our customers first and to maintain our financial stability.

Without doubt one of our biggest achievements last year was a financial one. We raised £124 million through a Bond Tap in November, and were the first housing group to go to investors following the Comprehensive Spending Review. Our treasury team was awarded a special commendation at the Association of Corporate Treasurers deal of the year for their fantastic work on this.

"We've been making sure that our customers are at the heart of every decision we make"



The Bond Tap means we can invest in regenerating our communities, enhancing the value so we can enhance the lives of current and future residents.

It also shows that we have a good reputation for being a financially strong organisation that remains focussed on its social purpose. This is really important because we can only continue to help people if we have the money to back our plans up.

The demand for social housing and support services remains high and will continue to grow. Our regeneration plans will not only enhance the lives of our residents, but the wider community and increase value so that we can invest more back in. I thank all of our partners for your support in our vision, and look forward to working with you in the years ahead.

Mark Rogers
Group CEO

Operating and financial review

Principal Activities

Circle Anglia Limited

Circle Anglia Limited is a Registered Provider (RP) of social housing, which trades as Circle Housing Group. Its principal activities are to enhance the Life Chances of our customers, mainly through the ownership, management and development of social and other housing, as well as the provision of care and support and other services.

About our housing stock

Circle provides a wide range of affordable housing choices – including general needs, supported and sheltered – together with care and support packages that enable more vulnerable residents to maintain their tenancies and lead more independent lives. We have created a commercial approach to development to help fund an increased affordable housing programme, with income from a combination of grant, use of our own resources and profits from property disposals. This includes developing properties for private sale, shared ownership and market rent, providing leasehold management services and including commercial premises as part of some mixed tenure schemes.

We provide homes in over 90 local authority areas, but with 70% of the properties within 13 local authority areas.

The partners who are part of the Group are as follows:

Circle 33 Housing Trust

provides homes in North and East London. The main Local Authorities are Islington, Waltham Forest, Haringey, Hackney and Camden.

Old Ford Housing Association

the transfer in 2008 from Tower Hamlets Council of the Parkside Estate and the Mardyke Estate (now renamed Orchard Village) from Havering Council.

South Anglia Housing Association

provides homes in Hertfordshire, Bedfordshire and Essex and was originally formed from the stock transfer of East Hertfordshire Council.

Wherry Housing Association

was formed from the transfer of housing from Broadland District Council and now provides homes in Norfolk, Suffolk, Cambridgeshire, Lincolnshire and Northamptonshire.

Roddons Housing Association

provides homes in Fenland in Cambridgeshire and was a stock transfer in 2008.

Mole Valley Housing Association

is a stock transfer organisation providing homes in Mole Valley in Surrey. It became a partner in the Group in 2008.

Russet Homes

also joined the Group in 2008 and provides homes in Tonbridge and Malling in Kent.

Mercian Housing Association

joined the group on 1 October 2009 providing homes in the West Midlands. Key Local Authorities include Birmingham, Walsall, Coventry and Nuneaton and Bedworth.

Merton Priory Homes

was formed from a stock transfer from Merton Council on 22 March 2010 when it joined the Group. It provides homes in Wimbledon, Mitcham and Morden in South West London.

Circle Living

is the Group's commercial service partner, providing property management services for the Groups' homeownership and intermediate homes.

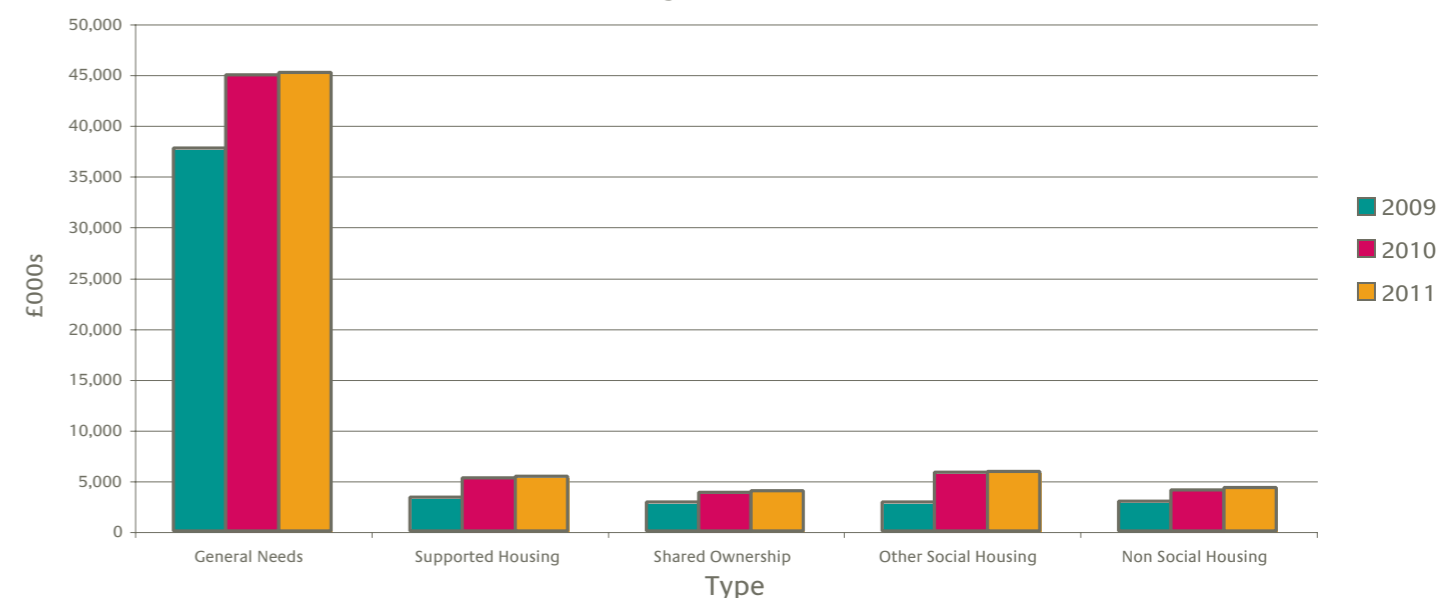
Invicta Telecare

is the largest independent provider of Telecare services in the UK, delivering a real lifeline and peace of mind to over 95,000 people, helping them to remain living independently in their own homes.

Circle Support

supports a wide range of needs in our Sheltered and Supported housing services, Tenancy Sustainment services, Family Mediation and in our Alone in London service which helps young people under the age of 26 to solve housing problems and learn to live independent lives.

Housing Stock Owned



Circle's management stock profile at 31 March 2011 is disclosed below:

	2011	2010	2009
Social housing rented	50,540	50,218	41,022
Shared ownership	3,947	3,829	2,830
Keyworker	289	245	250
Leaseholder	5,499	5,441	2,565
Staff accommodation	65	66	34
Non-social rented	2,672	2,312	1,116
Other non-social	84	163	248
Garages	1,532	1,541	1,541
Total stock owned	64,628	63,815	49,606
Accommodation managed on behalf of others	291	552	199
Less stock owned but not managed	(3,541)	(4,555)	(4,687)
Total stock managed	61,378	59,812	45,118

Properties owned by Leamington Waterfront LLP are shown as properties under construction and Your Lifespace Limited is shown as completed properties in stock and work in progress (Note 13).

Mission and values

Our mission is to 'Enhance Life Chances'

The Group Life Chances plan (business plan) demonstrates Circle's passion for enhancing our customers' lives through the development of a more focused set of local area management strategies and through enhancing financial strength by improving the value of our assets.

We will link growth and development decisions to a long term view of asset values as well as the impact of stock concentration on our ability to influence local policies. We will achieve this by following a set of behaviours for the Executive Team, leadership group, managers and staff. These drive the culture of the organisation, support the delivery of our business objectives and are based on the values of:

People... are the heart of everything we do

Partnership... our way of working together

Brand... a sense of belonging

Belief... in our organisation, ourselves and our ability to grow

Business Transformation and Life Chances

Introduction

This new approach to business planning – geared around our mission – has helped to ensure that our individual partner plans support our strategic development and embed our mission throughout the organisation. This approach will enable us to get the basics right in a wider community role in our key driver areas.

Following analysis of some focused research, inputs from intensive Executive Board discussions as well as Strategy Board together with views sought from across the Group, we have developed our vision for the organisation for the next ten years.

We will extend our reach through scale to enhance the Life Chances of more customers. Customers at the heart of everything we do.

The vision is underpinned by vision principles, which have informed the four strategic goals through which we will deliver our mission. The four goals are;

- **Number one in the sector for customer loyalty;**
- **Best in the sector at creating value through assets;**
- **Accelerate our scale to reach more customers;**
- **Brilliant place, fantastic people who care.**

To meet these goals we need to make sure we have the right systems, culture and structures. We have established

a Business Transformation team from within the Group to work across the whole organisation. The Business Transformation team members, led by Sarah Trota, are aligned with the strategic goals and are focused on engaging with staff and customers to understand how we define and deliver the vision in the optimum way.

The Life Chances Plan will continue to capture all of the work for the year ahead, incorporating new thinking around customer loyalty and our refreshed 2011/12 priorities. The structure of the plan will remain the same in that three year objectives will continue to support the strategic goals and annual commitments at both Group and local level will provide more detail about how the objectives will be fulfilled.

Operating review

During the year we have been integrating the two new partners who joined the Group last financial year. Mercian Housing Association Limited, an existing Registered Provider formed in 1964, joined the Group on 1 October 2009 and Merton Priory Homes, a new stock transfer from Merton Council, was created and joined the Group on 22 March 2010.

Performance measures

The Board and Executive Team use a number of key performance measures to monitor achievement of the Group's objectives. These include the areas of financial management, housing management, development



and sales and asset management. These measures are reviewed to ensure that the business remains in line with Tenant Services Authority requirements and is prepared for the co-regulation agenda.

Financial management measures include comparisons of surpluses as a percentage of turnover across the various business teams, as well as monthly management accounts which compare actual results to budgets and revised forecasts. Interest cover and gearing are also monitored by the Corporate Finance team for compliance with covenants and to assess the Group's cashflow.

Housing management measures focus on arrears, voids management

and, in particular, tenant satisfaction and day to day repairs. This includes the average costs of carrying out repairs, response times for each repairs category and completion times against target.

Development and sales performance are measured against targets for the number of units in development, completed and also on rent take up. As the Group has some dependency on sale of properties, whether through low cost home ownership or outright sales, the number of units sold is monitored against budget on a monthly basis. Asset management focuses on measures set to monitor the performance on planned repairs, including the costs of carrying out

repairs and completion times against target.

The standards of our homes are also monitored annually to ensure that the Group is in line with the Decent Homes Standard targets.

The Board receives regular reports which indicate the Group's performance against targets which simply and effectively highlights the current performance, giving each area a 'green', 'amber' or 'red' assessment. Those areas assessed as 'red' are monitored more closely and are subject to a detailed review by the Board each quarter.

Operating and financial review (continued)

Value for Money

Our aim is to deliver excellence in all of our services to drive up customer satisfaction with an eye on continuous improvement through targeting, monitoring and feedback. This will ensure that we can prioritise and make best use of our resources at all times and re-invest savings from each service area to deliver more or

better and thereby enhance the Life Chances of our residents. We are committed to achieving good value for money and central to this is that there should be no diminution of quality of our service delivery.

To further embed the culture of value for money throughout the group we have introduced VfM reviews in each business and are implementing

registers to capture the achievements. In order for us to more successfully deliver value for money, we will have a robust methodology for reviewing reliable and timely data for each defined service area. We will be able to undertake frequent internal benchmarking exercises amongst our nine RPs, which will be used to inform action plans for improvement.

The following table shows the operating performance of the nine partner RPs that make up the direct housing management operations of Circle.

	2010/11	2009/10
Rent collected as % of rent due	100.3%	99.8%
Current tenants arrears as % of rent roll	3.3%	3.3%
Average weekly gross rent	£73 - £101	£72 - £100
Average re-let turnaround times (days)	15.6 - 36.9	17.3 - 39.7
Dwellings vacant and available for let	0.3%	0.6%
Dwellings vacant but unavailable for rent	0.5%	0.7%
Emergency repairs completed in target	98.2%	97.7%
Urgent repairs completed in target	98.0%	96.6%
Routine repairs completed in target	96.4%	93.2%
Average SAP rating	63 - 78	61 - 80
% of homes failing Decent Homes Standard	3.9%	8.3%
% of tenants satisfied with overall service	81.5%	82.0%

Note: The ranges in the table reflect the results of the individual RPs

As shown in the table, the majority of KPIs have improved from last year as steady progress has been maintained across the Group.

Operating costs per unit owned have decreased from £3,028 in 2009/10 to £2,956 in 2010/11 which equates to a cost saving of £4.6 million. Over the same time period, the operating margin of the RPs (excluding Merton Priory Homes) has improved from 32% to 35%.

Investment in housing stock

The Group had previously identified and planned the work required to ensure that all tenanted properties meet the Government's Decent Homes Standard by December 2010 and this target was achieved. The exceptions to this are the more recent stock transfers where extended deadlines have been agreed. Plans are in place in Mole Valley, Parkside (part of Old Ford) and Merton Priory Homes to fulfil this.

Circle brought forward the timing of stock surveys to ensure up to date information was held on the Group's properties. This helps the planning of reactive and planned maintenance works and ensures that there is sufficient provision within financial plans to deliver the required improvements. A programme of refreshing this data is being instigated to ensure that the Group continues to understand the requirements for its properties.



Corporate Social Responsibility

Our approach to corporate social responsibility plays an important part in the way the Group conducts its business. We aim to conduct ourselves in a professional, fair, ethical, legal and sustainable manner in our relationships with all stakeholders, including employees, customers, suppliers, business partners, the community and other stakeholders in the housing sector. We encourage our suppliers to implement a similar approach.

Our charitable foundation, Circle Anglia Foundation Limited, reflects our commitment to making an impact in communities in which we operate at a grass roots level. All profits from the commercial parts of the business are invested into the Foundation.

The Group has adopted a sustainability action plan which outlines what Circle is doing to provide sustainable, desirable and affordable homes. It also shows how we are addressing the issues of increasing energy prices and rising environmental standards.

Building new homes

Circle is a preferred development partner of the Homes and Communities Agency (HCA). The Group outperformed its 2010/11 targets creating 954 new homes in the year, including 211 for other housing associations. There were 2,911 properties in development at the year end.

The Group is in discussions with the HCA in respect of the Affordable Rent proposals, which will result in additional development opportunities being funded through rental income generated from Affordable Rents charged at up to 80% of market rent levels. Detailed plans have been drawn up and the impact on the long-term financial plan and on affordability for potential customers have been presented and agreed by the Board. Further work on the implementation of the Affordable Rent tenure is underway with the first lettings expected to be taking place after September 2011.

The development of new properties for social use is supported by grants and the sale of properties developed for outright sale and low cost shared ownership. The difficulties in the housing and mortgage markets and the potential impact on the development programme have been considered as part of the normal financial planning process. This includes stress testing the financial plans to ensure that they can cope with significantly lower volumes of sale as well as house prices falls. This results in adjustments to the development programme such as changing the timing of developments and the mix of tenures (for example intermediate or market rent) which have reduced expected sales proceeds.

Main influences and risks

The key influences on the Group's operating and financial performance are as follows:

- Meeting customer service aspirations, which include measuring and improving performance against Audit Commission Key Lines of Enquiry and involving our residents.
- The requirement to provide value for money, including general needs rents which comply with the Tenant Services Authority (TSA) rent restructuring agenda, demonstrating continuous improvement in output per unit cost across the Group.
- The impact of economic uncertainty and housing market difficulties on the availability and terms of funding for RPs and for those seeking mortgages and the potential impact on the financial plans of the Group that lending restrictions would result in.
- The provision of an effective maintenance service to all of the RPs including meeting the defined Decent Homes Standards by the agreed deadlines.
- The impact of cuts at Local Authority level on our support and care services and our community programmes that help us in our mission of Enhancing Life Chances.

The Group reviews its risks on a regular basis and has in place a risk management strategy which provides a guide for Board members and managers on the Group's approach

to risk management, and a Group Risk Map is maintained. Through the process of regular review those risks which present the greatest threats to the Group are identified and reported to the Group Audit Committee.

Risk management supports the achievement of business objectives by:

- Enhancing the quality of decision-making, planning and prioritisation.
- Contributing to effective allocation of resources.
- Protecting and enhancing the Group's assets and its reputation.
- Providing a Business Assurance framework to demonstrate the effective management of risk and operation of controls.

Other risks that are most likely to influence future performance are:

- Economic factors that could influence the viability of the Group e.g. higher interest and borrowing costs, VAT increases, falling sales values.
- The full impact of the Comprehensive Spending Review and subsequent changes to rent regimes are still uncertain. The full impact of welfare benefit reforms will also need to be monitored and managed as our tenants face ongoing financial pressures.
- A significant part of the Group's development programme is in relation to low cost shared ownership homes. A further downturn in the market may impact on the demand for these properties and on the price that can be achieved.

- Expertise and accurate research is required to ensure that schemes developed are viable and meet the needs of the community within which they are located.
- The ability to drive the intended savings and increase in customer satisfaction through planned changes to our procurement and repairs & maintenance delivery mechanisms.



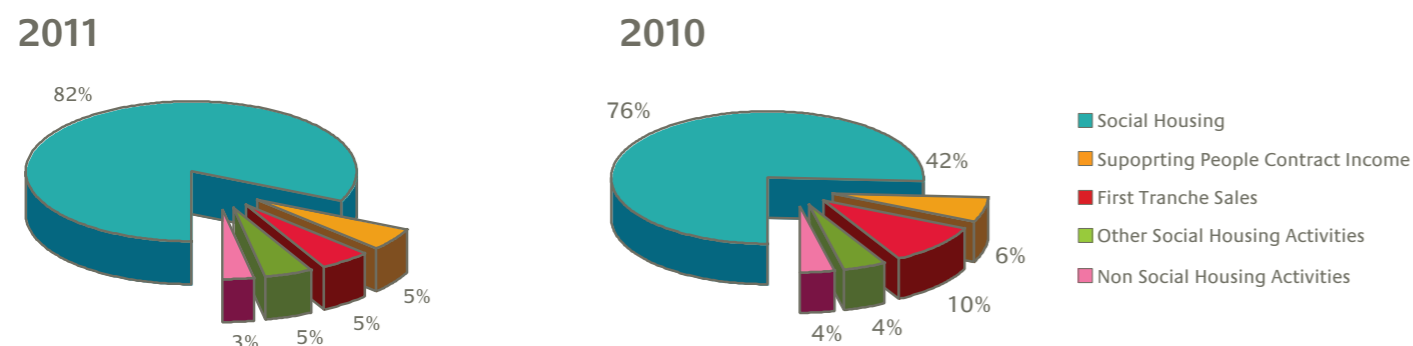
Financial review

Group financial highlights

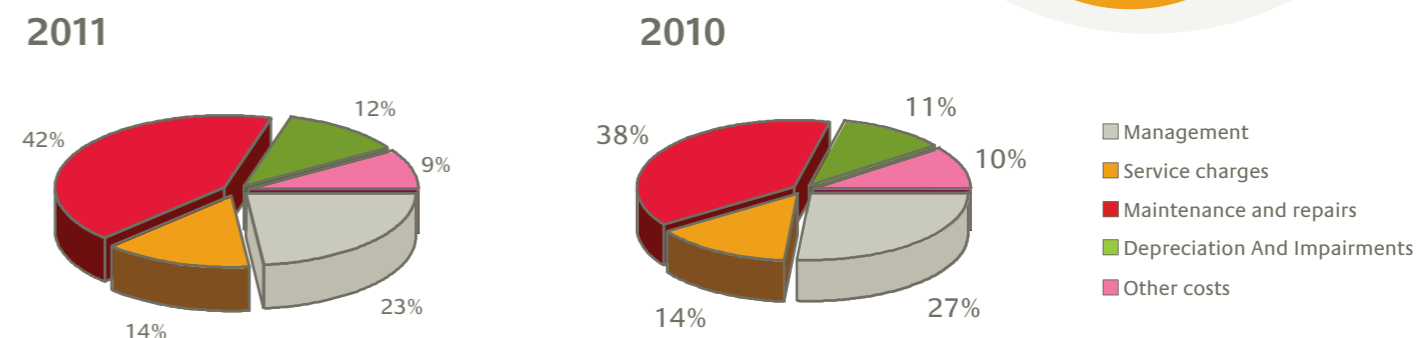
Group income and expenditure

	2011 £m	2010 £m
Turnover	322.8	290.8
Less: share of joint ventures turnover	-	(4.3)
Group turnover	322.8	286.5
Cost of sales	(22.5)	(52.8)
Operating costs (after exceptional pension credits)	(210.8)	(166.0)
Operating surplus	89.5	67.7
Share of operating deficit of joint ventures	(0.2)	(0.4)
Surplus on sale of assets	4.9	6.0
Impairment of JVs	8.9	(8.9)
Impairment of goodwill	(4.5)	-
Movement in specific work in progress provision	0.2	-
Negative goodwill	-	18.3
Net interest charge	(70.5)	(69.8)
Taxation	(0.2)	(0.5)
Surplus after taxation for the year	28.1	12.4
Minority interests	-	-
Surplus for the year after minority interests	28.1	12.4

Where does our income come from?



Social Housing Costs



Group balance sheet

	2011 £m	2010 £m
Housing properties at cost	1,937.2	1,851.8
Other tangible fixed assets	74.4	63.7
Goodwill	9.6	0.2
Investments	4.6	1.2
Share of joint venture assets less liabilities	-	-
Net current assets/(liabilities)	1.7	(10.6)
Debtors – due after one year	259.8	316.5
Creditors – due after one year	(1,910.7)	(1,858.9)
Other long term liabilities	(13.2)	(36.3)
Provisions	-	(3.3)
Minority interests	(1.2)	(1.2)
Reserves	(362.2)	(323.1)

Group turnover excluding joint ventures has increased by 12.7% (2010:12.7%) Cost of sales and operating costs have increased by 10.7% (2010: 0.6%) primarily as a result of increased maintenance costs.

The accounts for 2010/11 include full year results for Merton Priory Homes and Mercian Housing Association whereas the prior year includes only 9 days for Merton Priory Homes and six months for Mercian.

Social housing turnover has grown by 22.0% (2010: 11.8%) to £264.8 million (2010: £217.1 million).

The operating surplus from social housing activities before depreciation and impairment has increased by 28.3% (2010: 115.7%).

Income of £16.5 million (2010: £28.5 million) and operating costs of £15.7 million (2010: £27.6 million) in respect of first tranche sales are included in the results for the year.

Supporting People contract income has declined to £16.7 million (2010: £18.0 million), which delivered a small surplus of £0.6 million (2010: £0.9 million). The small surplus remains a particularly good performance

considering the continual pressure to deliver significant cuts faced by contracting authorities.

Like many other social housing providers, Circle develops properties for outright sale and shared ownership. The profits on this activity are used to cross subsidise our social housing development programme. A surplus of £4.9 million (2010: £6.0 million) is included in the results for the year.

The Group has a surplus of £28.1 million (2010: £12.4 million).

Financial review (continued)

Underlying surplus before exceptional items was £31.3 million (2010: £8.8 million). This represents 9.7% (2010: 2.9%) of turnover. The adjustments can be seen in the table below.

	2011 £m	2010 £m
Surplus for the year after minority interest	28.1	12.4
Adjustments for exceptional items:		
Negative goodwill	-	(18.3)
Impairments	10.7	(1.4)
Impairment of investment in joint venture	(8.9)	8.9
Impairment of goodwill	4.5	-
Movement in specific work in progress provision	(0.2)	-
Sales and leasebacks	-	0.6
Top up pension contributions re new partner	-	1.9
Adjustment of pension valuation basis	(8.8)	-
Loan breakage costs	5.9	4.7
Underlying surplus for the year before exceptional items	31.3	8.8

Impairments

An impairment review was carried out at 31 March 2011 for the housing properties and impairments of £10.7 million have been recognised in the accounts. The majority of this charge (£8.7 million) relates to properties at Thetford which were leased to the United States Air Force Europe, but the lease has not been renewed. The impairment represents the difference between the historic cost of the site and the lowest of the professional valuations received. (2010: a credit of £1.5 million was recognised as a result of changes to the mix of tenure in certain schemes and improved sales values, previous years impairments of £2.9 million were reversed).

Leamington Waterfront LLP

During the year agreement was reached with RBS to refinance Leamington Waterfront. The arrangement resulted in the Joint Venture partner (Gladedale) making a further £2 million contribution to and the waiver of their interest in the development. Gladedale sold its 50% share to Your Livespace (49.9%) and Circle Anglia Limited (0.1%) for £1. Leamington then became a wholly owned subsidiary of the Group. As a result of this the £8.9 million impairment of the Joint Venture has been reversed.

The entity is now in a position to continue with the development and will complete the planned 251 units. A fair value assessment of the development WIP was carried out

which determined that the carrying value of £24.2 million was estimated to be worth £10.2 million. The fair value adjustments result in a net liability of £14.1 million so goodwill of £14.1 million arose. The goodwill arising on acquisition has been reviewed for impairment and a prudent view was taken of the future trading results of the development. As a result of the review, an impairment of £4.5 million has been recognised in the Income and Expenditure Account.

Pensions

The Government's change in the inflationary measure for pensions from RPI to CPI has, in most cases, resulted in the requirement to recognise the reduction in pension liability in the Income and Expenditure Account. This amounts to £8.8 million, covering nine pension schemes.

Loan Breakage Costs

Interest costs include £5.9 million (2010: £4.7 million) of loan breakage costs. A £20 million loan with HACO (tying up £120 million of security) was bought back and cancelled in the year with a resulting £8.1 million of loan breakage costs being incurred; this was partially offset by the write back of a provision made last year to cancel a UK Rents loan held by Mercian. The decision was taken not to break this loan as it was deemed not to be cost effective.

Housing properties

As at 31 March 2011, the Group owned 64,628 housing properties (2010: 63,815).

The Board appointed professional valuers to value the Group's housing properties as at 31 March 2011. Our investment in housing properties this year was funded by a mixture of social housing grant, loan finance and working capital. The valuation, on the basis of existing use as social housing, of properties owned by us was £2,441.6 million. (2010: £2,174.1 million).

At the end of March 2011 capital commitments for new developments amounted to £92.1 million (2010: £162.7 million), which will be funded by a combination of grant from public bodies and private finance loans.

The total development and capital improvement activity during the year spent £101.6 million net of grants (2010: £198.9 million) to meet growth and quality home improvement targets; these major investments continue to strengthen the financial performance of the Group.

Accounting policies

The Group's principal accounting policies are set out on pages 29 to 34 of the financial statements. The policies that are most critical to the financial results relate to accounting for housing properties and include: accounting for major capital project repairs and maintenance costs, capitalisation of interest and development administration costs, deduction of capital grant from the cost of assets, housing property depreciation, and treatment of shared ownership properties first tranche sales.

Capital structure & treasury management

The Group Treasury Policy sets out the controls and parameters for treasury activities across the Group and is approved annually by the Management Board. In compiling these policies, good practice from the CIPFA Code of Practice for Treasury Management in Public Services as well as Treasury Management Policy Statements and Good Practice Notes issued by the Tenant Services Authority has been recognised.

The objective is to ensure that the Group has sufficient funding in place to finance operations and investments for a minimum of three years.

The Group's borrowing requirements are based on a prudent approach to business planning which includes sensitivity testing to ensure that they can cope with major changes in circumstances without breaching investor covenants. This includes

testing different scenarios of property sales prices, volumes of sales and differing levels of inflation and interest rates.

Loan Structure

The Group operates centralised funding arrangements through a treasury vehicle (Circle Anglia Treasury Limited) and a public debt issuance company (Circle Anglia Social Housing Plc). Debt issued by Circle Anglia Social Housing Plc is passed to Circle Anglia Treasury Limited as loans, which in turn provides funding when required to Circle 33 Housing Association, Old Ford Housing Association, Wherry Housing Association, South Anglia Housing Association, Roddons Housing Association, Mole Valley Housing Association, Mercian Housing Association, Merton Priory Homes and Russet Homes – or the 'Guarantor Group'.

This flexible structure allows for greater depth in the funding market for the Group and allows each of the Guarantors to leverage on the strength of the Group to provide investment in areas that will provide sustainable social benefits and Enhance Life Chances.

Mercian Housing Association, Merton Priory Homes, and Russet Homes acceded to the Guarantor Group in the course of the year. Mercian Housing Association retained some of its pre-existing external loan facilities totalling £28.7 million (drawn: £28.7 million).

During the year, the Group refinanced a total of £261 million (2010: £88

million), taking its total loan facilities to £2,075.1 million (2010: £1,985.3 million), all of which were fully secured (2010: £1,838.9 million).

Maturity dates of loan facilities are staged to ensure that large proportions of debt do not mature in the same year, and therefore the Group should not be subject to any significant degree of financing risk.

The weighted average maturity of debt across the group is 27 years. The weighted average cost of debt at the end of the year was 4.6%.

Interest rate risk management

The Group's current strategy is to mitigate the risk of breaching covenants due to movements in interest and inflation rates, whilst ensuring the maximum enterprise value generated for the organisation. Circle Housing Group uses a combination of embedded and free-standing instruments to hedge against adverse movements in interest rates and inflation. As at 31 March 2011, 91% of the Group's debt had been hedged for the next six months, and an average of 72% over the next five years.

Loan facilities

As at 31 March 2011, the Group had committed long-term loan facilities of £2,075.1 million (2010: £1,985.3 million) of which £467.2 million was un-drawn (2010: £437.9 million). £395 million of the total facilities are revolving loan facilities (2010: £415 million) that convert to long term facilities on maturity. Of these, £180.1 million are currently utilised (2010: £210.1 million).

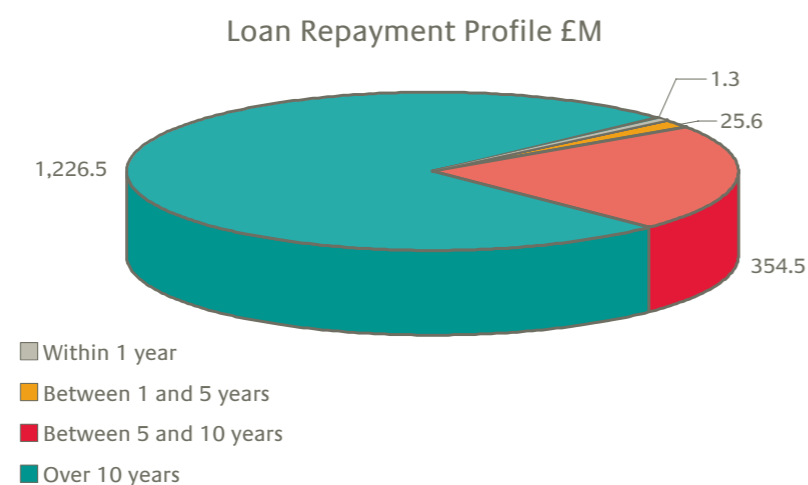
Compliance with loan covenants

Loan covenants are primarily interest cover and gearing ratio and are monitored monthly, and reported annually to finance providers. For the year to 31 March 2011, the interest cover and gearing ratio were in compliance with the loan covenants. Interest cover (including impairments and property sales) in the Guarantor Group was 176.9% (2010: 119.0%) and gearing was 49.8% (2010: 51.0%).

Mercian Housing Association has separate loan covenants relating to its external debt and was also in compliance with these for the year to 31 March 2011.

The following table shows the Group's Loan Repayment Profile:

	2011 £m
Within one year	1.3
Between one and five years	25.6
Between five and ten years	354.5
Over ten years	1,226.5
Total	1,607.9



Credit Rating

The Group subscribes to Moody's Investor Service for its official credit rating. As at 31 March 2011, the Group's assigned long-term credit rating was:

Rating Agency	Rating	Outlook	Category
Moody's	Aa3	Stable	Investment Grade

As a long-term business, the Group attaches significant importance to maintaining an investment grade credit rating, in order to sustain effective operations.

The Group's objective is to consistently maintain a 'Aa' investment grade rating.

Cash flows

The consolidated cash flows show that the Group generated cash of £81.1 million (2010: £94.4 million) from operations (excluding property sales, gift aid and interest) and return on investments. The loan service costs of £83.9 million net (2010: £59.8 million) and £183.4 million (2010: £268.0 million) of expenditure on new development schemes and capital works to existing stock were funded by a social housing grant of £50.2 million (2010: £167.6 million), proceeds from property sales of £25.4 million (2010: £35.8 million), reductions in cash holdings and net drawdown of loans.

Investments

The Group invests in a diverse range of activities and uses the returns from these to increase the amount that can be reinvested in social housing and the communities the Group operates in. The importance of these returns and the need to generate them increases with the cuts in public spending, uncertainty in the UK property market and greater need in the communities we operate in.

The Group has invested in Landericus, a fund created with two partners to invest in residential property in Germany. The total amount invested in Landericus at the end of the year was £16.7 million (2010: £16.7 million). Landericus owns 919 properties (2010: 747) with a value of £47.4 million (2010: £34.8 million), in North Rhine Westphalia, Berlin, Bremen, Halle and Frankfurt, Landericus made a surplus for the year of £0.7 million (2010: £0.4 million).

Going concern

After making enquiries, the Board has reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Group's financial statements. The Group maintained its top rating for viability from the Tenant Services Authority and its Aa3 rating from Moodys, a credit rating agency.

Statement of compliance

In presenting the Operating and Financial Review on pages 5 to 11, the Board has endeavoured to follow the principles regarding the purpose, audience, timeframe, reliability, comparability, financial and non-financial measures as set out in SORP 2010 exposure draft.

Board Statement on the effectiveness of the System of Internal Control



The Group Management Board acknowledges its ultimate responsibility for ensuring that the Group and its Partners has in place a system of controls that is appropriate to the various business environments in which it operates and for the review of the effectiveness of that system during the year. These internal controls are designed to identify and manage rather than eliminate risks which may prevent the Group from achieving its objectives.

The system is designed to give reasonable rather than absolute assurance with respect to:

- the reliability of information used within the organisation or for publication;
- the maintenance of proper accounting and management records; and
- the safeguarding of assets against unauthorised use or disposition.

The process followed to identify, evaluate and manage significant risks faced by the Group is ongoing, has been in place during the past financial year and is reported regularly to the Group Management Board. The risk management and control processes are not a separate annual exercise but are a continuous function and embedded across the Group by documenting and collating evidence to support good practice and compliance.

Internal assurance activities

Control and risk self-assessments (CRSA) are undertaken by management. Staff and line managers review their own risks with assistance from the risk management team and by building their own control assessment. This is designed to promote accountability by all staff and not to rely upon functions such as risk management to monitor potential risks. The system is supportive and designed to instil a greater understanding of risk and assurance to all employees.

Internal audits

Circle Housing Group's internal auditors are used to ensure a robust risk management approach is applied across the Group in order to reduce the risks to an acceptable level for the Board. It is important to stress that internal audit are not responsible for the design and construction of control systems but undertake an objective role in order to review them appropriately at a later date. The in house internal auditor undertakes this responsibility on behalf of Circle Housing Group and is supported by Grant Thornton, an external resource. This ensures an objective review, audit and follow up process. Value has been added to the internal audit function due to continued support and presence of the in house internal auditor. Audit activities have clear terms of reference which

are regularly reviewed and updated with relevant business and regulatory requirements.

External audit assurance

The Group's objectives and strategies as well as the related business risks are made clear to external auditors so they can gain an understanding of the overall structure and governance of the Group.

Risk management and governance

The Tenant Services Authority (TSA) has confirmed that Circle has retained the top financial viability ratings. A key factor for the TSA was the way the Group dealt with risk and governance, which it had described as exemplary. They also noted that Circle was the only Group with a Director of Performance Management. Risk management activities are used to highlight and mitigate undesirable events from occurring such as fraudulent activity. The Group maintains a zero tolerance policy on fraud. Clear lines of responsibility are established throughout the Group for coordinating risk management activities and reporting on key risks identified and considered by the board. Risk is managed at strategic, operational and project levels.

Conclusion

The Board acknowledges that its responsibility applies to the complete range of risks and controls within the Group's activities and to ensuring that necessary remedial action is put into operation.

On behalf of the Group Management Board, the Group Audit and Risk Committee has reviewed the annual reports of the Group Chief Executive and those of the Internal Audit and Risk Management functions.

The Committee has considered the effectiveness of the system of internal control in existence in the Group for the year ended 31st March 2011. In conclusion, the system of controls in place during the financial year was appropriate for an organisation of Circle Housing Group's size and complexity and that as a result of the information received over the year the Board could conclude that there was an effective system of internal control in existence throughout Circle Housing Group. No weaknesses were found in internal controls which resulted in material losses, contingencies, or uncertainties which require disclosure.



Statement of Board's responsibilities in respect of the Board's report and the financial statements

The Board is responsible for preparing the Board's Report and the financial statements in accordance with applicable law and regulations.

Industrial and Provident Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the Association and of the surplus or deficit for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The Board is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that its financial statements comply with the Industrial & Provident Societies Acts 1965 to 2003, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditors

The Board members who held office at the date of approval of this Board's report confirm that, so far as they are each aware, there is no relevant audit information of which the Association's auditors are unaware; and each Board member has taken all the steps that they ought to have taken as a Board member to make themselves aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

Auditors

A resolution is to be proposed at the Annual General Meeting for the re-appointment of KPMG LLP as auditors of the company.

By order of the Board

A. J. Firman.
A Firman

Independent auditor's report to the members of Circle Anglia Limited

We have audited the financial statements of Circle Anglia Limited for the year ended 31 March 2011 which comprise the Group and Association Income and Expenditure Account, the Group Statement of Total Recognised Surpluses and Deficits, the Group and Association Balance Sheet, the Group Cash flow and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the association's members, as a body, in accordance with section 128 of the Housing and Regeneration Act 2008 and section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditor

As more fully explained in the Statement of Board's Responsibilities set out on page 22, the association's

Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the Group and Association as at 31 March 2011 and of the Group and Associations surplus for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2003 and the Industrial and Provident Societies (Group Accounts) Regulations 1969, 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 2003 and the Industrial and Provident Societies (Group Accounts) Regulations 1969 require us to report to you 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.



Chris Wilson
(Senior Statutory Auditor)

**for and on behalf of KPMG LLP,
Statutory Auditor**
Chartered Accountants
1 Forest Gate, Brighton Road,
Crawley, West Sussex, RH11 9PT

Group income and expenditure account for the year ended 31 March 2011

	Note	£m	Group 2011 £m	Group 2010 £m
Turnover: continuing activities	3			
Group and share of joint ventures			322.8	290.8
Less share of joint ventures turnover			-	(4.3)
Group turnover			322.8	286.5
Cost of sales	3		(22.5)	(52.8)
Operating costs before exceptional items		(219.6)		
Exceptional pension credit		8.8		
Operating Costs	3		(210.8)	(166.0)
Operating surplus: continuing activities	3		89.5	67.7
Share of operating deficit of joint ventures			(0.2)	(0.4)
Surplus on sale of fixed assets – housing properties	6		4.9	6.0
Impairment of JVs			8.9	(8.9)
Impairment of goodwill	27		(4.5)	-
Movement in specific work in progress provision			0.2	-
Negative goodwill			-	18.3
Interest receivable and other income	7		1.8	4.2
Interest payable and similar charges	8		(72.3)	(74.0)
Surplus on ordinary activities before taxation			28.3	12.9
Tax charge on surplus on operating activities	10		(0.2)	(0.5)
Surplus for the financial year after taxation			28.1	12.4
Minority interests			-	-
Surplus for the financial year after minority interests			28.1	12.4

Statement of total Group recognised surpluses and deficits for the year ended 31 March 2011

	Note	2011 £m	Group 2010 £m
Reported surplus for the financial year		28.1	12.4
Actuarial gain/(loss) recognised in the pension scheme net of deferred tax and exceptional pension credit	30	13.2	(23.0)
Total recognised surpluses/(deficit) for the year		41.3	(10.6)
Prior year adjustment re reversal of revaluation reserve		-	(365.9)
Total recognised surplus/(deficit) for the year		41.3	(376.5)

Association income and expenditure account for the year ended 31 March 2011

	Note	£m	Association	
			2011 £m	2010 £m
Turnover: continuing activities	3		42.4	39.5
Operating costs before exceptional items		(45.1)		
Exceptional pension credit		3.8		
Operating costs	3		(41.3)	(38.0)
Operating surplus: continuing activities	3		1.1	1.5
Interest receivable and other income	7		0.2	0.4
Interest payable and similar charges	8		(1.3)	(1.4)
Surplus on ordinary activities before taxation			-	0.5
Tax charge on surplus on operating activities	10		-	(0.5)
Surplus for the financial year after taxation			-	-

Statement of total Association recognised surpluses and deficits for the year ended 31 March 2011

	Note	Association	
		2011 £m	2010 £m
Surplus for the financial year		-	-
Actuarial gain / (loss) recognised in the pension scheme net of deferred tax	30	2.2	(9.3)
Total recognised surplus / (deficit) since the last annual report		2.2	(9.3)

Group balance sheet for the year ended 31 March 2011

	Note	2011 £m	2010 £m
Tangible fixed assets			
Housing properties at cost	11	1,937.2	1,851.8
Other tangible fixed assets	11	74.4	63.7
Goodwill		9.6	0.2
Investments	12	4.6	1.2
Investments in joint venture:			
Share of gross assets	12	0.1	0.1
Share of gross liabilities	12	(0.1)	(0.1)
Fixed asset investments:			
Investment – loans	12	13.0	30.9
Grant received	12	(13.0)	(30.9)
Investment in property under the Homebuy Scheme:			
Grant investment		13.7	14.1
Social housing grant		(13.7)	(14.1)
		2,025.8	1,916.9
Current assets			
Stock and work in progress	13	62.0	54.2
Debtors due within one year	14	95.7	78.2
		157.7	132.4
Investments	15	-	12.7
Cash at bank and in hand		6.9	32.7
		164.6	177.8
Creditors: Amounts falling due within one year	16	(162.9)	(188.4)
Net current assets / (liabilities)		1.7	(10.6)
Assets less current liabilities		2,027.5	1,906.3
Other debtors – amounts falling due after one year	14	259.8	316.5
Total assets less current liabilities		2,287.3	2,222.8
Creditors: Amounts falling due after more than one year	17	1,910.7	1,858.9
Provisions	31	-	3.3
Long term pension liability	30	13.2	36.3
		1,923.9	1,898.5
Capital and reserves:			
Non-equity share capital	32	-	-
Designated reserves	33	6.3	6.3
Revenue reserves	33	355.9	316.8
Minority interests		1.2	1.2
		363.4	324.3
Consolidated funds		2,287.3	2,222.8


The financial statements were approved by the Board on 20 July 2011 and signed on its behalf by:

Board Member  Board Member  Secretary 

Association balance sheet for the year ended 31 March 2011

	Note	2011 £m	2010 £m
Tangible fixed assets			
Other tangible fixed assets	11	6.9	7.2
Investments	12	0.9	1.1
		7.8	8.3
Current assets			
Debtors due after one year	14	2.3	7.5
Debtors due within one year	14	8.6	13.1
		10.9	20.6
Cash at bank and in hand		-	0.3
		10.9	20.9
Creditors: Amounts falling due within one year	16	(12.0)	(16.3)
Net current (liabilities) / assets		(1.1)	4.6
Total assets less current liabilities		6.7	12.9
Creditors: Amounts falling due after more than one year	17	10.4	13.1
Long term pension liability	30	5.7	11.4
		16.1	24.5
Capital and reserves:			
Non-equity share capital	32	-	-
Revenue reserve	34	(9.4)	(11.6)
		6.7	12.9

The financial statements were approved by the Board on 20 July 2011 and signed on its behalf by:

Board Member  Board Member  Secretary *A. J. Finner*

Group cash flow statement for the year ended 31 March 2011

	Note	2011 £m	2010 £m
Net cash inflow from operating activities	24	102.6	94.4
Returns on investments and servicing of finance			
Dividends received from joint ventures		-	1.2
Interest received		1.8	4.3
Interest paid		(85.7)	(65.3)
Net cashflow from returns on investment and servicing activities		(83.9)	(59.8)
Taxation paid			
Corporation tax paid		(0.3)	(0.3)
Capital expenditure			
Purchase and construction of housing properties		(183.4)	(268.0)
Social housing grants received		50.2	167.6
Sale of housing properties		25.4	35.8
Purchase of other fixed assets		(16.3)	(19.1)
Net cashflow from capital expenditure		(124.1)	(83.7)
Acquisitions and disposals			
Cash acquired on acquisition of subsidiaries		-	11.7
Share issue to minority interest		-	0.3
Net cashflow from acquisitions and disposals		-	12.0
Cash outflow before management of liquid resources and financing		(105.7)	(37.4)
Management of liquid resources			
Cash withdrawn from money market deposit accounts	25/26	12.7	14.1
Cash received from the sale of Bond investment		4.5	-
		17.2	14.1
Financing			
Housing loans received net of payments	25/26	65.8	42.8
(Decrease) / increase in cash	25/26	(22.7)	19.5

Notes to the financial statements for the year ended 31 March 2011



1. Legal status

The Association is incorporated under the Industrial and Provident Societies Act 1965 and is also a Registered Provider under the Housing Act 1996.

2. Accounting policies

The directors believe it is appropriate to prepare the financial statements on a going concern basis, having reviewed the financial forecast. The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom, the Statement of Recommended Practice for Registered Social Landlords update 2010 and the Accounting Requirements for Registered Social Landlords General Determination 2006. of our own resources and profits from property disposals. This includes developing properties for private sale, shared ownership and market rent, providing leasehold management services and including commercial premises as part of some mixed tenure schemes.

A summary of the more important accounting policies, which have been consistently applied, are set out below: -

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention, on an accruals basis.

(b) Basis of consolidation

The Group financial statements incorporate the financial statements of the Group's parent, Circle Anglia Limited, and its subsidiaries.

(c) Turnover

Turnover represents gross rental income receivable during the period net of voids, fees, management fees, direct works income, supporting people income, first tranche sales of shared ownership and other sundry sources.

(d) Interest payable

Interest payable is charged to the income and expenditure account in the year, except where it is capitalised on funds borrowed to finance developments. This occurs to the extent that it accrues in respect of the period of development if it represents either:

- interest on borrowings specifically financing the development programme after deduction of interest on Social Housing Grant (SHG) in advance; or
- interest on borrowings of the Association as a whole after deduction of interest on SHG in advance to the extent that they can be deemed to be financing the development programme.

(e) Taxation

The charge for taxation is based on the result for the period and takes into account deferred taxation because of timing differences between the treatment of certain items for taxation and accounting purposes. No provision has been made for any taxation that would arise if the fixed assets were disposed of at the values included in the Financial Statements, since it is not intended to reduce significantly the size of housing stock and hence cause a material taxation liability to crystallise.

(f) Deferred tax

Except where otherwise required by accounting standards, full provision without discounting is made for all timing differences which have arisen but not reversed at the balance sheet date.

(g) Value added tax (VAT)

The Group is VAT registered in the name of Circle Anglia Limited, but the majority of its income, being rents, is exempt for VAT purposes and this gives rise to a partial exemption calculation. Expenditure for non-taxable activities is therefore shown inclusive of VAT and the input VAT recovered is credited against operating costs. Expenditure on taxable activities is shown exclusive of VAT.

(h) Housing properties

The Group operates a full component accounting policy in relation to the capitalisation and depreciation of its completed housing property stock.

All housing properties are split between their land and structure costs and a specific set of major components which require periodic replacement. Refurbishment or replacement of such

major components is capitalised and depreciated over the estimated useful life of the component as follows:

Component	Useful Economic Life
Structure	100
Roof	60 (pitched) 15 (flat)
Windows	30
Kitchen	20
Bathroom	30
Central heating (ex-Boiler)	30
Boiler	15
Electric system	35
Lifts	15
Other components (capitalised housing property costs not included above)	29

The estimated useful economic life for each component has been arrived at based on the Group's current experience of component replacement with the useful economic life of 29 years for Other Components being a weighted average figure. The Group will continue to monitor and review the useful economic lives of all components and make revisions where sustained material changes arise.

Improvements are works, which result in an increase in the net rental income, such as a reduction in future maintenance costs, or result in a significant extension of the useful economic life of the property in the business. Only the direct overhead costs associated with new developments or improvements are capitalised.

Housing properties under construction are stated at cost less capital development grants and are transferred to "Completed Schemes" once they are available for letting. No depreciation is provided on housing properties under construction.

Direct costs involved with administering development activities are capitalised to the extent that they are directly attributable to the development process and in bringing the properties into their intended use.

Shared Ownership housing stock is also included in fixed assets. Under the terms of tenancy agreements tenants have the right to purchase additional shares in these properties at an appropriate share of the open market valuation.

Homebuy – Investments and the associated grant under the Homebuy scheme are held within the balance sheet as fixed asset investments.

(i) Shared ownership properties

Shared ownership properties are split proportionately between current and fixed assets based on the element relating to their expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds are included in turnover with the remainder classed as a fixed asset. In mixed tenure schemes which have included shared ownership, any subsidy expected from first tranche sales to pay for non shared ownership costs is credited to these costs.

Notes to the financial statements for the year ended 31 March 2011 (continued)

(j) Properties for sale and stock

Shared ownership first tranche sales, completed properties for outright sales and property under construction are valued at the lower of cost and net realisable value. Cost comprises land and building cost. Net realisable value is based on estimated sales price after allowing further costs of completion and disposal.

The remainder of shared ownership sales cost is classed as a fixed asset. Shared ownership first tranche sales proceeds form part of turnover and the cost of these sales include any subsidy used to fund the non shared ownership cost of the same mixed tenure scheme.

(k) Depreciation of housing properties

Freehold land is not depreciated. Depreciation is charged so as to write down the net book value of housing properties to their estimated residual value, on a straight line basis, over their estimated useful economic lives in the business. The depreciable amount is assessed on an annual basis and is arrived at on the basis of original cost, less SHG and other grants, less residual value (being the actual or estimated open market value of the land at the date of purchase). The Group's housing properties are depreciated over an economic useful life of 100 years. Completed shared ownership properties are not depreciated. Additionally, component replacements have been depreciated over useful lives of between 15 and 60 years.

(l) Impairment

Houses which are depreciated over a period in excess of 50 years are, in accordance with FRS 11 and the SORP, 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 recoverable amount and any such write down would be charged to operating surplus.

(m) Social housing grant

Social Housing Grant (SHG) is receivable from the Homes and Communities Agency and is utilised to reduce the capital costs of housing properties.

SHG due from the Homes and Communities Agency 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 received in advance for the development of properties under the agreement with Tower Hamlets Housing Action Trust is shown under current liabilities.

SHG is subordinated in respect of loans on agreement with the Homes and Communities Agency. 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 or Disposal Proceed Fund and included in the balance sheet under creditors.

(n) Other grants

These include grants from local authorities and other organisations. The capital costs of housing properties are stated net of grants receivable on these properties. 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.

Grants received to enable loan funds to be established are credited to deferred income upon receipt. Upon lending to borrowers, the grants are transferred to fixed asset investments where they are netted off the amount owed by the borrower.

Grants received to enable loan funds to be established are shown as a deduction from the cost of fixed asset investments on the balance sheet (see note 7). This is a departure from the rules under Schedule 4 of the Companies Act 1985, which requires the grants to be recorded as deferred income. Given the nature of these grants, the Board is of the opinion that the accounting policy that has been adopted is appropriate in order to present a true and fair view.

(o) Sale and leaseback

Properties held under sale and leaseback arrangements under which the Group retains the risks and rewards of ownership are included within housing properties at cost and valued on the same basis as all other completed housing properties. The Group recognises the substance of such financing arrangements as long-term loans. The associated finance charge is calculated on the carrying value of the loan outstanding.

(p) Stock transfers

Where opportunities for the regeneration of local authority housing stock arise after transfer requests from tenants and residents, the Association may seek to maximise the resources available for regeneration schemes by entering into VAT shelter arrangements. In these circumstances, the underlying substance of the transactions is reflected in the accounts on a gross basis. The obligation to the local authorities is shown as long term debtors and the obligation to contactors under the refurbishment contracts is shown in long term creditors. Amounts due within one year under the arrangements are classified within current assets and liabilities.

(q) Lease obligations

Where assets are financed by leasing arrangements that give rights approximating to ownership, they are classified as finance leases and are treated as if they have been purchased outright. The amount capitalised is the present value of the minimum lease payment due during the term of the lease. The corresponding leasing commitments are shown as obligations to the lessor. Rentals paid under operating leases (including those paid under 'Temporary Market Rent Housing' leases) are charged to the Income and Expenditure account on an accruals basis.

(r) Investments

Investments are valued at the lower of cost and net realisable value. Fixed asset investments represent amounts falling due from borrowers on varying types of loan agreement and includes amounts in respect of Property Appreciation Loans (PAL). Such loans can include repayment periods in excess of sixty years.

(s) Deferred indexation

The Group has entered into loan arrangements for specific schemes where interest payments are deferred at the beginning of the repayment period or where the principal outstanding is subject to annual indexation. Where the Group has entered into corresponding agreements with third parties (usually local authorities) to guarantee the payment of any deficits arising on these schemes, the amount of the deferral or indexation is treated as an asset.

(t) Deferred income

Deferred income comprises both premiums on leases which are released over the life of the lease and other income received which is carried forward over the lives of the assets concerned.

(u) Finance costs

Loan origination fees in respect of the issue of new loan facilities whose draw down is certain, are deferred and written off to the Income and Expenditure account over the expected life of the loan. Loan origination fees in respect of the refinancing of existing debt or in respect of undrawn facilities whose draw down is uncertain, are written off directly to the Income and Expenditure Account.

(v) Joint arrangements

The Group has entered into two contractual arrangements that under FRS9 are classed as 'a joint arrangement that is not an entity'. Accordingly the Group has accounted for its assets, liabilities and cash flows in respect of those arrangements, measured according to the terms of the agreements governing the arrangements, and in line with the Group's accounting policies.

(w) Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the Balance Sheet date and the gains or losses on translation are included in the Income and Expenditure Account.

Where foreign currency borrowings have been used to finance, or provide a hedge against, group equity investments in foreign enterprises, exchange gains or losses on the borrowings, which would otherwise have been taken to the Income and Expenditure Account, are offset as reserve movements against exchange differences arising on the re-translation of the net investments. This policy is applied to the extent that

- in any accounting period, the exchange gains and losses arising on foreign currency borrowings are offset only to the extent of the exchange differences arising on the net investments in foreign enterprises; and
- the foreign currency borrowings, whose exchange gains or losses are used in the offset process, do not exceed, in aggregate, the total amount of cash that the net investments are expected to be able to generate.

(x) Pensions

The Group participates in several defined benefit pension schemes which provide benefits based on final pensionable pay. The assets of the schemes are held separately from those of the Group, being invested in independently managed superannuation funds.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. In accordance with FRS17, the pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the Statement of Total Recognised Surpluses and Deficits, actuarial gains and losses.

Pension costs are assessed in accordance with the advice of independent qualified actuaries. Costs include the regular cost of providing benefits which, it is intended, should remain a substantially level percentage of the current and expected future earnings of the employees covered. Variations from the regular pension costs are spread evenly through the Income and Expenditure Account over the average remaining service lives of the current employees.

Certain employees have opted to take out separate arrangements under various defined contribution schemes which they have chosen. The assets of such schemes are also

separate from those of the Group, being invested by independent fund managers. Contributions by the Group are charged to the Income and Expenditure Account for the year in which they are payable to the schemes.

The Group participates in the Social Housing Pension Scheme (the Scheme). The Scheme is funded and is contracted-out of the State Pension scheme.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the Scheme is a multi employer scheme where the Scheme assets are commingled for investment purposes, and benefits are paid for total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS 17 represents the employer contribution payable.

The Group participates in several stakeholder pension schemes to provide retirement benefits for eligible employees of the Group. Contributions to the Stakeholder Pension Schemes are calculated as a percentage of pensionable salary and are charged to the Income and Expenditure Account. The schemes are not contracted out of the State Earnings Related Pension Scheme. Monthly contributions from each member are invested in the Standard Life Corporate Plan in accordance with the wishes of each member.

(y) Designated and other restricted reserves

Where funding has been received from bodies other than the Homes and Communities Agency, amounts have been set aside in respect of major repairs and the replacement of furniture and fittings, in accordance with individual funding arrangements.

Sinking funds to cover the cost of major works are held on trust where required for leaseholders. Annual contributions from leaseholders are based on independent qualified Chartered Surveyors' review of stock condition surveys and a programme of planned works. The contributions are set aside to a designated reserve.

(z) Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries represents the excess of fair value of the identifiable net assets acquired over the fair value of the consideration given and is taken immediately to the income and expenditure account.

(aa) Goodwill

Goodwill arising on the acquisition of subsidiaries is initially measured at cost over the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Any impairment is recognised immediately in the Income Statement.

Notes to the financial statements for the year ended 31 March 2011 (continued)

3. Turnover, other costs, operating costs and operating surplus

Group – continuing activities

	2011				2010	
	Turnover £m	Cost of sales £m	Operating costs £m	Operating surplus £m	Turnover £m	Operating surplus (deficit) £m
Social housing lettings	264.8	-	(175.9)	88.9	217.1	70.4
Other social housing activities						
Supporting people contract income	16.7	(0.9)	(15.2)	0.6	18.0	0.9
Development services	0.1	-	(0.1)	-	0.1	-
Management services	1.5	-	(1.3)	0.2	1.1	0.4
Community regeneration	1.0	-	(2.5)	(1.5)	1.1	(1.1)
First tranche sales	16.5	(15.7)	-	0.8	28.5	0.9
Other	12.3	(5.9)	(10.1)	(3.7)	10.4	(8.9)
Exceptional pension credit	-	-	8.8	8.8	-	-
	48.1	(22.5)	(20.4)	5.2	59.2	(7.8)
Non-social housing activities						
Lettings	9.9	-	(14.5)	(4.6)	10.2	5.1
	322.8	(22.5)	(210.8)	89.5	286.5	67.7

Following the Government's change from RPI to CPI as the inflationary measure for future pension increases, gains have arisen as a result of CPI being traditionally lower than RPI. The gain of £8.8 million is shown in the Income and Expenditure Account as an exceptional pension credit.

Association – continuing activities

	2011				2010	
	Turnover £m	Cost of sales £m	Operating costs £m	Operating surplus £m	Turnover £m	Operating surplus (deficit) £m
Social housing lettings	42.4	-	(41.3)	1.1	39.5	1.5

Particulars of income and expenditure from social housing lettings

Group	General needs housing	Supported housing	Temporary social housing	Shared ownership	Lease	2011 Total	2010 Total
	£m	£m	£m	£m	£m	£m	£m
Rent receivable net of identifiable service charges	202.5	19.6	5.3	9.9	8.0	245.3	205.5
Charges for support services	-	0.3	-	-	-	0.3	-
Service charges receivable	11.5	4.8	0.1	2.6	3.3	22.3	15.5
Gross rents receivable	214.0	24.7	5.4	12.5	11.3	267.9	221.0
Less: rent losses from voids	(2.5)	(0.7)	(0.5)	(0.1)	(0.1)	(3.9)	(4.3)
Net rents receivable	211.5	24.0	4.9	12.4	11.2	264.0	216.7
Other revenue grants	0.5	0.1	-	-	0.2	0.8	0.4
Turnover from social housing lettings	212.0	24.1	4.9	12.4	11.4	264.8	217.1

Notes to the financial statements for the year ended 31 March 2011 (continued)

3. Turnover, other costs, operating costs and operating surplus continued...

Particulars of income and expenditure from social housing lettings

Group	General needs housing £m	Supported housing £m	Temporary social housing £m	Shared ownership £m	Lease £m	2011 Total £m	2010 Total £m
Management	(23.6)	(9.4)	(0.7)	(2.9)	(4.2)	(40.8)	(38.9)
Services	(15.9)	(5.5)	(0.1)	(1.2)	(2.6)	(25.3)	(20.4)
Routine maintenance	(37.5)	(3.0)	(0.2)	(0.4)	(2.7)	(43.8)	(25.6)
Planned maintenance	(25.0)	(2.9)	(0.1)	(0.4)	(1.6)	(30.0)	(30.4)
Bad debts	(1.5)	(0.2)	0.1	-	(0.2)	(1.8)	(1.3)
Property lease charges	-	-	(1.7)	-	-	(1.7)	(1.9)
Depreciation of housing properties	(16.8)	(1.7)	(0.1)	-	-	(18.6)	(17.7)
Impairment of housing properties	-	-	-	(2.0)	-	(2.0)	1.5
Other costs	(8.9)	(0.9)	(0.1)	(0.4)	(1.6)	(11.9)	(12.0)
Operating costs on social housing lettings	(129.2)	(23.6)	(2.9)	(7.3)	(12.9)	(175.9)	(146.7)
Operating surplus on social housing lettings	82.8	0.5	2.0	5.1	(1.5)	88.9	70.4

In order to reflect the allocation of resources to particular functions, some indirect operating costs previously included above in management have this year been apportioned against direct operating costs, e.g. service charge expenditure and maintenance. For comparative purposes, the figures for the year ended 31 March 2010 have been re-stated on a similar basis.

4. Accommodation in management and development

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

	2011 No.	Group 2010 No.
Social housing		
General housing	45,132	44,967
Supported housing and housing for older people	5,408	5,251
Shared ownership	3,947	3,829
Keyworker	289	245
Leaseholders	5,499	5,441
Staff accommodation	65	66
Total social housing owned	60,340	59,799
Non-social housing		
Market rented	1,755	1,592
Garages	1,532	1,541
Leaseholders	496	499
Other non-social	505	384
Total non-social housing owned	4,288	4,016
Total housing owned	64,628	63,815
Accommodation managed for others	291	552
Stock owned but not managed	(3,541)	(4,555)
Total managed	61,378	59,812
Accommodation in development at the year end	1,677	1,988

Note: Market rented properties includes 919 properties (2010: 747) owned by Landericus.

Properties owned by Leamington Waterfront LLP are shown as properties under construction and Your Lifespace Limited are shown as completed properties in stock and work in progress (Note 13)

Notes to the financial statements for the year ended 31 March 2011 (continued)

5. Operating surplus

This is arrived at after charging:

	Group		Association	
	2011 £m	2010 £m	2011 £m	2010 £m
Depreciation of housing properties	21.6	18.2	-	-
Impairment of housing properties	10.7	(1.5)	-	-
Depreciation of other tangible fixed assets	4.3	3.7	2.9	1.9
Operating lease rentals	4.2	3.9	2.2	1.4
Current and past service costs	2.8	1.4	0.4	0.3
Exceptional pension credit	8.8	-	3.8	-
Foreign exchange loss	-	0.4	-	-
Auditors' remuneration: (including VAT)				
- for audit services	0.3	0.3	-	-
- for non-audit services	0.5	0.1	-	-

6. Surplus on sale of fixed assets – housing properties

	Group	
	2011 £m	2010 £m
Sales proceeds	17.0	12.5
Cost of sales	(12.1)	(6.5)
	4.9	6.0

Cost of sales includes fees incurred in addition to the asset carrying value.

7. Interest receivable and other income

	Group		Association	
	2011 £m	2010 £m	2011 £m	2010 £m
Interest receivable on bank deposits	0.8	2.2	-	-
Other interest earned	0.1	0.8	-	-
Interest receivable from unlisted investments	0.9	-	-	-
Dividend from joint ventures	-	1.2	-	-
Interest from subsidiaries	-	-	0.2	0.4
	1.8	4.2	0.2	0.4

8. Interest payable and similar charges

	Group		Association	
	2011 £m	2010 £m	2011 £m	2010 £m
Interest on loans	24.4	31.2	-	-
Interest on bonds	22.3	19.9	-	-
Loan breakage costs - net	5.9	4.7	-	-
Other interest payable	2.4	2.0	-	-
Interest payable on derivatives	21.1	20.0	-	-
Other finance costs – pension FRS 17	0.8	1.2	0.3	-
Finance charges re finance leases	0.1	0.4	-	-
RCGF/DPF	-	0.1	-	-
Interest to subsidiaries	-	-	1.0	1.4
	77.0	79.5	1.3	1.4
Interest payable capitalised on Housing Properties under construction	(4.7)	(5.5)	-	-
	72.3	74.0	1.3	1.4
Capitalisation rate used to determine the finance costs capitalised during the period	4.40%	4.22%	-	-

Notes to the financial statements for the year ended 31 March 2011 (continued)

9. Employees

	Group		Association	
	2011 £m	2010 £m	2011 £m	2010 £m
Average monthly number of employees (FTE)				
Administration	359	331	294	236
Care	522	513	-	-
Developing or selling housing stock	36	60	26	39
Managing or maintaining housing stock	1,051	824	11	15
	1,968	1,728	331	290

	Group		Association	
	2011 £m	2010 £m	2011 £m	2010 £m
Staff Costs:				
Wages and salaries	58.9	51.0	14.1	12.7
Social security costs	5.6	4.9	1.5	1.3
Other pension costs	4.1	3.6	1.0	1.0
	68.6	59.5	16.6	15.0

Circle Support employs the majority of their staff directly. With the exception of Circle Support, and Anglia Maintenance Services Limited's non-salary based employees, all other employees within the Group are employed by Circle Anglia Limited. The resulting employment costs attributable to each Association/Company are recharged via the Service Level Agreement (SLA).

Board members and Executive Officers

During the year, Board members and Executive Officers received emoluments (including pension contributions and benefits in kind) totalling £1,320,059 (2010: £1,422,403). Expenses paid during the year to the Board and committee members amounted to £20,276 (2010: £16,076).

The emoluments of the highest paid director, the Chief Executive, excluding pension contributions, were

£235,106 (2010: £229,465). Pension contributions paid into a defined contribution scheme on behalf of the Chief Executive were £56,375 (2010: £56,375).

At 31 March 2011, there were 11 members of staff whose annual pay exceeded £100,000.

The executive officers, including the Chief Executive, participate in the pension scheme on the same terms as all other eligible staff.

Remuneration in the year to the non-executive Management Board members of Circle is shown as follows:

	Fees	Expenses	2011 Total	2010 Total
Sir Robin Young	25,000	336	25,336	10,309
Robert Burgin	12,000	879	12,879	12,555
Martin Shaw OBE ⁽¹⁾	12,000	-	12,000	12,000
Jane Clarkson JP	12,000	1,829	13,829	15,127
Murray Foster	12,000	2,931	14,931	12,000
Baroness Jones of Whitchurch	14,100	314	14,414	14,100
Simon Braid ⁽²⁾	10,000	1,132	11,132	-
Tania Brisby	-	-	-	-
Jane Gurney-Read	3,313	1,060	4,373	-
Brenda Reynolds	3,500	201	3,701	-
	103,913	8,682	112,595	76,091
Former non-executive management Board members:				
Alan Catterick	9,000	582	9,582	12,387
Nicola Lucking	3,000	629	3,629	12,000
Michael Webber	5,956	-	5,956	12,000
	17,956	1,211	19,167	36,387
Total	121,869	9,893	131,762	112,478

(1) Chair of the Remuneration and Succession Committee

(2) Chair of the Audit and Risk Committee

Notes to the financial statements for the year ended 31 March 2011 (continued)

10. Tax on surplus on ordinary activities

Current Tax	Group		Association	
	2011 £m	2010 £m	2011 £m	2010 £m
UK corporation tax charge on surpluses for the year	0.3	0.4	-	0.4
Adjustment in respect of prior years	(0.1)	0.2	(0.1)	0.2
Total current tax charge	0.2	0.6	(0.1)	0.6
Deferred tax				
Net origination and reversal of timing differences (excluding pension charge)	(0.1)	(0.1)	-	-
Deferred tax on pension charge	0.1	-	0.1	(0.1)
Total deferred tax charge	-	(0.1)	0.1	(0.1)
Tax charge on surpluses for the year	0.2	0.5	-	0.5

Current year tax reconciliation	Group		Association	
	2011 £m	2010 £m	2011 £m	2010 £m
Surplus on ordinary activities before tax	28.3	12.4	0.1	0.5
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2010: 28%)	7.9	3.4	-	0.1
Timing differences on exceptional pension credits	(1.2)	-	(1.0)	-
Surpluses of charitable entities not subject to corporation tax	(8.9)	(1.1)	-	-
Depreciation in excess of capital allowances	0.4	0.2	0.5	0.1
Other non-deductible expenditure, net of allowable capital costs	4.6	(4.1)	0.1	0.3
Other timing differences	(3.3)	-	-	-
Losses carried forward	-	2.0	-	-
Utilisation of losses	0.8	-	0.5	(0.1)
Adjustments in respect of prior years	(0.1)	0.2	(0.1)	0.2
Total current tax charge	0.2	0.6	-	0.6

11. Tangible fixed assets

Group – housing properties

	Completed Properties		Housing Properties Under Construction		Total £m
	Housing properties held for letting £m	Shared ownership housing properties £m	Housing properties held for letting £m	Shared ownership housing properties £m	
Cost					
As at 1 April 2010	2,793.1	278.9	152.4	56.1	3,280.5
Movements in the year					
Additions:					
- Spend in new 2010/2011 WIP schemes	-	-	2.7	1.3	4.0
- Works in existing properties / schemes	73.3	8.5	75.1	22.5	179.4
Capitalised interest	-	-	2.3	1.1	3.4
Agency schemes transferred to stock	-	-	(29.2)	(0.5)	(29.7)
Schemes completed in the year	94.8	19.9	(94.8)	(19.9)	-
Re-classification	2.3	-	6.5	(7.8)	1.0
Disposals	(9.2)	(12.5)	-	-	(21.7)
Impairments	(8.7)	(1.3)	-	(0.7)	(10.7)
Asset write-offs	(0.2)	-	(0.4)	(0.6)	(1.2)
Transfers from WIP	(1.8)	-	4.9	2.4	5.5
As at 31 March 2011	2,943.6	293.5	119.5	53.9	3,410.5
Social housing grant					
As at 1 April 2010	(1,115.2)	(76.3)	(96.5)	(38.7)	(1,326.7)
Additions:					
- New schemes	-	-	(5.8)	(0.8)	(6.6)
- Existing properties / schemes	(6.3)	0.2	(35.4)	(2.1)	(43.6)
Agency schemes transferred to stock	-	-	26.0	0.6	26.6
Schemes completed in the year	(39.9)	(3.2)	35.7	7.4	-
Re-classification	17.1	-	(17.9)	(0.2)	(1.0)
Disposals	1.5	0.2	-	-	1.7
As at 31 March 2011	(1,142.8)	(79.1)	(93.9)	(33.8)	(1,349.6)
Depreciation					
As at 1 April 2010	(99.8)	(2.2)	-	-	(102.0)
Charged in the year	(22.2)	-	-	-	(22.2)
Released on disposal	0.4	0.1	-	-	0.5
As at 31 March 2011	(121.6)	(2.1)	-	-	(123.7)
Net book value as at 31 March 2011	1,679.2	212.3	25.6	20.1	1,937.2
As at 31 March 2010	1,578.1	200.4	55.9	17.4	1,851.8

Notes to the financial statements for the year ended 31 March 2011 (continued)

11. Tangible fixed assets (continued)

Works to existing properties

The amount spent on existing properties during the year is as follows:

	2011 £m	2010 £m
Capitalised in fixed assets	81.8	73.7
Expensed in the income and expenditure account	57.3	51.1
	139.1	124.8

On 31 March 2011, the Group's housing properties were valued by FPD Savills Consulting, an independent firm of Chartered Surveyors, based on their full valuation at 31 March 2009 and updated for the following:

- Changes in stock numbers during the year
- Average rental increases
- Any significant variances in the expenditure profile

In determining these valuations valuers made use of discounted cash flow methodology and the following assumptions were made:

Future rent increases	Retail Price Index plus 0.5% long-term
Real discount rates	4.5% - 7.0%
Valuations EUV-SH	£2,441,576,000

Included in the total net book value of £1,937.2 million is £0.5 million (2010: £1.2 million) in respect of assets held under finance lease contracts. Depreciation for the year on these assets was £nil (2010: £nil).

Tangible fixed assets - other

Group	Properties £m	Leasehold/ freehold offices £m	Furniture, fixtures & fittings £m	Computer equipment £m	Motor vehicles £m	Total £m
Cost						
As at 1 April 2010	34.9	22.2	13.4	21.4	0.1	92.0
Additions	-	12.7	1.2	2.4	-	16.3
Reclassification	(34.8)	34.8	(0.1)	-	-	(0.1)
Disposals	(0.1)	-	-	(0.5)	-	(0.6)
Transfers to assets under construction	-	0.4	(1.2)	(0.2)	-	(1.0)
As at 31 March 2011	-	70.1	13.3	23.1	0.1	106.6
Depreciation						
As at 1 April 2010	-	(5.2)	(8.5)	(14.5)	(0.1)	(28.3)
Charge for year	-	(0.2)	(1.4)	(3.1)	-	(4.7)
Disposals	-	-	-	0.4	-	0.4
Transfers	-	-	0.2	0.2	-	0.4
As at 31 March 2011	-	(5.4)	(9.7)	(17.0)	(0.1)	(32.2)
Net Book Value						
As at 31 March 2011	-	64.7	3.6	6.1	-	74.4
As at 31 March 2010	35.0	17.0	4.8	6.9	-	63.7

Notes to the financial statements for the year ended 31 March 2011 (continued)

11. Tangible fixed assets (continued)

Tangible fixed assets - other

Association	Leasehold/ freehold offices £m	Furniture, fixtures & fittings £m	Computer equipment £m	Total £m
Cost				
As at 1 April 2010	-	3.9	8.3	12.2
Additions during year	-	0.5	2.0	2.5
Transfer	0.4	(0.4)	0.1	0.1
As at 31 March 2011	0.4	4.0	10.4	14.8
Depreciation				
As at 1 April 2010	-	(1.4)	(3.6)	(5.0)
Charge for year	-	(0.7)	(2.2)	(2.9)
As at 31 March 2011	-	(2.1)	(5.8)	(7.9)
Net Book Value				
As at 31 March 2011	0.4	1.9	4.6	6.9
As at 31 March 2010	-	2.5	4.7	7.2

12. Investments

Investments in subsidiaries

	% Share Capital Owned	Registrar Friendly Societies	Companies Registrar	Registered with Housing Corporation	Charity Commision	Financial Services Authority
Circle Thirty Three Housing Trust Limited	100	✓	-	✓	-	-
Wherry Housing Association Limited	100	✓	-	✓	-	-
South Anglia Housing Limited	100	✓	-	✓	-	-
Anglia Maintenance Services Limited	100	-	✓	-	-	-
Old Ford Housing Association	100	-	✓	✓	-	-
Mole Valley Housing Association	100	✓	-	✓	-	-
Roddons Housing Association	100	✓	-	✓	-	-
Russet Housing Association Limited	100	✓	-	✓	-	-
Invicta Telecare Limited	100	-	✓	-	-	-
Circle Anglia Treasury Limited	100	-	✓	-	-	-
Circle Anglia Social Housing plc	100	-	✓	-	-	-
Circle Care and Support Limited (formerly EPIC Trust)	100	-	✓	-	✓	-
Your Lifespace Limited	100	-	✓	-	-	-
Circle Anglia Foundation Limited	100	-	✓	-	✓	-
Circle Living Limited	100	-	✓	-	-	-
Old Ford Homes Limited	100	-	✓	-	-	-
Thackeray Mews Limited	62	-	✓	-	-	-
Landericus Limited *	92.9	-	✓	-	-	-
Mercian Housing Association Limited	100	✓	-	✓	-	-
Art Homes Limited	100	-	✓	-	-	✓
Zenith Developments Limited	100	-	✓	-	-	-
Merton Priory Homes Limited	100	✓	-	✓	-	-
Leamington Waterfront LLP	100	-	✓	-	-	-

Notes to the financial statements for the year ended 31 March 2011 (continued)

12. Investments (continued)

All of the above are participants in the Group Borrowing Facility with the exception of Circle Anglia Social Housing plc, Circle Living Limited, Circle Care and Support Limited (formerly EPIC Trust Limited), Anglia Maintenance Services Limited, Your Lifespace Limited, Circle Anglia Foundation Limited, Invicta Telecare Limited, Art Homes Limited, Zenith Developments Limited, Old Ford Homes Limited, Landericus Limited,

Thackeray Mews Limited and Leamington Waterfront LLP.

The subsidiaries are all incorporated in the United Kingdom apart from Landericus Limited which is a Guernsey registered company.

* Landericus Limited is the parent Company of the following (owning 100% of each); Landericus Property Holding S.a.r.l, Landericus Property Alpha S.a.r.l, Landericus Property Beta S.a.r.l, Landericus Property Delta

S.a.r.l, Landericus Property Gamma S.a.r.l, Landericus Property Epsilon S.a.r.l, Landericus Property Zeta S.a.r.l, Landericus Property Eta S.a.r.l.

Procedure Agreements exist between Circle Anglia Limited and the subsidiaries covering the respective obligations of all parties.

Included in investments are:

	Group		Association	
	2011 £m	2010 £m	2011 £m	2010 £m
Cost of shares - Circle Anglia Social Housing Plc	-	-	0.1	0.1
Cost of shares - Invicta Telecare Limited	-	-	-	0.2
Costs of acquiring Mercian Housing Association	-	-	0.8	0.8
Listed investments	4.4	1.0	-	-
Unlisted investments	0.2	0.2	-	-
	4.6	1.2	0.9	1.1

Investments comprise a long term loan of £10,000, a loan to UK Rents (No1) plc of £110,060 representing 2% of the securitisation loan which is withheld by UK Rents (No1) plc as a cash reserve under the terms of the loan agreement, and the market value of £4,410,863 (2010: £974,113) comprising of gilt edged stock, cash and other Housing Association debenture stocks which are held in

accordance with the terms of the issue of 7% Secured Bonds (Haven Funding (32) plc). The Association can only draw on the Haven Funding (32) plc investment on maturity of the loan.

During the year Invicta Telecare Limited was sold by Circle Anglia Limited to Circle Living Limited.

Operating surplus/(deficit) and total assets less current liabilities of the principal subsidiary undertakings at 31 March 2011:

	Surplus/ (deficit)		Total assets less current liabilities	
	2011 £m	2010 £m	2011 £m	2010 £m
Anglia Maintenance Services Limited	1.5	(0.7)	0.2	(0.5)
Circle Anglia Foundation Limited	-	-	0.5	0.4
Circle Anglia Treasury Limited	-	-	1,585.6	1,338.3
Circle Anglia Social Housing Plc	-	-	414.1	275.1
Circle Living Limited	0.2	-	0.3	-
Circle Thirty Three Housing Trust Limited	3.5	(10.2)	108.3	126.1
Circle Care & Support (formerly Epic Trust)	0.4	0.5	2.3	2.0
Your Lifespace Limited	1.3	(10.0)	(6.6)	(4.8)
Old Ford Homes Limited	-	0.1	0.4	0.4
Old Ford Housing Association	(0.8)	(0.9)	28.3	43.5
South Anglia Housing Limited	(1.2)	(0.8)	(4.5)	(3.2)
Wherry Housing Association Limited	1.3	0.2	2.0	0.6
Mole Valley Housing Association	4.6	3.4	52.2	60.3
Roddons Housing Association	2.1	0.4	30.8	30.2
Russet Housing Association	11.4	10.4	24.0	160.6
Invicta Telecare Limited	1.1	(0.1)	0.6	0.3
Thackeray Mews Limited	-	-	-	-
Landericus Limited	0.7	0.4	49.9	36.7
Mercian Housing Association Limited	-	(4.8)	36.6	72.3
Art Homes Limited	(0.1)	-	1.6	4.1
Zenith Developments Limited	0.1	(0.1)	0.2	0.1
Merton Priory Homes Limited	10.7	(2.6)	187.5	207.7
Leamington Waterfront LLP	8.3	-	(0.2)	-
	45.1	(14.8)	2,514.1	2,350.2

Notes to the financial statements for the year ended 31 March 2011 (continued)

12. Investments (continued)

Investment joint ventures

	Country of Incorporation	Principal Activity	Class and Percentage of Shares Held	Parent Company
Associated undertakings - joint ventures				
Tredegar Development Company Limited	England	Development of property	50% 1 £1 Ordinary B Share	Old Ford Homes Limited
T3B Development Company Limited	England	Development of property	50% 1 £1 Ordinary B Share	Old Ford Homes Limited
Wideacre Lifespace Scott LLP	England and Wales	Development of property	50% 1 £1 Ordinary B Share	Your Lifespace Limited
Wideacre Lifespace Saffron LLP	England and Wales	Development of property	50% 1 £1 Ordinary B Share	Your Lifespace Limited
Associated undertakings - associates				
Key London Alliance	England and Wales	Development of property	25%	Circle 33 Housing Trust Limited

The total of the Group's loss before taxation from interests in associates and joint ventures was £204,000 (2010: loss before taxation £5,411,000).

The amounts included in respect of joint ventures and associates comprise the following:

	Joint Ventures Total		Associate Total	
	2011 £m	2010 £m	2011 £m	2010 £m
Share of turnover	-	4.3	-	0.1
Share of assets				
- Share of current assets	0.1	0.1	-	-
Share of liabilities				
- Due within one year	(0.1)	(0.1)	-	-
Share of net liabilities	-	-	-	-

Investments – loans

	Group	
	2011 £m	2010 £m
Loans	13.0	30.9
Grants	(13.0)	(30.9)
	-	-

Fixed asset investments represent amounts falling due from borrowers on varying types of loan agreement and includes amounts in respect of Property Appreciation Loans (PAL). Such loans can include repayment periods in excess of sixty years.

Grants received to enable loan funds to be established are credited to deferred income upon receipt. Upon lending to borrowers, the grants are transferred to fixed asset investments where they are netted off the amount owed by the borrower.

13. Stock and work in progress

	Group	
	2011 £m	2010 £m
Parts and warehouse stores	0.1	0.1
Work in progress	0.1	0.1
Completed properties	23.9	33.6
Properties under construction	37.9	20.4
	62.0	54.2

Warehouse stores and work in progress are held by Anglia Maintenance Services Limited and Roddons Housing Association Limited.

Stock of housing properties comprises acquisition and development expenditure on shared ownership properties first tranche. Capitalised development interest charged to stock during the year is £1,323,000 (2010: £282,000).

Notes to the financial statements for the year ended 31 March 2011 (continued)

14. Debtors

	Group		Association	
	2011 £m	2010 £m	2011 £m	2010 £m
Due after more than one year:				
Amount due from subsidiaries	-	-	2.3	7.5
Stock transfer – future works	259.8	316.5	-	-
Total debtors - due after more than one year	259.8	316.5	2.3	7.5
Due within one year:				
Rent and service charges receivable	19.9	19.2	-	-
Less: Provision for bad and doubtful debts	(8.3)	(7.7)	-	-
	11.6	11.5	-	-
Amounts due from subsidiary undertakings	-	-	6.3	11.3
Stock transfer – future works	64.4	44.1	-	-
Other debtors	12.1	15.9	1.5	1.1
Prepayments and accrued income	7.5	5.8	0.8	0.6
Deferred taxation	0.1	0.1	-	0.1
Deferred interest indexation	-	-	-	-
Other taxation & social security	-	0.8	-	-
	84.1	66.7	8.6	13.1
Total debtors - due within one year	95.7	78.2	8.6	13.1

15. Current asset investments

	Group		Association	
	2011 £m	2010 £m	2011 £m	2010 £m
Short term investments	-	0.9	-	-
Money market deposits – collateral	-	1.4	-	-
Money market deposits	-	10.4	-	-
	-	12.7	-	-

The collateral deposits represent a cash deposit that the Group has to place with a derivative counterparty when the fair value of a derivative or portfolio of derivatives exceeds an agreed amount.

16. Creditors: Amounts falling due within one year

	Group		Association	
	2011 £m	2010 £m	2011 £m	2010 £m
Bank overdraft (note 19)	6.5	9.6	-	-
Bank loans and borrowings (note 19)	2.9	23.2	-	-
	9.4	32.8	-	-
Trade creditors	6.5	21.2	0.5	1.2
Capital creditors	5.6	1.6	-	-
Rent and service charge received in advance	6.3	5.6	-	-
Amount owed to Group undertakings	-	-	7.5	10.7
Recycled capital grant fund (note 18)	2.6	4.1	-	-
Disposal proceeds fund (note 18)	1.6	3.6	-	-
Corporation Tax	0.3	0.4	-	0.4
Other taxation and social security	1.7	1.6	1.6	1.5
Other creditors	3.5	11.0	0.6	0.7
Stock transfer – future works	64.3	44.1	-	-
Accruals and deferred income	61.1	62.4	1.8	1.8
Total creditors - due within one year	162.9	188.4	12.0	16.3

Bank overdrafts are secured by a fixed and/or floating charge over the assets of the relevant subsidiaries.

Notes to the financial statements for the year ended 31 March 2011 (continued)

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

	Group		Association	
	2011 £m	2010 £m	2011 £m	2010 £m
Bank loans and borrowings (note 19)	1,641.6	1,528.8	-	-
Obligations under finance leases (note 19)	1.1	1.4	-	-
	1,642.7	1,530.2	-	-
Recycled Capital Grant Fund (note 18)	2.5	4.4	-	-
Disposal Proceeds Fund (note 18)	2.6	2.2	-	-
Amounts owed to Group undertakings	-	-	10.4	13.1
Other creditors	0.3	0.6	-	-
Financial deferred income	1.0	1.1	-	-
Other deferred Income	1.7	3.9	-	-
Stock transfer – future works	259.9	316.5	-	-
Total creditors - due after more than one year	1,910.7	1,858.9	10.4	13.1

The obligations under finance leases and hire purchase contracts represent outstanding capital on leasing commitments linked to deferred mortgages.

The provisions for stock transfer works relates to the costs of the works programme to be undertaken on stock transferred from the local authority and reflects legally binding obligation to undertake works under refurbishment contracts. The amounts are broken down between amounts due in less than one year and amounts due after more than one year.

18. Reconciliation of RCGF and DPF balances

	RCGF £m	DPF £m
As at 1 April 2010	8.5	5.8
Inputs to reserve:		
- Grants recycled	(0.1)	1.7
- New build	(3.3)	(3.3)
As at 31 March 2011	5.1	4.2
Amount due for repayment to the Homes and Communities Agency		
- due within 1 year	2.6	1.6
- due within 2–3 years	2.5	2.6
As at 31 March 2011	5.1	4.2

The obligations under finance leases and hire purchase contracts represent outstanding capital on leasing commitments linked to deferred mortgages.

The provisions for stock transfer works relates to the costs of the works programme to be undertaken on stock transferred from the local authority and reflects legally binding obligation to undertake works under refurbishment contracts. The amounts are broken down between amounts due in less than one year and amounts due after more than one year.

19. Debt analysis

Housing and non - housing loans	Group		Association	
	2011 £m	2010 £m	2011 £m	2010 £m
Due within one year				
Bank overdraft	6.5	9.6	-	-
Bank loans	2.9	12.4	-	-
Orchardbrook loans	-	10.8	-	-
	9.4	32.8	-	-
Due after more than one year				
Bank loans	1,264.0	1,258.8	-	-
Bonds	377.6	270.0	-	-
Obligations under finance leases	1.1	1.4	-	-
	1,642.7	1,530.2	-	-
	1,652.1	1,563.0	-	-

	Group		Association	
	2011 £m	2010 £m	2011 £m	2010 £m
Within one year	9.4	32.8	-	-
Between one and two years	4.6	1.0	-	-
Between two and five years	27.0	11.0	-	-
After five years	1,611.1	1,518.2	-	-
	1,652.1	1,563.0	-	-

The £10.8 million Orchardbrook loan was repaid during the course of the year and irrecoverable notices of prepayment have been issued for £23.3 million of fixed debt held in the Registered Providers, which were refinanced by loans from Circle Anglia Treasury Limited.

Of the total loans above £1,526.3 million (2010: £1,329.9 million) was drawn from committed facilities of £1,992.4 million (2010: £1,683.0 million), arranged through the Group's borrowing vehicle, Circle Anglia Treasury Limited, of which £385.0 million (2010: £275 million)

is represented by the Bond issue through Circle Anglia Social Housing Plc.

Circle Anglia Treasury Limited directly funds the borrowing requirements of the charitable RPs within the Group. £51.1 million (2010: £103.3 million) of facilities still reside within the charitable RPs (£0.7 million finance lease in Wherry Housing Association, £21.7 million in historic bonds and loans in Circle 33 Housing Trust, £28.7 million in Mercian Housing Association).

Under the facilities, the loans which

are repayable at various dates through to 2048 and are secured by fixed charges over the completed housing properties of the participating Group members and a series of cross guarantees. The weighted average utilised facility life is 9 years and the weighted average rate of interest charged was 4.58% (2010: 4.6%). The weighted average facility expiry is 27 years.

Notes to the financial statements for the year ended 31 March 2011 (continued)

19. Debt analysis (continued)

Landericus has separate borrowings of £30.6 million (34.2 million).

Included within the debt are fair value amounts of £15.7 million relating to the acquisition of Mercian Housing Association and £20.9 million relating to the acquisition of Russet Homes

Limited. The fair value adjustments represent the difference between the book value and the fair value at the date of the acquisitions and this is the price the loans are carried at in the accounts.

Also included within the debt are

Bond premium of £4.4 million and interest of £0.4 million on the finance lease.

The following tables show the maturity and margins on the principle borrowings:

Maturity of debt

Group	Short term borrowings £m	Loans falling due after more than one year £m	Total £m
Revolver	-	180.1	180.1
Term	1.1	1,026.7	1,027.8
Bond	0.1	397.5	397.6
Other	0.1	1.6	1.7
Finance Lease	-	0.7	0.7
	1.3	1,606.6	1,607.9
Unamortised arrangement fees	(0.5)	(9.4)	(9.9)
Maturity of debt as at 31 March 2011	0.8	1,597.2	1,598.0
Maturity of debt as at 31 March 2010	30.1	1,494.0	1,524.1

	Funding Group			Non Funding Group			Group Total £m
	Short term borrowings £m	Loans falling due after more than one year £m	Total £m	Short term borrowings £m	Loans falling due after more than one year £m	Total £m	
Revolver	-	180.1	180.1	-	-	-	180.1
Term	0.7	996.5	997.2	0.4	30.2	30.6	1,027.8
Bond	0.1	397.5	397.6	-	-	-	397.6
Other	0.1	1.6	1.7	-	-	-	1.7
Finance Lease	-	0.7	0.7	-	-	-	0.7
	0.9	1,576.4	1,577.3	0.4	30.2	30.6	1,607.9
Unamortised arrangement fees	(0.4)	(9.1)	(9.5)	(0.1)	(0.3)	(0.4)	(9.9)
Maturity of debt as at 31 March 2011	0.5	1,567.3	1,567.8	0.3	29.9	30.2	1,598.0
Maturity of debt as at 31 March 2010	17.7	1,305.4	1,323.1	12.4	188.6	201.0	1,524.1

Maturity of borrowings

Group	Within one year £m	Between one and two years £m	Between one and two years £m	After five years £m	Total £m
Revolver	-	0.4	4.8	174.9	180.1
Term	1.1	2.4	16.8	1,007.5	1,027.8
Bond	0.1	0.1	0.5	396.9	397.6
Other	0.1	0.1	0.4	1.1	1.7
Finance Lease	-	-	-	0.7	0.7
	1.3	3.0	22.5	1,581.1	1,607.9
Unamortised arrangement fees	(0.5)	(0.5)	(1.2)	(7.7)	(9.9)
Maturity of debt as at 31 March 2011	0.8	2.5	21.3	1,573.4	1,598.0
Maturity of debt as at 31 March 2010	30.1	0.7	10.2	1,483.1	1,524.1

Maturity of facilities

Group	Within one year £m	Between one and two years £m	Between one and two years £m	After five years £m	Total £m
Revolver	-	0.4	4.8	389.8	395.0
Term	1.1	2.4	16.8	1,241.7	1,262.0
Bond	0.1	0.1	0.5	415.0	415.7
Other	0.1	0.1	0.4	1.1	1.7
Finance Lease	-	-	-	0.7	0.7
Maturity of debt as at 31 March 2011	1.3	3.0	22.5	2,048.3	2,075.1
Maturity of debt as at 31 March 2010	37.8	1.0	11.0	1,935.5	1,985.3

Notes to the financial statements for the year ended 31 March 2011 (continued)

19. Debt analysis (continued)

Interest rate analysis

Group					
	Total £m	Floating rate £m	Fixed rate £m	Fixed interest rate %	Time fixed rate debt in Years
Revolver	180.1	142.6	37.5	4.1%	14
Term	1,027.8	-	1,027.8	4.3%	12
Bond	397.6	-	397.6	7.4%	26
Other	1.7	-	1.7	5.2%	11
Finance Lease	0.7	-	0.7	10.5%	16
As at 31 March 2011	1,607.9	142.6	1,465.3	5.1%	16
As at 31 March 2010	1,532.0	92.2	1,439.8	7.0%	23
Cash					
Deposits	(41.6)	-	(41.6)	8.9%	17
Collateral Deposits	(1.5)	(1.5)	-	0.0%	0
Cash and Deposits	(43.1)	(1.5)	(41.6)	8.5%	16
Net Borrowings	1,564.8	141.1	1,423.7	5.1%	16

The above numbers are based on the notional amount and do not include any adjustments for the issue premium to the amount of debt or effective interest rate.

Currency and interest rate analysis of debt

Group					
	Total £m	Floating rate £m	Fixed rate £m	Fixed interest rate %	Time fixed rate debt in Years
Sterling	1,577.3	133.7	1,443.6	5.1%	16
Euro	30.6	8.9	21.7	5.0%	9
As at 31 March 2011	1,607.9	142.6	1,465.3	5.1%	16
As at 31 March 2010	1,532.0	131.2	1,400.8	4.6%	19

20. Financing deferred income

Deferred income	Group	
	2011 £m	2010 £m
As at 1 April	-	0.2
Released in the year	-	(0.2)
Transferred to creditors less than one year	-	-
As at 31 March	-	-
Total	-	-

21. Deferred tax

	Group		Association	
	2011 £m	2010 £m	2011 £m	2010 £m
Deferred tax relating to gift aid paid post year-end	-	-	-	-
Provision for deferred taxation	-	-	-	-
Provision as at 1 April	0.1	-	-	-
Deferred tax credit for period (note 10)	-	0.1	-	-
Deferred tax asset as at 31 March	0.1	0.1	-	-

22. Financial commitments

Capital expenditure	Group	
	2011 £m	2010 £m
Expenditure contracted but not provided in the accounts	92.1	78.7
Expenditure authorised by the Board, but not contracted	-	84.0
As at 31 March	92.1	162.7

Notes to the financial statements for the year ended 31 March 2011 (continued)

23. Operating leases

At 31 March 2011 there were the following annual operating lease commitments on leases expiring:

	Group		Association	
	2011 £m	2010 £m	2011 £m	2010 £m
Within one year:				
Land and Buildings	0.1	0.1	-	-
Rentals Payable on Other	0.5	0.6	0.3	0.3
Between two and five years:				
Land and Buildings	0.9	0.1	0.2	-
Rentals Payable on Other	0.9	0.6	0.6	0.6
After five years:				
Land and Buildings	1.2	1.7	0.5	0.6
Rentals Payable on Other	-	-	-	-
	3.6	3.1	1.6	1.5

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

	Group	
	2011 £m	2010 £m
Operating surplus	89.5	67.7
Depreciation of tangible fixed assets	26.9	21.9
Impairment of housing properties	10.7	(1.4)
Bond premium amortisation	(0.1)	-
Exceptional pension credit	(8.8)	-
FRS17 provision movement	(1.9)	(1.2)
	116.3	87.0
Working capital movements		
Stock	6.2	16.3
Debtors	2.8	11.3
Creditors	(22.7)	(20.2)
Net cash inflow from operating activities	102.6	94.4

25. Reconciliation of net cash flow to movement in net debt

	Group	
	2011 £m	2010 £m
(Decrease)/Increase in cash	(22.7)	19.5
Cash outflow from increase in liquid resources	(12.7)	(14.1)
Cash (inflow) from increase in debt	(65.8)	(42.8)
Loans acquired on acquisition of subsidiaries	(25.9)	(70.5)
Fixed asset investments acquired on acquisition	-	1.2
Loan fair value adjustments	(0.5)	(17.2)
Increase in net debt from cash flows	(127.6)	(123.9)
Net Debt at 1 April	(1,517.6)	(1,393.7)
Net Debt at 31 March	(1,645.2)	(1,517.6)

26. Analysis of changes in net debt

Group	At 1 April 2010 £m	Acquired with new subsidiary £m	Fair value adjustments £m	Cashflow £m	At 31 March 2011 £m
Cash at bank in hand	32.7	-	-	(25.8)	6.9
Bank overdraft	(9.6)	-	-	3.1	(6.5)
Changes in cash	23.1	-	-	(22.7)	0.4
Current asset investments	12.7	-	-	(12.7)	-
Loans	(1,553.4)	(25.9)	(0.5)	(65.8)	(1,645.6)
Changes in net debt	(1,517.6)	(25.9)	(0.5)	(101.2)	(1,645.2)

Notes to the financial statements for the year ended 31 March 2011 (continued)

27. Acquisition of subsidiary undertaking

On 19 January 2011, Your Litespace Limited and Circle Anglia Limited acquired the remaining 50% of the joint venture Leamington Waterfront LLP. The goodwill will be amortised over the trade out period matched against sales activity, which is planned to be 5.5 years

Fair value of net assets acquired	Cost £m	Fair Value £m
Work in progress	24.2	10.2
Creditors	(0.1)	(0.1)
Loans	(25.9)	(24.2)
Net assets acquired		(14.1)
Consideration		-
Goodwill arising on acquisition		(14.1)

The goodwill arising on acquisition has been reviewed for impairment and a prudent view was taken of the future trading results of the development. As a result of the review, an impairment of £4.5 million has been recognised in the Income and Expenditure Account.

	£m
Goodwill arising on acquisition of subsidiary	14.1
Impairment of goodwill	(4.5)
Goodwill recognised in the accounts	9.6

28. Contingent liabilities

Circle Thirty Three Housing Trust Limited is contracted to two performance bonds, one for £250,000 with Lewisham Borough Council and one for £78,840 with the London Borough of Islington. These have been set up to compensate the relevant District Council for the cost of finding a new contractor in the event of the Group's non-performance. No events

have occurred which would result in the crystallisation of this bond.

Wherry Housing Association has guaranteed the commitment of office leases taken out by Circle Anglia Limited, which are subject to annual payments of £167,000 (plus VAT) until 2016.

Circle Support is contracted to a

financial guarantee for £37,000 with the London Borough of Camden for pension liabilities for staff that have been transferred under the Transfer of Undertakings (Protection of Employment) arrangements. No event has occurred that would result in the crystallisation of this guarantee.

29. Contingent asset

During the year Art Homes Ltd administered Property Appreciation Loans (PAL) which contain a clause entitling the Company to an additional repayment in excess of the loan balance if the market value of the property used as security for the loan

increases during the duration of the loan. Due to the varying nature and uncertainty of the property market and the uncertainty in relation to potential crystallisation dates, it is not practicable to estimate the potential financial effect of the contingent

asset on the financial statements.

No provision has been made in the financial statements for any additional repayments that may become due as a result of the above clause.

30. Pension obligations

Group summary

a) Defined contribution schemes

Members of the Group also participate in a number of defined contribution schemes administered by several pension providers in respect of certain employees. The total of all employer pension costs in respect of the year ended 31 March 2011 is shown in the employees note.

b) Defined benefit schemes

Members of the Group operate a number of defined benefit pension schemes, as summarised below:

Scheme	Norfolk County Superannuation Fund	Surrey County Council Superannuation Fund	Cambridgeshire County Council Superannuation Fund	Kent County Council Pension Fund	London Borough of Merton Pensions Fund	Other	Totals
Group Member	Circle Anglia Limited	Anglia Maintenance Services	Mole Valley Housing Association	Rodsons Housing Association	Invicta Telecare Homes	Russet Homes	Merton Priority Homes
Current number of employees in the scheme	60	53	39	79	171	61	150
Scheme deficit at 31 March 2011	(7.9)	(0.7)	(0.4)	(0.9)	(1.0)	(4.3)	(0.1)
Deferred tax asset	2.2	0.2	-	0.3	-	-	-
Net scheme deficit at 31 March 2011	(5.7)	(0.5)	(0.4)	(0.9)	(0.7)	(4.3)	(0.6)

Note: Details of all of the funds can be found in the individual statutory accounts. Other represents four Pension funds for Circle Support and Old Ford each with fewer than 10 members and therefore considered to be below the materiality level for reporting in the consolidated accounts. The Pension

Funds are:- Islington Council (Circle Support), London Borough of Camden (Circle Support), London Borough of Tower Hamlets (Old Ford) and London Pensions Fund Authority (Old Ford).

fewer active members and therefore have not been disclosed on grounds of materiality; National Health Service Pension Scheme, Social Housing Pension Scheme.

The following defined benefit schemes have 10 or

Notes to the financial statements for the year ended 31 March 2011 (continued)

30. Pension obligations (continued)

Group summary (continued)

Principal actuarial assumptions at the year end were as follows:

	2011	2010
Inflation	2.7 - 2.8%	3.3 - 3.9%
Pension increase rate	2.7 - 2.9%	3.3 - 3.9%
Salary increase rate	4.5 - 5.1%	5.1 - 5.4%
Expected return on assets	6.7 - 7.0%	6.8 - 7.3%
Discount rate	5.5%	5.5 - 5.6%

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

	Males in years	Females in years
Current pensioner aged 65	19.8 - 21.9	23.0 - 24.0
Future retiree upon reaching 65	21.9 - 23.9	24.9 - 26.5

The fair value of the assets held by the pension scheme and the expected rate of return for each asset is as follows:

Long term expected rates of return:

	2011	2010
Equities	7.4 - 7.9%	7.5 - 8.0%
Bonds	4.9 - 5.5%	5.0%
Gilts	4.4%	4.5%
Other Bonds	5.1 - 5.5%	5.2 - 5.5%
Property	5.4 - 6.5%	5.5 - 7.3%
Cash	0.5 - 4.6%	0.5 - 5.5%
Target return portfolio	4.5%	4.5%
Alternative assets	6.4%	6.5 - 7.5%

Fair Value:

	2011 £m	2010 £m
Equities	48.5	44.5
Bonds	5.9	5.9
Gilts	2.8	2.0
Other Bonds	2.7	2.8
Property	5.7	4.7
Cash	1.7	2.6
Target return portfolio	0.1	0.1
Alternative assets	0.1	0.2
	67.4	62.8

Group summary (continued)

The net pension deficit at the year end comprised the following:

	2011 £m	2010 £m
Total market value of assets	67.4	62.8
Present value of scheme liabilities	(83.0)	(104.7)
	(15.6)	(41.9)
Present value of unfunded liabilities	(0.3)	(0.4)
	(15.9)	(42.3)
Related deferred tax asset	2.7	6.0
Net pension liability	(13.2)	(36.3)

The net pension deficit at the year end comprised the following:

	2011 £m	2010 £m
Deficit in schemes at beginning of the year	(42.3)	(14.1)
Opening balance of new entities at point of entrance	-	(4.9)
Movement in year:		
Current service cost	(2.7)	(1.2)
Settlements and curtailments	-	(0.2)
Contributions by the employer	4.7	2.4
Interest cost	(5.3)	(3.9)
Expected return on assets	4.5	2.6
Exceptional pension credit	9.9	-
Actuarial gains/(losses)	15.3	(23.0)
Deficit in schemes at the end of the year	(15.9)	(42.3)

Notes to the financial statements for the year ended 31 March 2011 (continued)

30. Pension obligations (continued)

Group summary (continued)

Movement in the present value of defined benefit obligation:

	2011 £m	2010 £m
As at 1 April	(105.1)	(67.0)
Current service cost	(2.7)	(1.1)
Interest cost	(5.3)	(3.9)
Contributions by members	(0.9)	(0.6)
Settlements and curtailments	-	(0.2)
Actuarial gains/(losses)	8.6	(34.1)
Exceptional pension credit	9.9	-
Estimated benefit paid	2.2	1.8
As at 31 March	(83.3)	(105.1)

Movement in the fair value of the plan assets:

	2011 £m	2010 £m
As at 1 April	62.8	47.8
Expected return on assets	4.5	2.6
Contributions by the employer	4.7	2.4
Contributions by members	0.9	0.6
Actuarial (losses)/gains	(3.3)	11.2
Estimated benefits paid	(2.2)	(1.8)
As at 31 March	67.4	62.8

The Group expects the employer's contribution for the year ended 31 March 2012 to be approximately £3.2 million.

The major categories of plan assets as a percentage of total plan assets are as follows:

	2011	2010
Equities	71.9%	70.9%
Bonds	8.7%	9.4%
Gilts	4.2%	3.2%
Other Bonds	4.1%	4.5%
Property	8.4%	7.5%
Cash	2.5%	4.0%
Target return portfolio	0.1%	0.2%
Alternative assets	0.1%	0.3%

Group summary (continued)

Analysis of the amount charged to operating surplus	2011 £m	2010 £m
Current service cost	2.7	1.1
Settlements and curtailments	0.1	0.2
Exceptional pension credit	(8.8)	-
Total operating (credit)/charge	(6.0)	1.3

Analysis of the amount credited to other finance income	2011 £m	2010 £m
Expected return on pension scheme assets	4.5	2.6
Interest on pension scheme liabilities	(5.3)	(3.8)
Net cost	(0.8)	(1.2)

History of plan

The history of the plan for the current and prior periods is as follows:

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Present value of scheme liabilities	(83.3)	(105.1)	(52.8)	(52.9)	(50.3)
Fair value of scheme assets	67.4	62.8	38.7	46.1	39.6
Deficit	(15.9)	(42.3)	(14.1)	(6.8)	(10.7)

History of experience gains and losses

	2011 £m/%	2010 £m/%	2009 £m/%	2008 £m/%	2007 £m/%
Experience adjustments on scheme liabilities	8.0	0.0	0.00	(0.8)	0.6
Percentage of year end scheme liabilities	9.62%	0.00%	0.00%	(1.51)%	1.19%
Experience adjustments on scheme assets	(2.7)	11.0	(13.1)	(5.5)	(0.3)
Percentage of year end scheme assets	(4.01)%	17.52%	(33.85)%	(11.93)%	(0.76)%
Total amount recognised in the Statement of Total Recognised Surpluses and Deficits	16.4	(23.1)	(7.5)	2.3	3.9
Percentage of year end scheme liabilities	19.69%	(21.98)%	(14.20)%	4.35%	7.75%

Notes to the financial statements for the year ended 31 March 2011 (continued)

30. Pension obligations (continued)

Circle Anglia Limited

The Norfolk County Council Superannuation Fund

The Association operates a defined benefit scheme for employees, the assets of which are held in a separate trustee administered fund, the Norfolk County Council Superannuation Fund. The actuarial liabilities in relation to the scheme are subject to triennial valuation by independent actuaries. An actuarial valuation was carried out as at 31 March 2007 using the projected unit method. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

Principal actuarial assumptions at the year end were as follows:

	2011	2010
Inflation	2.8%	3.8%
Pension increase rate	3.8%	3.8%
Salary increase rate	5.1%	5.3%
Expected return on assets	6.7%	6.9%
Discount rate	5.5%	5.5%

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

	Males in years	Females in years
Current pensioner aged 65	21.2	23.4
Future retiree upon reaching 65	23.6	25.8

The fair value of the assets held by the pension scheme and the expected rate of return for each asset is as follows:

Long term expected rates of return:

	2011	2010
Equities	7.5%	7.8%
Bonds	4.9%	5.0%
Property	5.5%	5.8%
Cash	4.6%	5.5%

Fair Value

	2011 £m	2010 £m
Equities	13.5	13.6
Bonds	3.3	3.4
Property	2.2	2.0
Cash	0.6	1.3
	19.6	20.3

The net pension deficit at the year end comprised the following:

	2011 £m	2010 £m
Total market value of assets	19.7	20.3
Present value of scheme liabilities	(27.3)	(35.8)
	(7.6)	(15.5)
Present value of unfunded liabilities	(0.3)	(0.3)
	(7.9)	(15.8)
Scheme deficit	(7.9)	(15.8)
Related deferred tax asset	2.2	4.4
	(5.7)	(11.4)
Net pension liability	(5.7)	(11.4)

Movement in deficit in the year:

	2011 £m	2010 £m
Deficit at the beginning of the year	(15.8)	(6.2)
Current service costs	(0.4)	(0.2)
Contributions paid	0.5	0.5
Expected return on employer assets	1.5	1.0
Past service costs	3.8	-
Interest cost	(1.8)	(1.5)
Settlements and curtailments	-	(0.1)
Actuarial gain/(loss)	4.3	(9.3)
Deficit at the end of the year	(7.9)	(15.8)

Movement in the present value of defined benefit obligation:

	2011 £m	2010 £m
As at 1 April	(36.1)	(21.6)
Current service cost	(0.4)	(0.2)
Interest cost	(1.8)	(1.5)
Contributions by members	(0.1)	(0.2)
Settlements and curtailments	(0.1)	(0.1)
Actuarial gains/(losses)	6.2	(13.1)
Past service costs	3.8	-
Estimated benefit paid	0.9	0.6
As at 31 March	(27.6)	(36.1)

Notes to the financial statements for the year ended 31 March 2011 (continued)

30. Pension obligations (continued)

Circle Anglia Limited

Movement in the fair value of the plan assets:

	2011 £m	2010 £m
As at 1 April	20.3	15.4
Expected return on assets	1.5	1.0
Contributions by the employer	0.5	0.5
Contributions by members	0.1	0.2
Actuarial (losses)/gains	(1.8)	3.8
Estimated benefits paid	(0.9)	(0.6)
As at 31 March	19.7	20.3

The Association expects the employer's contribution for the year ended 31 March 2012 to be approximately £869,000.

The major categories of plan assets as a percentage of total plan assets are as follows:

	2011	2010
Equities	69%	67%
Bonds	17%	17%
Property	11%	10%
Cash	3%	6%

Analysis of amounts charged to the income and expenditure:

	2011 £m	2010 £m
Current service costs	0.4	0.2
Past service costs	-	-
Settlements and curtailments	0.1	-
Total charge	0.5	0.2

Analysis of amounts charged to other finance costs:

	2011 £m	2010 £m
Expected return on assets	1.5	1.0
Interest on liabilities	(1.8)	(1.5)
Net expenditure	(0.3)	(0.5)

History of plan

The history of the plan for the current and prior periods is as follows:

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Present value of scheme liabilities	(27.6)	(36.1)	(21.6)	(22.2)	(24.8)
Fair value of scheme assets	19.7	20.3	15.4	19.3	19.8
Deficit	(7.9)	(15.8)	(6.2)	(2.9)	(5.0)

History of experience gains and losses

	2011 £m/%	2010 £m/%	2009 £m/%	2008 £m/%	2007 £m/%
Experience adjustments on scheme liabilities	4.1	-	-	(0.6)	0.5
Percentage of year end scheme liabilities	14.86%	0.00%	0.00%	(2.84)%	2.63%
Experience adjustments on scheme assets	(1.8)	3.8	(5.4)	(1.8)	(0.1)
Percentage of year end scheme assets	(9.18)%	18.7%	(35.34)%	(6.07)%	(0.40)%
Total amount recognised in the Statement of Total Recognised Surpluses and Deficits	4.3	(9.3)	(3.2)	2.1	2.1
Percentage of year end scheme liabilities	15.74%	(25.76)%	(15.09)%	9.25%	8.47%

Defined Contribution Pension Schemes

The Group participates in several stakeholder pension schemes to provide retirement benefits for eligible employees of the Group. Contributions to the Stakeholder Pension Scheme are calculated as a percentage of pensionable salary and are charged to the Income and Expenditure Account. The schemes are not contracted out of the State Earnings Related Pension Scheme. Monthly contributions from each member are invested in the Standard Life Corporate Plan in accordance with the wishes of each member.

Social Housing Pension Scheme (SHPS)

The Group participates in the Social Housing Pension Scheme (the Scheme). The Scheme is funded and is contracted-out of the State Pension scheme.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belong 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 for

total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS 17 represents the employer contribution payable.

The Trustee commissions an individual valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to address the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

Notes to the financial statements for the year ended 31 March 2011 (continued)

30. Pension obligations (continued)

Social Housing Pension Scheme (SHPS) (continued)

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 the liabilities of £663 million, equivalent to a past service funding level of 69.7%.

The Scheme Actuary has prepared an

Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2010. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £1,985 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £497

million, equivalent to a past service funding level of 80.0%.

The next triennial formal valuation of the Scheme is due as at 30 September 2011. The results of the valuation will be available in the autumn of 2012.

31. Provisions

	2011 £m	2010 £m
Provision relating to investments	-	3.3
	-	3.3

32. Non equity share capital

	Association	
	2011 £	2010 £
Shares of £1 each issued and fully paid		
As at 1 April	9	11
Shares issued during the year	4	1
Shares surrendered during the year	(3)	(3)
As at 31 March	10	9

With the exception of the Chief Executive Officer, each member of the Board of Management holds a non-equity share of £1 in the Association. The shares carry the right to vote at meetings of members on the basis of one share, one vote. They do not carry any right to a dividend, to any redemption value or to any distribution on winding up.

33. Reserves

Group

	Designated reserves			Revenue reserve £m	Total £m
	Major repairs reserve £m	Improvements Reserve £m	Other designated reserves £m		
As at 1 April 2010	0.7	0.5	5.1	316.8	323.1
Surplus for the year	-	-	-	28.1	28.1
Transfer between reserves	(0.1)	-	0.1	-	-
Surplus on exchange rates				0.2	0.2
Pension actuarial gain net of deferred tax and exceptional pension credit	-	-	-	13.2	13.2
Fair value adjustments from Leamington (JV to subsidiary)	-	-	-	(2.0)	(2.0)
AMS 2010 WIP adjustment				(0.4)	(0.4)
As at 31 March 2011	0.6	0.5	5.2	355.9	362.2

Major repairs reserves and improvements reserves represent the amount of accumulated surpluses put aside to fund major repairs and improvements expenditure on Group

properties, and as such are not freely available for general use. Other designated reserves represent the amounts for leaseholder sinking funds and supported housing and

general needs scheme upgrades. The revenue reserve is used towards funding the day-to-day operations of the Group

34. Reconciliation of movement in group and association funds

	Group		Association	
	2011 £m	2010 £m	2011 £m	2010 £m
At 1 April (See note 33)	323.1	497.2	(11.6)	(4.9)
Surplus / (deficit) for the financial year	28.1	12.4	-	-
Surplus/(deficit) on exchange rates	0.2	(0.6)	-	-
Opening deficit on pension scheme	-	(3.9)	-	-
Prior year adjustments	-	(162.8)	-	-
Net actuarial gains/(losses) net of deferred tax and exceptional pension credit	13.2	(19.2)	2.2	(6.7)
AMS 2010 WIP adjustment	(0.4)	-	-	-
Fair value adjustments from Leamington (JV to subsidiary)	(2.0)	-	-	-
Closing funds	362.2	323.1	(9.4)	(11.6)

