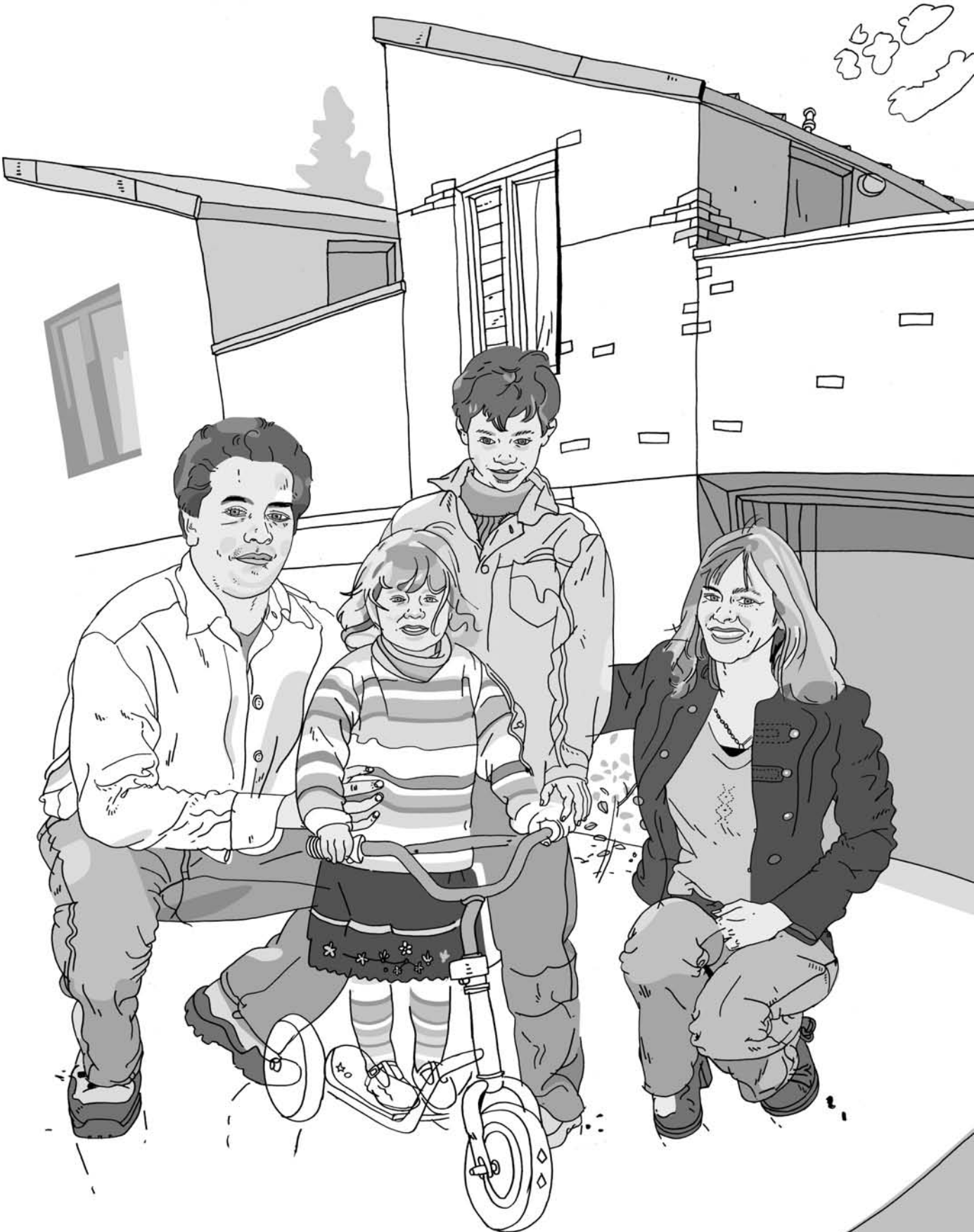




Circle
Anglia



Financial statements 2007

Board members

The day-to-day activity of Circle Anglia (the association; a group of Registered Social Landlords (RSL's) and other partners, initially brought together by the merger between the Circle 33 Housing Group and the Anglia Housing Group) is carried out by Executive Directors on behalf of the Board.

As at the 31 March 2007 the Board of Circle Anglia Limited comprised:

Jon Gooding

Group Chair and Independent member, resigned 29 May 2007

Roger Humber

Group Vice Chair and Independent member

Mark Rogers

Group Chief Executive

Robert Burgin

Independent member

Alan Hall

South Anglia Housing Limited

Jitinder Kohli

EPIC Trust

Martin Shaw OBE

Independent member

Kenneth Shipman

Wherry Housing Association Limited

Ayo Odukoya

Independent member, appointed 1 July 2006

Terry Stacy JP

Old Ford Housing Association, appointed 19 December 2006

Jane Clarkson

Independent member, appointed 26 September 2006

The following served as Board members, but resigned during the year to 31 March 2007:

Jacque Cannon OBE

Anglia Commercial Services Limited, resigned 30 June 2006

Nicholas Riddell

Circle Thirty Three Housing Trust Limited, resigned 31 December 2006

Michael Tripp

Independent member, resigned 18 December 2006

Ann Lucas

Old Ford Housing Association, resigned 30 June 2006

Group executive officers

Mark Rogers

Group Chief Executive

Howard Cresswell

Deputy Group Chief Executive

Rosemary Farrar

Group Finance Director, to 22 May 2006

Philippa Newsam

Interim Group Finance Director, to 16 October 2006

Calum Mercer

Group Finance Director, from 16 October 2006

Paul Maton

Group Director of Commercial Services, from 30 September 2006

John Macfarlane

Group Director of Customer Services, to 16 August 2006

Andy Doyle

Group Director of Development

Robert Black

Group Director of Support Initiatives, to 15 August 2006

Robert Black

Group Director of Services, from 16 August 2006

David Williams

Group Director of Business Growth

About our housing stock

Circle Anglia 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.

We have also developed a commercial approach to development to help fund an increased affordable housing programme, with income from a combination of grant, use of our 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.

The number of units owned and managed by the group has steadily increased as new developments are constantly being handed over. Properties managed by the group have reduced in 2006/07 as a result of the expiry of a contract with Lewisham Council to manage their properties.

Circle Anglia's management stock profile at 31 March 2007 is disclosed below:

Circle Anglia's management stock profile at 31 March 2007

	2005	2006	2007
Social housing rented	24,502	24,565	25,117
Shared ownership	1,211	1,298	1,633
Keyworker	236	236	–
Leasehold	491	540	791
Temporary	24	31	–
Non-social rented	125	125	287
Other non-social	115	115	111
Total stock owned	26,704	26,910	27,939
Accommodation managed on behalf of others	7,513	7,779	1,021
Less stock owned but not managed	(1,105)	(1,057)	(1,135)
Total stock managed	33,112	33,632	27,825

Long-term business plan, objectives and strategy

The four key themes of our long-term business plan are:

High levels of customer satisfaction

Circle Anglia aims to deliver reliable and effective services that meet the needs and aspirations of our customers. By doing this we aim to achieve high levels of customer satisfaction across the group.

Building financial strength

Circle Anglia aims to optimise financial capacity and operate to maximum efficiency.

Achieving growth

Circle Anglia aims to grow to at least 60,000 units by 2010. In the light of the anticipated growth in 2007/08, we will review our goal and consider a more rounded set of growth targets that encompass the range of services provided by the group.

Improving performance

To deliver our ambitious growth and improvement objectives we must be an organisation with effective structures, leadership and culture.

Detailed plans to deliver these aims are set out in the five-year plan for the group, and the annual plan supports the first year of these activities.

Key elements of the plans include:

- Achieving significant improvements in customer satisfaction by 2010. This will be supported by implementing the group's Customer First Strategy for resident involvement and a continuous improvement process including Excellent Estates, The Moving-In Experience and the Respect website, £11m has been allocated in the plans to support the work on the Excellent Estates Initiative. The group is also committed to delivering the promises made to new group partners
- Achieving the Housing Corporation's policy of Decent Homes by 2010 and implementing Circle Anglia's Decent Homes Plus (to exceed the Decent Homes Standard); Partnership work will continue to be developed with Osborne and Anglia Maintenance Services Limited to improve performance and satisfaction levels on repairs
- Carrying out a review and overhaul of Leasehold Services to significantly improve satisfaction levels in five years
- Implementing a Value for Money Strategy which is intended to deliver above-average customer satisfaction with average or below-average costs, and reviewing performance and costs in all areas of the group
- Increasing investment funds available. This will be achieved in part by refinancing, and the improved covenants and margins that brings, as well as increased surpluses from commercial activities. Profits from sales of properties, including the increasing numbers of shared ownership properties being developed, will be used to fund further investment in new and existing properties
- Developing a training programme to increase financial awareness in managers
- Delivering an average of 2,000 – 3,000 development units per year. Some of these units will be delivered for other associations as part of development agency activities

- Delivering an additional 25,000 units in the group by stock transfers or mergers with other associations. Significant progress in this area has already been made, with successful ballots in Mole Valley and Fenland which will bring in an additional 7,600 units. The group is also finalising discussions with Russet Homes, a Kent-based housing association, which should lead to it joining the group this year, bringing an additional 6,600 units.

Operating review

Housing corporation regulation

In December 2006 the Housing Corporation carried out an assessment of Circle Anglia. It awarded the group the maximum score of four green traffic lights for our performance in the key areas of viability, governance, management and development.

Audit commission inspections

The Audit Commission inspected both Anglia Housing Group and Circle 33 Housing Group (excluding Old Ford Housing Association) in 2003 and judged that they were providing a satisfactory service.

Both Anglia Housing Group and Circle 33 Housing Group put in place comprehensive action plans to address the recommendations in the Commission's two reports.

Old Ford Housing Association, one of the four RSLs that make up Circle Anglia, was inspected in 2005 and was found to be delivering a fair service with excellent prospects for improvement. Old Ford Housing Association is delivering the actions agreed to improve the service, in line with the Audit Commission's recommendations.

Performance measures

The following tables show operating performance against the key performance indicators (KPIs) used

by the Boards of the partner RSLs. They are shown by the four RSL partners that make up Circle Anglia.

Circle Thirty Three Housing Trust

	2004/05	2005/06	2006/07
Rent collected as % of rent due	100.1%	99.8%	99.5%
Current tenant arrears as % of rent roll	6.0%	5.0%	4.8%
Average weekly gross rent	£75.34	£79.07	£83.24
Average re-let turnaround time (days)	27	25	43.4
Dwellings vacant and available to let	0.5%	0.9%	0.6%
Dwellings vacant but unavailable to let	2.8%	2.4%	2.6%
Emergency repairs completed within target	87.3%	86.4%	86.8%
Urgent repairs completed within target	88.2%	81.9%	82.1%
Routine repairs completed within target	81.6%	86.4%	87.9%
Average SAP rating (energy efficiency)	73	73	73
% of homes failing the Decent Homes standard	26.5%	26.3%	6.5%
% of tenants satisfied with the overall service	60.1%	61.0%	61.0%

- Overall Circle Thirty Three Housing Trust finished the year strongly, with rent collection, arrears, long-term voids and repairs finishing within target or the agreed tolerance at the year end
- Arrears fell to 4.8%, with a clear downward trend in arrears over the last three years, which is a very good performance and trend
- Circle Thirty Three Housing Trust has a clear strategy in place to build on this improvement in 2007/08 and has a new Managing Director (MD) in place to work with the Senior Management Team (SMT) to continue to deliver sustained improved performance
- The organisation has also made significant investment in developing and embedding the neighbourhood management teams at a local level to ensure this improved performance is linked with an increase in customers' satisfaction
- The performance of short-term voids continues to improve but remains a key focus, as this was out of target at the year end but on a downward trend. The organisation is addressing this, and a thorough review of the void management process resulted in an improvement from a high of 1.7% voids in October 06 to a substantially reduced figure of 0.6% at the year end. We expect performance in 2007/08 to continue to improve
- The average number of days to re-let properties reflects the work undertaken to return long-term voids to a letting condition. In the final quarter new voids are being turned around within target. This will be a key focus for Circle Thirty Three Housing Trust in 2007/08
- Reactive repairs performance was within tolerance. Building on Circle Thirty Three Housing Trust's partnership work with Osborne, Circle Thirty Three Housing Trust will be rolling out its service across London between July and October 2007. The current pilot, which is now finished, had KPI performance around 95% for this area, and we are expecting a step change in performance in 2007/08
- The increased investment in Circle Thirty Three Housing Trust properties has seen a substantial reduction in the number of homes not meeting Decent Homes, down from 26.3% to 6.5%, which is a very positive trend and a reflection of our investment in our homes.

Old Ford Housing Association

	2004/05	2005/06	2006/07
Rent collected as % of rent due	99.1%	101.4%	99.6%
Current tenant arrears as % of rent roll	4.3%	2.5%	2.5%
Average weekly gross rent	£72.59	£75.07	£80.23
Average re-let turnaround time (days)	68	24	22
Dwellings vacant and available to let	0.1%	0.2%	0.1%
Dwellings vacant but unavailable to let	3.1%	2.1%	0.0%
Emergency repairs completed within target	97.9%	97.9%	96.7%
Urgent repairs completed within target	95.5%	92.9%	92.7%
Routine repairs completed within target	95.8%	94.2%	93.7%
Average SAP rating (energy efficiency)	80	80	90
% of homes failing the Decent Homes standard	11.8%	11.6%	0.0%
% of tenants satisfied with the overall service	71.5%	71.5%	71.5%

- The overall performance at Old Ford Housing Association in 2006/07 was excellent throughout this year and builds on the performance of the previous year
- In the area of arrears, we had achieved 2.5% which was in line with the previous year and is a very good performance for a London-based organisation
- Short-term void management continued to be very low at 0.1%, which was an improvement on the year before
- Turnaround times showed a continuous improvement down from 24 days to 22 days
- Long-term voids were excellent at 0%
- This performance reflects an embedded performance management culture within Old Ford Housing Association delivered through a strong and stable senior management and local delivery team
- In the area of repairs we have seen a slight dip in contractor performance, which is being managed with the contractor
- In terms of Decent Homes, Old Ford Housing Association is 100% compliant in this area, which reflects the re-investment in the homes of this organisation
- This performance is overall linked to a high level of customer satisfaction, which remains at 71.5%.

South Anglia Housing

	2004/05	2005/06	2006/07
Rent collected as % of rent due	81.5%	99.2%	99.0%
Current tenant arrears as % of rent roll	3.4%	5.7%	6.2%
Average weekly gross rent	£69.7	£76.5	£77.05
Average re-let turnaround time (days)	36	25	28
Dwellings vacant and available to let	0.3%	1.6%	0.4%
Dwellings vacant but unavailable to let	0.4%	0.5%	0.6%
Emergency repairs completed within target	94.9%	96.8%	97.1%
Urgent repairs completed within target	96.2%	87.7%	80.4%
Routine repairs completed within target	96.4%	94.4%	89.7%
Average SAP rating (energy efficiency)	58	60	71
% of homes failing the Decent Homes standard	30.5%	20.0%	15.15%
% of tenants satisfied with the overall service	75.8%	75.8%	75.8%

- In South Anglia Housing the rent and service charge collection performance ended the year within the tolerance target
- In the area of arrears there was a dip in performance which was linked to the roll-out of a new Housing management system which resulted in a significant drop in performance in September 06. However, these issues have now been addressed and the direction of travel was on an upward curve at year end, and we are expecting performance to improve in 2007/08
- Average turnaround times were within Housing Corporation targets and within the agreed performance tolerance. The management teams have been reviewing allocations process to ensure an improved performance in the coming year
- In terms of short-term voids, we have an excellent improved performance in 2006/07, with voids down to 0.4%. In terms of long-term voids, we have seen an increase in this area which is being reviewed but is due to decanting a large building before redevelopment
- Reactive repairs performance was outside of target and tolerance at the year end. Anglia Maintenance Services Limited, our repairs contractor, introduced a new appointment and management system which had created some backlogs within this area but this has now been addressed. This system will enable the contractor to offer appointments and closer working with South Anglia Housing staff, with the aim of improving the service to customers
- Due to continued investment in South Anglia Housing stock, there has been a continued decrease in the number of homes failing Decent Homes, down from 20% to just over 15%
- In terms of customer satisfaction, South Anglia Housing has continued to have a very high level of customer satisfaction at almost 76%.

Wherry Housing Association

	2004/05	2005/06	2006/07
Rent collected as % of rent due	99.5%	99.9%	99.2%
Current tenant arrears as % of rent roll	5.3%	4.9%	5.8%
Average weekly gross rent	£62.09	£64.54	£68.16
Average re-let turnaround time (days)	32	20	26.1
Dwellings vacant and available to let	0.3%	0.7%	0.5%
Dwellings vacant but unavailable to let	0.9%	0.7%	0.5%
Emergency repairs completed within target	86.1%	96.3%	97.1%
Urgent repairs completed within target	86.6%	91.1%	80.4%
Routine repairs completed within target	93.8%	96.7%	89.7%
Average SAP rating (energy efficiency)	52	52	71
% of homes failing the Decent Homes standard	14.2%	19.0%	15.2%
% of tenants satisfied with the overall service	83.0%	83.0%	75.8%

- Rent collection was in line with tolerances, and arrears showed a slight increase. This was due to introducing a new housing management system that significantly affected rent collection performance in the year. However, the action plan to address this brought the collection within tolerance but unfortunately had an impact on arrears performance. An action team has been set up and a member of staff allocated to review the system group-wide and ensure it meets the needs of the business
- Void management KPIs showed an improvement down from 0.7% to 0.5%. To continue this improvement Wherry Housing Association is working with the local authorities to reduce nomination times and refusal rates further, and will be joining the choice-based lettings scheme in 2007. A number of local initiatives have been initiated by the MD to sustain tenancies to ensure this performance is continuous
- Long-term voids performance again showed an improvement down from 0.7% to 0.5%
- For reactive repairs performance Wherry Housing Association has been outstanding since June, and 90% of jobs have been completed on the first visit. Anglia Maintenance Services Limited, our repairs contractor, has introduced a new IT system to address a slight dip in performance. This will provide the ability to offer customers appointments, which is key to increasing customer satisfaction which dipped down to 75.8%
- Long-term investment in our homes in Wherry Housing Association decreased the number of homes not meeting Decent Homes from 19% to just over 15%.

Employees

Employee information is set out in Note 9 to the financial statements. The Board is committed to the development of best human resources practice across the group, informing and consulting staff on all aspects of its operations through the recognised unions, management team briefings, newsletters and the group intranet. Circle Anglia is a recognised Investor in People.

The group seeks to ensure its workforce reflects the diversity of the population and customers of the areas in which it works. There is a comprehensive diversity strategy in place. Progress against the strategy is monitored by a diversity working group, which includes staff representatives.

The Board is aware of its responsibilities on all matters relating to the health, safety and welfare of employees at work. There is a system of regular inspections, and audits of health and safety.

Investment for the future

Investment in housing stock

The group has identified and cost the work required to ensure that all tenanted properties meet the Government's Decent Homes Standard by 2010/11. All parts of the group now have access to procurement groups such as Buy4London and Procurement for Housing. This significantly reduces the procurement cost of the planned reinvestment programmes.

We have implemented a supply chain management system with key suppliers in order to reduce the cost of procurement and the actual installation time, thus reducing inconvenience to residents.

Circle Anglia has achieved a significant increase in the number of properties meeting Decent Homes Standards. The future programme will improve the remaining properties with the aim of ensuring that all Circle Anglia's units meet Decent Homes Standards by 2010/11.

Organic growth – building new homes

Circle Anglia is a preferred development partner of the Housing Corporation. The group out-performed its 2006/07 targets creating new homes.

Every RSL that is allocated grant from the Housing Corporation agrees a programme for spending this money through the course of the financial year. The Housing Corporation then monitors the RSL's performance in two key areas, being cash spend and completions. This year we have had excellent results across the group. The development teams in London and the Eastern Regions have exceeded the Housing Corporation targets. Eastern Region achieved 112% of the cash spend target and 110% of the completions target. London achieved 158% of cash spend target and 135% of completions.

Circle Anglia has a development strategy to deliver 2,000 new homes per year for group partners and is looking to deliver over 1,000 new homes per annum for other RSLs.

Inorganic growth – mergers, acquisitions, stock transfers and other growth initiatives

In July 2005, the group Board set a target of 20,000 additional homes through inorganic growth by 2010. The 2006/07 Business Growth Strategy focussed mainly on stock transfer activity, although considerable progress was made positioning the group for future regeneration schemes and strategic partnerships with other RSLs.

As a consequence, the next six months will see the group absorb four separate transfers – Fenland, Mole Valley, Mardyke (Havering) and Parkside (Tower Hamlets) – that, if all are successfully concluded, will deliver nearly 11,000 homes. Ballots have been successfully completed on all but Mardyke, and we are focussing on integrating the new organisations into the group.

Russet Homes, an established RSL operating in Kent, have also taken the decision to join the group in October. This increases the group by an additional 6,600 homes, delivering over 85% of the growth target within the first two years of merger. As part of the Russet arrangements, its subsidiary – Invicta Telecare – will also become a group member, providing Telecare services to over 100,000 clients throughout Southern England.

Investment in IT and process improvement

The Circle Anglia merger allowed the group to assess all current systems and extend those which best support the organisation's business goals.

By March 2007, all parts of the group were using common information systems, including a common property management and maintenance system. Self-service functions for booking leave and overtime have been implemented, reducing manual administration of these areas. From April 2007 all expenses claims are being submitted and authorised by the ECOM web-based system. From 1 April 2007 purchase order invoices are being stored in an EDM system as stage one of automation of this process.

The group has extended the variety of rent payment methods available to residents. This allows all customers to pay their rent and service charges by flexible direct debit, website, telephone or payments card at post offices and retail outlets. Significant savings have already been made by negotiating a reduced fee per transaction for processing payments from residents.

Integration of systems following the merger is now substantially complete. Over the next year our attention will turn to ensuring that the current suite of business applications can meet the expanding needs of the group in a cost-effective manner. To that end we will be reviewing the core business applications covering finance and property management to ensure that they will meet the needs of a growing group. The results of this review will be reported to the group Board during 2008.

Financial review

Group turnover and operating surplus/(deficit) by activity are shown below:

	Turnover		Operating surplus/(deficit)	
	2007 £m	2006 £m	2007 £m	2006 £m
Social housing	110.2	103.0	27.7	26.8
Supporting people	12.4	7.5	0.2	0.2
Management services	1.3	6.7	(1.3)	(0.4)
Development Services	0.5	1.4	0.2	(3.1)
Other	6.3	8.9	1.4	0.6
Total	130.7	127.5	28.2	24.1

Main influences and risks

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

- The group's expansion plans, which include the incorporation of up to four new partners, together with further stock transfers and regeneration opportunities
- The requirement to provide value for money, including general needs rents which comply with the Housing Corporation's rent restructuring agenda, demonstrating continuous improvement in output per unit cost across the group and securing the promised merger savings
- Meeting customer service aspirations, which includes measuring and improving performance against Audit Commission Key Lines of Enquiry; involving our residents; and meeting the defined Decent Homes Standards by 2010.

The principal risks revolve around the need to ensure continued support from the Housing Corporation and our funders for our growth plans, without which our targets would not be met. A second area of risk lies in our ability to understand exactly where we are in our performance against customer expectations as well as regulations, as without this our ability to meet customers' standards will be compromised. Another is the need to make sure that our development and growth opportunities meet our internal Net Present Value requirements through robust sensitivity testing and sales forecasting, as these impacts on cash flow targets and thus on lender covenants.

The financial performance for 2006/07 has been strong, with turnover rising 2.5% and the operating surplus before depreciation and impairment increasing by 26.1%. Much of this operating margin improvement is derived from post-merger savings.

Social housing turnover has grown by 7% in the year, 1% over last year's growth, with operating surplus before depreciation and impairment increasing by 11.6% despite continued increased pressure on the maintenance budget. The growth reflects the significant development programmes completed during the year of £113.1m for general housing and shared ownership schemes, most of which were started in the last year and completed this year.

Supporting People activity has continued to grow by 67% within it's funding, producing a small surplus for 2006/07. This is a particularly good performance considering the increased pressure to deliver savings to contracting authorities.

Like many other social housing providers, Circle Anglia develops properties for outright sale and shared ownership. The profits on this activity are used to cross-subsidise our social housing development programme. The surplus on development sales has increased significantly and delivered a surplus of £24.3m.

Property sales

Surplus	2007 £m	2006 £m
Surplus from development sales	24.3	2.1
Surplus on fixed asset sales	14.3	13.4
Total	38.6	15.5

The total development, acquisition and capital improvement activity during the year spent £211.2m to meet growth and quality home improvement targets; these major investments continue to strengthen the financial performance of the group.

Group funding structure and financing

The group currently finances its property assets through loans from the debt and capital markets to the group parent, Circle Anglia, and two group partners – Circle Thirty Three Housing Trust and Old Ford Housing Association. Loan maturity dates range from one month to 39 years. The group has £880m loan facilities from three separate funding structures, two syndicated agent-led facilities and one with multiple bilateral agreements.

Circle Anglia has been restructuring the finances of the group and has negotiated more favourable borrowing terms across the group. Loans to the group parent (Circle Anglia) for Wherry Housing Association and South Anglia Housing were refinanced in May 2007 through a group borrowing vehicle (Circle Anglia Treasury Limited), creating substantial long-term savings to these organisations. Old Ford Housing Association and Circle Thirty Three Housing Trust loans will be finalised in the near future and will add to the organisational savings. The new structure creates a greater depth in the funding market for Circle Anglia and allows each of the group partners to leverage off the strength of the group in order to maximise the delivery of social housing and support the service delivery and future growth ambitions of the group.

Treasury policy

The group and group partners have adopted a group Treasury Policy which sets out the parameters and controls for treasury activities across the group. In compiling these policies, the group has used 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 Housing Corporation.

Loan structure

The group ensures that its borrowings are structured and documented so that the maturity profiles of the loan facilities are managed, with a view to obtaining offer terms for renewing or refinancing, if required, which are competitive and as favourable to the group as can be reasonably achieved. The group's current loan portfolio has been structured to ensure that it will be able to meet all repayments of principal under the loans as required under the relevant loan documentation. 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 refinancing risk.

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

	£m
Less than one year	0.4
1–5 years	3.2
6–10 years	23.4
11–15 years	59.4
16–20 years	73.6
21–25 years	119.3
26–30 years	463.9
Total	743.2

Interest rate risk management

The group's current strategy is to mitigate risk of breaching covenants due to movement in interest and inflation rates whilst ensuring the maximum enterprise value for the organisation. As at March 2007, 70% of the group's debt had been swapped with embedded fixes marking 39% of the hedged component and 31% with freestanding financial instruments.

Cash flows

The consolidated cash flows show that the group generated cash of £39.7m from operations (excluding property sales, gift aid and interest), which, combined with return on investments of £2.2m, covered the loan service costs of £42.5m. £209.2m of expenditure on new development schemes and capital works to existing stock were funded by social housing grant of £29.5m, proceeds of property sales of £46.8m, reductions in cash holdings and net drawdown of loans.

Loan facilities

As at the 31 March 2007, the group had outstanding loans of £743m, with un-drawn committed loan facilities of £134m. The un-drawn facilities are fully secured and can be drawn within two working days notice. £52m of the current loan facilities are on a revolving basis which allows the group to draw and repay variable loans when surplus cash becomes available.

Because the group can draw funds from its lenders with two days notice, the group adopted an active cash flow management strategy. This means that the group aims to minimise cash balances by drawing funds as and when they are required.

Compliance with loan covenants

Circle Thirty Three Housing Trust has agreed within its bilateral loan agreements an interest cover ratio and gearing ratio. The interest cover ratio is required to be above 110% and the gearing ratio below 60%. For the year to March 2007, the interest cover ratio was 165% and the gearing ratio was 40%, thus complying with loan covenants. Circle Anglia and Old Ford Housing Association have separate loan covenants reset by the lenders each year and they have both complied with these as at the end of the year.

Capital commitments

On the 31 March 2007 the group had £286m of capital commitments (contracted, and approved but not contracted). It is anticipated that 22% of this will be funded by capital grants and 15% by initial shared ownership sales, with the remaining 63% funded by new loan financing.

Reserves

The group has total reserves of £358m (2006 restated: £359m).

Going concern

After making enquiries, the Board has a 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.

Statement of compliance

In presenting the Operating and Financial Review on pages 2 to 11 the Board has endeavoured to follow the principles regarding purpose, audience, timeframe, reliability, comparability and financial and non-financial measures as set out in the Statement of Recommended Practice for accounting by registered social landlords (Update 2005).

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 has 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 it to ensure that its financial statements comply with the Industrial & Provident Societies Acts 1965 to 2002, the Industrial and Provident Societies (Group Accounts) Regulations 1969, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. It 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.

The Board acknowledges its ultimate responsibility for ensuring that the group 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 controls are designed to identify and manage rather than eliminate risks which may prevent the organisation from achieving its objectives. The system is designed to give reasonable rather than absolute assurance with respect to:

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

The process followed to identify, evaluate and manage significant risks faced by the organisation is ongoing. This process has been in place during the past financial year and is reviewed regularly by the Board.

The Board has itself, and through the activities of the Group Audit Committee, reviewed the outcome of internal and external audit work, managers' risk and control self-assessments and the business assurance review which encompassed internal and external sources of assurance on key risks faced by the organisation. External sources include Housing Corporation and Audit Commission assessments and audits.

Key elements of the system of control include ensuring that:

- a) risk assessment and mapping process has been completed with the approval of the Board. Risks have been documented with agreed priority ratings and with definition of related current controls and Board monitoring mechanisms. Implementation of any improvements to controls identified by the risk mapping process is monitored by Management and the Group Audit Committee. Clear lines of responsibility have been established throughout the group for coordinating risk management activities and reporting on key risks identified and considered by the Board

- b) formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the organisation's assets. Additional key controls exist through whistle blowing, anti-fraud, anti-theft and corruption policies
- c) experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance
- d) forecasts and budgets are prepared which allow the Board and Management to monitor the key business risks, financial objectives and progress towards financial plans set for the year and the medium term; regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate; the agreed Treasury policy and the annual Treasury strategy update are reported against on a quarterly basis to the Board; the Board regularly reviews Key Performance Indicators to assess progress towards the achievement of key business objectives, targets and outcomes
- e) all significant new initiatives, major commitments and investment projects are subject to formal risk assessment and authorisation procedures, either through Board resolutions or through relevant sub-committees comprising Board members and others
- f) the Group Audit Committee reviews reports from Management, from the internal auditors and from the external auditors to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the organisation. The Group Audit Committee makes regular reports to the Board
- g) formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

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

On behalf of the Board, the Group Audit Committee has reviewed the annual report of the Group Executive Team and that of the Audit and Risk Management function. The Committee has continuously monitored the effectiveness of the system of internal control in existence in the organisation for the year ended 31 March 2007 and until 31 July 2007. No weaknesses were found in internal controls which resulted in material losses, contingencies, or uncertainties which require disclosure.

The Board members who held office at the date of approval of this Board 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.

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

By order of the Board

Roger Humber

Board member

31 July 2007

To the members of Circle Anglia Limited

We have audited the group and parent financial statements of Circle Anglia Limited for the year ended 31 March 2007 which comprise the Consolidated and Association Income and Expenditure Account, the Consolidated Statement of Total Recognised Surpluses and Deficits, the Note of Consolidated Historical Cost Surpluses and Deficits, the Consolidated and Association Balance Sheet, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the association's members, as a body, in accordance with Schedule 1 paragraph 16 to the Housing Act 1996 and section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditors

The responsibility of the association's Board for the preparation of the Board's report, and the preparation of financial statements in accordance with applicable United Kingdom law and UK accounting standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Board's Responsibilities on page 12.

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

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

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion the 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 2007 and of the surplus of the group and of the association for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

KPMG LLP

*Chartered Accountants
Registered Auditor*

1 Forest Gate
Brighton Road
Crawley RH11 9PT

Year ended 31 March 2007

	Note	2007 £'000	Group 2006 £'000
Turnover: continuing activities including joint ventures	3	130,653	127,464
Less: attributable to joint ventures		-	-
Operating costs	3	(101,089)	(102,843)
Other costs	3	(1,345)	(515)
Operating surplus: continuing activities	3	28,219	24,106
: joint ventures		(50)	-
Surplus on sale of fixed assets – housing properties	6	38,581	15,423
Interest receivable and other income	7	2,153	1,823
Interest payable and similar charges	8	(35,637)	(31,796)
Surplus on ordinary activities before taxation		33,266	9,556
Tax on surplus on ordinary activities	10	(1,650)	202
Surplus for the financial year		31,616	9,758

The notes on pages 22 to 52 form part of these financial statements.

	Note	2007 £'000	Association 2006 £'000
Turnover: continuing activities	3	26,210	33,157
Operating costs	3	(26,209)	(32,962)
Operating surplus		1	195
Interest receivable and other income	7	17,082	14,654
Interest payable and similar charges	8	(17,054)	(14,751)
Surplus on ordinary activities before taxation		29	98
Tax on surplus on ordinary activities	10	(29)	-
Surplus for the year		-	98

The notes on pages 22 to 52 form part of these financial statements.

Year ended 31 March 2007

Statement of total group recognised surpluses and deficits

	Note	2007 £'000	Group 2006 £'000
Surplus for the financial year	22	31,616	9,758
Unrealised (deficit) on revaluation of housing properties	22	(35,850)	(501)
Actuarial gain/(loss) recognised in the pension scheme	29	2,653	(1,142)
Deferred tax (liability)/asset on actuarial gain/(loss) on pension scheme liability	29	(763)	269
London borough of Lewisham pension fund transferred out	29	1,544	-
Total recognised (deficit)/surpluses relating to the year		(800)	8,384
Prior year pension liability adjustment	29	-	(6,431)
Total recognised (deficits)/surpluses since last annual report		(800)	1,953

The notes on pages 22 to 52 form part of these financial statements.

Note of group historical cost surpluses and deficits

	Note	2007 £'000	Group 2006 £'000
Reported surplus on ordinary activities before taxation		33,266	9,556
Realisation of property revaluation surpluses of previous years	22	74	551
Difference between historical cost and revalued depreciation	22	(1,627)	2,514
Historical cost surplus on ordinary activities before taxation		31,713	12,621
Historical cost surplus on ordinary activities after taxation		30,063	12,823

The notes on pages 22 to 52 form part of these financial statements.

	Note	2007 £'000	2006 £'000
Tangible fixed assets			
Housing properties at valuation	11	1,117,177	990,077
Other tangible fixed assets	11	10,310	10,017
Investments	12	3,053	8
Investments in joint venture:			
Share of gross assets	12	19,303	4,204
Share of gross liabilities	12	(18,607)	(4,204)
Property investments:			
Investment in property under the Homebuy Scheme:			
Grant investment		2,076	2,384
Social housing grant		(2,076)	(2,384)
		1,131,236	1,000,102
Current assets			
Stock and work in progress	13	117	390
Properties for sale		10,870	2,392
Debtors due after one year	14	129	657
Debtors due within one year	14	16,097	17,303
		27,213	20,742
Investments	15	797	2,800
Cash at bank and in hand		11,544	13,104
		39,554	36,646
Creditors: amounts falling due within one year	16	(44,583)	(37,142)
		(5,029)	(496)
Total assets less current liabilities			
		1,126,207	999,606
Creditors: amounts falling due after more than one year	17	762,428	633,213
Provisions for liabilities and charges	20	1,494	-
Long term pension liability	29	4,122	7,430
		768,044	640,643
Capital and reserves:			
Non-equity share capital	21	-	-
Designated reserve	22	5,499	4,678
Revenue reserve	22	89,379	56,703
Revaluation reserve	22	263,285	297,582
		358,163	358,963
Consolidated funds			
		1,126,207	999,606

The financial statements were approved by the Board on 31 July 2007 and signed on its behalf by:

Roger Humber
Board member

Martin Shaw OBE
Board member

Marianne Wyles
Secretary

Year ended 31 March 2007

	Note	2007 £'000	2006 £'000
Tangible fixed assets			
Other tangible fixed assets	11	350	517
Investments	12	51	55
		401	572
Current assets			
Debtors due after one year	14	323,764	267,564
Debtors due within one year	14	5,043	1,551
		328,807	269,115
Investments	15	-	995
Cash at bank and in hand		42	63
		328,849	270,173
Creditors: amounts falling due within one year	16	(5,231)	(2,955)
		323,618	267,218
Net current assets			
		324,019	267,790
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	17	323,723	267,564
Long term pension liability	29	3,500	4,900
Capital and reserves:			
Non-equity share capital	21	-	-
Revenue reserve	23	(3,204)	(4,674)
		324,019	267,790
Association's funds			

The financial statements were approved by the Board on 31 July 2007 and signed on its behalf by:

Roger Humber
Board member

Martin Shaw OBE
Board member

Marianne Wyles
Secretary

	Note	2007 £'000	2006 £'000
Net cash inflow from operating activities	25	39,985	34,082
Returns on investment and servicing of finance			
Interest received		2,153	1,823
Interest paid		(42,455)	(34,969)
Net cashflow from returns on investment and servicing activities		(40,302)	(33,146)
Taxation paid			
Corporation tax paid		(164)	(499)
Capital expenditure			
Purchase and construction of housing properties		(209,475)	(134,394)
Social housing grants – received		29,455	11,830
Sales of housing properties		46,779	20,285
Purchase of other fixed assets		(4,991)	(3,221)
Net cash outflow from investing activities		(138,232)	(105,500)
Cash outflow before management of liquid resources and financing		(138,713)	(105,063)
Management of liquid resources			
Cash withdrawn/(paid into) from money market deposit accounts		2,003	(306)
Financing			
Housing loans received net of payments	26/27	128,754	102,627
Increase/(decrease) in cash	26/27	7,956	(2,742)

The notes on pages 22 to 52 form part of these financial statements.

1 Legal status

The association is incorporated under the Industrial and Provident Societies Act 1965 and is also a Registered Social Landlord under the Housing Act 1996.

2 Accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom, the Statement of Recommended Practice for Registered Housing Associations update 2005 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

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

a) Basis of accounting

The financial statements are prepared on the historical cost basis as modified for the revaluation of housing properties.

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 and other sundry sources.

d) Housing properties

Completed housing properties have been valued on an Existing Use Value – Social Housing (EUV-SH) basis and are to be revalued annually. The aggregate surplus or deficit on revaluation is the difference between the cost of the property less capital grants received, less depreciation and the amount of the valuation. The cost of the property includes purchase price and construction costs together with the costs of subsequent improvements and the incidental costs of acquisition and construction including interest capitalised during the construction period. Interest capitalised is calculated by reference to the association's cost of borrowing.

Depreciation is charged on housing properties in accordance with their expected economic lives as evaluated by professional valuers. Depreciation has therefore been charged on a straight line basis at rates of between 1% and 1.4% excluding land.

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.

Where properties are sold the portion of the revalued cost of sale that is in excess of the historic cost of sale for the property is released from the revaluation reserve and is transferred to the Income and Expenditure Reserve.

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.

Costs incurred prior to a development being virtually certain of being awarded are charged to the Income and Expenditure Account. Only directly attributable costs that are incurred after it is virtually certain that a development scheme has been awarded are capitalised in the Financial Statements.

Major capital project repairs and maintenance expenditure is only capitalised when such expenditure increases the rental income, reduces future maintenance costs or significantly extends the useful life of the property. All other major capital project repairs and maintenance are taken to the Income and Expenditure account in the period incurred.

In accordance with the Statement of Recommended Practice only costs that are directly attributable to bringing the properties into working condition for their intended use have been included in the historical cost of the properties.

2 Accounting policies continued

e) Impairment

Houses which are depreciated over a period in excess of 50 years are, in accordance with FRS 11 and the Statement of Recommended Practice for Registered Housing Associations (update 2005), 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. Any such write down would be charged to operating surplus unless it was a reversal of a past revaluation surplus in which case it would be taken to the statement of total recognised gains and losses.

f) Capital development grants

Capital development grants are secured from the Housing Corporation and other sources and are utilised to reduce the cost of acquisition and development prior to revaluation. The amount transferred to the Revaluation Reserve as a result of the revaluation of housing properties has been calculated as the difference between the valuation amount and the net cost of the properties after deducting capital development grants received.

Where grants are received in advance they are carried forward in current liabilities to be matched against future capital expenditure as it is incurred. Grants receivable in respect of schemes under construction or complete are included as a debtor in the financial statements.

Capital development grants may be repayable under certain circumstances, primarily following the sale of a property. Provision for repayment is made in the Balance Sheet when properties which have previously received grant funding are subsequently sold.

g) Other fixed assets and depreciation

Freehold offices are stated at historical cost after depreciation over 25 years. Other tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following rates:

	% per annum
Investment properties	4
Fixtures and fittings in leasehold offices	Over the term of the property lease
Communal alarm units	33
Computer hardware and software	33
Office furniture and equipment	15–33

h) Investments

Investments are valued at the lower of cost and net realisable value.

i) Designated reserves

Where funding has been received from bodies other than the Housing Corporation, 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.

j) 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.

k) Loan origination fees

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.

l) 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.

2 Accounting policies continued

m) Pensions

The group participates in several defined benefit pension scheme 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 gains and losses, 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 profit and loss account for the year in which they are payable to the schemes.

n) 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.

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 valuation 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) Reimbursable contracts

South Anglia Housing Limited (formerly Stort Valley Housing Association Limited) carries out contractual work on behalf of East Hertfordshire District Council. This work is invoiced at cost on a reimbursement basis and the relevant income and expenditure is not recognised in the financial statements. Amounts due from, and expenditure related to, such contracts are included in debtors and accruals at the year end.

q) Taxation

The charge for taxation is based on the result for the period and takes into account taxation deferred 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.

r) 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.

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

Group – continuing activities

	2007			2006		
	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus £'000	Turnover £'000	Operating surplus £'000
Social housing lettings	110,165	(485)	(82,006)	27,674	103,019	26,769
Other social housing activities						
Supporting people contract income	12,476	-	(12,235)	241	7,538	198
Development services	481	-	(271)	210	1,377	(3,063)
Management services	1,280	-	(2,623)	(1,343)	6,693	(387)
Community regeneration	530	-	(1,202)	(672)	626	(162)
Housing property development sales	-	-	-	-	-	-
Other	2,639	(860)	(1,588)	191	6,703	(414)
	17,406	(860)	(17,919)	(1,373)	22,937	(3,828)
Non-social housing activities						
Lettings	3,082	-	(1,164)	1,918	1,213	943
Other	-	-	-	-	295	222
	3,082	-	(1,164)	1,918	1,508	1,165
	130,653	(1,345)	(101,089)	28,219	127,464	24,106

Association – continuing activities

	2007			2006		
	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus £'000	Turnover £'000	Operating surplus £'000
Central services recharged	26,210	-	(26,209)	1	33,157	195

Particulars of income and expenditure from social housing lettings

Group – continuing activities

	General needs housing £'000	Supported housing £'000	Temporary social housing £'000	Shared ownership £'000	Residential care homes £'000	2007 Total £'000	2006 Total £'000
	Rent receivable net of identifiable service charges	87,951	10,391	594	3,078	202	102,216
Charges for support services	1,458	230	-	-	-	1,688	941
Service charges receivable	3,297	1,626	-	702	33	5,658	6,368
Net rental income	92,706	12,247	594	3,780	235	109,562	102,229
Other revenue grants	298	138	-	98	69	603	790
Turnover from social housing lettings	93,004	12,385	594	3,878	304	110,165	103,019

Year ended 31 March 2007

3 Turnover, cost of sales, operating costs and operating surplus *continued*

Particulars of income and expenditure from social housing lettings *continued*

Group – continuing activities

	General needs housing £'000	Supported housing £'000	Temporary social housing £'000	Shared ownership £'000	Residential care homes £'000	2007 Total £'000	2006 Total £'000
Management	(20,175)	(4,263)	(111)	(2,044)	–	(26,593)	(25,874)
Services	(5,118)	(1,829)	(17)	(212)	(130)	(7,306)	(7,100)
Special development cost*	(1,524)	–	–	–	–	(1,524)	–
Routine maintenance	(18,877)	(1,661)	(40)	(104)	(38)	(20,720)	(17,003)
Planned maintenance	(9,682)	(1,392)	–	(50)	(4)	(11,128)	(9,540)
Major repairs expenditure	(765)	–	–	–	–	(765)	(130)
Bad debts	(812)	(305)	(20)	(7)	(120)	(1,264)	(1,105)
Property lease charges	–	(53)	(485)	–	–	(538)	(742)
Depreciation of housing properties	(4,755)	(360)	–	(147)	–	(5,262)	(10,182)
Impairment of housing properties	(2,247)	–	–	–	–	(2,247)	(600)
Other costs	(4,850)	(281)	(13)	–	–	(5,144)	(3,974)
Operating costs on social housing lettings	(68,805)	(10,144)	(686)	(2,564)	(292)	(82,491)	(76,250)
Operating surplus/(deficit) on social housing lettings	24,199	2,241	(92)	1,314	12	27,674	26,769
Voids	(1,228)	(585)	(9)	(18)	(27)	(1,867)	(1,975)

*Special development cost includes £1,435,000 relating to Old Ford Housing Association costs incurred in respect of the potential transfer of the Parkside Estate to Circle Anglia.

4 Accommodation in management and development

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

	2007 no.	Group 2006 no.
Social housing		
General housing	22,601	21,382
Supported housing	2,358	2,993
Shared ownership	1,633	1,298
Residential care homes	158	190
Keyworker	–	236
Leaseholders	791	540
Temporary	–	31
Total owned	27,541	26,670
Accommodation managed for others	1,021	7,779
Stock owned but not managed	(1,135)	(1,057)
Total managed	27,427	33,392
Non-social housing		
Market rented	287	125
Other non-social	111	115
Total owned and managed	27,825	33,632
Accommodation in development at the year end	2,913	2,617

5 Operating surplus

This is arrived at after charging/(crediting):

	Group		Association	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Depreciation of housing properties	5,628	10,182	-	-
Impairment of housing properties	2,247	580	-	-
Depreciation of other tangible fixed assets	1,559	1,500	167	219
Amortisation of formation costs	-	-	4	4
Operating lease rentals	2,082	2,592	832	723
Auditors' remuneration: (including VAT)				
- for audit services	191	114	22	13
- for non-audit services	103	112	19	22

6 Surplus on sale of fixed assets – housing properties

	Group	
	2007 £'000	2006 £'000
Disposal proceeds	66,985	27,407
Cost of sale	(28,404)	(11,984)
	38,581	15,423

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

7 Interest receivable and other income

	Group		Association	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Interest receivable on bank deposits	577	498	2	4
Interest receivable on derivatives	1,373	1,080	-	-
Other interest earned	177	173	-	-
Other finance income (FRS 17)	26	-	20	-
Interest receivable from unlisted investments	-	72	6	1
Interest from subsidiaries	-	-	17,054	14,649
	2,153	1,823	17,082	14,654

Year ended 31 March 2007

8 Interest payable and similar charges

	Group		Association	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Interest on loans	41,421	33,567	17,054	14,604
Sale and lease back finance charge	128	125	-	-
Other interest payable	690	652	-	1
Interest payable on derivatives	479	625	-	-
Interest payable to subsidiaries	-	-	-	26
Other finance costs – pension FRS17	-	137	-	120
	42,718	35,106	17,054	14,751
Interest payable capitalised on housing properties under construction	(7,081)	(3,310)	-	-
	35,637	31,796	17,054	14,751
Capitalisation rate used to determine the finance costs capitalised during the period	5.43%	5.16%	-	-

No development interest has been written off to revenue.

9 Employees

	Group		Association	
	2007 no.	2006 no.	2007 no.	2006 no.
Average monthly number of employees (FTE)				
Administration	209	177	199	127
Care	273	266	-	-
Developing or selling housing stock	63	102	62	40
Managing or maintaining housing stock	485	551	8	465
	1,030	1,096	269	632

	Group		Association	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Staff costs				
Wages and salaries	29,559	28,695	9,814	17,629
Social security costs	2,903	2,779	1,026	1,692
Other pension costs	1,880	2,098	757	1,468
	34,342	33,572	11,597	20,789

EPIC Trust employ the majority of their staff directly. With the exception of EPIC Trust, 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).

9 Employees continued

Board members and executive officers

During the year, Board members received emoluments totalling £112,075 (2006: £67,486). Expenses paid during the year to the Board and committee members amounted to £11,108 (2006: £13,682).

The emoluments of the highest paid director, the Chief Executive, excluding pension contributions, were £145,000 (2006: £135,000).

The executive officers, including the Chief Executive, participate in the pension scheme on the same terms as all other eligible staff. During the year £25,000 compensation for loss of office was paid to a Director. Agency costs of £94,100 were paid for a replacement Interim.

	Basic salary £	Bonus £	Benefits in kind £	Pension £	2007 Total £	2006 Total £
Group Chief Executive						
Mark Rogers	145,000	7,500	5,510	31,323	189,333	154,980
Group Finance Director						
Rosemary Farrar	65,861	-	-	2,003	67,864	112,900
Calum Mercer	55,455	-	3,216	2,400	61,071	-
Deputy Group Chief Executive						
Howard Cresswell	113,500	2,575	5,404	18,160	139,639	121,290
Group Director of Development						
Andrew Doylend	106,250	4,750	7,569	16,220	134,789	115,933
Group Director of Customer Services						
John Macfarlane	82,672	-	2,623	11,574	96,869	109,652
Group Director of Support Initiatives						
Robert Black	97,649	-	-	5,859	103,508	85,240
Group Director of Business Growth						
David Williams	101,900	4,500	7,540	11,700	125,640	99,720
Group Director of Commercial Services						
Paul Maton	45,000	-	3,994	2,700	48,745	-
Aggregate emoluments	813,287	19,325	35,856	101,939	970,407	799,715

Year ended 31 March 2007

10 Tax on surplus on ordinary activities

	Group		Association	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Current tax				
UK Corporation Tax charge on surpluses for the year	196	155	51	108
Adjustment in respect of prior years	8	(60)	8	(60)
Total current tax charge	204	95	59	48
Deferred tax				
Net origination and reversal of timing differences (excluding pension)	-	(241)	-	-
Deferred tax on pension charge	(48)	(56)	(30)	(48)
Deferred tax on gift aid	1,494	-	-	-
Total deferred tax charge	1,446	(297)	(30)	(48)
Tax on surpluses for the period	1,650	(202)	(29)	-

The deferred tax charge/(credit) arises from the timing differences relating to the gift aid payments.

	Group		Association	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Current year tax reconciliation				
Surplus on ordinary activities before tax	35,514	9,524	29	98
Remove depreciation adjustment on consolidation due to merger policies	-	(4,035)	-	-
Surplus on ordinary activities	35,514	5,489	29	98
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006: 30%)	9,980	1,647	9	29
Timing difference on pension charge	48	56	30	48
Gift aid timing difference	(1,494)	-	-	-
Depreciation for year in excess of/(below level of) capital allowances	(9)	3	2	3
Surpluses of charitable entities not subject to corporation tax	(8,248)	(1,579)	-	-
Other non-deductible expenditure	10	28	10	28
Utilisation of losses	(91)	-	-	-
Adjustments in respect of prior years	8	(60)	8	(60)
Total current tax charge	204	95	59	48

11 Tangible fixed assets

Group – housing properties

	Housing properties held for letting £'000	Completed shared ownership housing properties £'000	Sales and leaseback £'000	Housing properties under construction £'000	Group Total £'000
Cost or valuation					
At 1 April 2006	842,793	50,793	2,103	113,641	1,009,330
New property additions	40,892	(127)	-	164,371	205,136
Schemes completed	92,446	20,683	-	(113,129)	-
Disposals	(7,896)	(438)	-	-	(8,334)
Revaluation	(54,749)	(3,576)	-	-	(58,325)
At 31 March 2007	913,486	67,335	2,103	164,883	1,147,807
Depreciation					
At 1 April 2006	-	-	-	-	-
Charged in the year	(5,354)	(262)	(12)	-	(5,628)
Written back on revaluation	7,765	262	12	-	8,039
Released on disposal	136	-	-	-	136
Impairment	(2,547)	-	-	-	(2,547)
At 31 March 2007	-	-	-	-	-
Social housing grant					
At 1 April 2006	-	-	-	(19,253)	(19,253)
Additions	2,029	-	-	(32,439)	(30,410)
Schemes completed	(26,665)	5,603	-	21,062	-
Disposals	3,919	-	-	-	3,919
Written off to income and expenditure	-	-	-	-	-
Valuation adjustment	20,717	(5,603)	-	-	15,114
At 31 March 2007	-	-	-	(30,630)	(30,630)
Net book value					
At 31 March 2007	913,486	67,335	2,103	134,253	1,117,177
At 31 March 2006	842,793	50,793	2,103	94,388	990,077
Historical cost at end of year is represented by:					
Gross cost	1,512,690	72,935	2,198	182,249	1,770,072
Less capital development grants	(790,372)	(20,645)	(803)	(47,995)	(859,815)
	722,318	52,290	1,395	134,254	910,257
Historical cost accumulated depreciation	(54,040)	(658)	(78)	-	(54,776)
Net book value	668,278	51,632	1,317	134,254	855,481

Year ended 31 March 2007

11 Tangible fixed assets continued

Social housing grant

	2007 £'000	2006 £'000
Total accumulated SHG receivable at 31 March was:		
Capital grants	892,212	833,325
Revenue grants	14,330	11,348
	906,542	844,673

On 31 March 2007, the group's completed housing properties were revalued on the basis outlined in Note 1(d) to the financial statements by FPD Savills Consulting, an independent firm of Chartered Surveyors. This full valuation was undertaken in accordance with the Practice Statements in the RICS Appraisal and Valuation Manual. 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 rate	5.5%
Valuation EUV-SH	£982,924,000

The resulting revaluation surplus has been taken to a separate reserve.

Tangible fixed assets – other

Group

	Investment properties £'000	Leasehold/ freehold offices £'000	Furniture, fixtures and fittings £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
Cost						
1 April 2006	1,700	8,103	4,657	8,155	15	22,630
Additions	1	100	453	1,392	–	1,946
Disposals	–	(94)	–	–	–	(94)
At 31 March 2007	1,701	8,109	5,110	9,547	15	24,482
Depreciation						
1 April 2006	(8)	(2,127)	(3,565)	(6,898)	(15)	(12,613)
Charge for year	(4)	(261)	(445)	(849)	–	(1,559)
Disposals	–	–	–	–	–	–
At 31 March 2007	(12)	(2,388)	(4,010)	(7,747)	(15)	(14,172)
Net book value						
At 31 March 2007	1,689	5,721	1,100	1,800	–	10,310
At 31 March 2006	1,692	5,976	1,092	1,257	–	10,017

11 Tangible fixed assets – other continued

Association

	Furniture, fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost			
At 1 April 2006	850	1,501	2,351
Additions during year	-	-	-
At 31 March 2007	850	1,501	2,351
Depreciation			
At 1 April 2006	(585)	(1,249)	(1,834)
Charge for year	(53)	(114)	(167)
At 31 March 2007	(638)	(1,363)	(2,001)
Net book value			
At 31 March 2007	212	138	350
At 31 March 2006	265	252	517

12 Investment in subsidiaries and joint ventures

The following are direct subsidiaries of Circle Anglia Limited:

	% Share capital owned	Registrar of friendly societies	Registered with Companies registrar	Registered with Housing corporation	Charity commission
Wherry Housing Association Limited	100	✓	-	✓	-
South Anglia Housing Limited	100	✓	-	✓	-
Anglia Maintenance Services Limited	100	-	✓	-	-
Old Ford Housing Association	100	-	✓	✓	-
EPIC Trust	100	-	✓	-	✓
Commercial Services Circle Anglia Limited	100	-	✓	-	-
Circle Thirty Three Housing Trust Limited	100	✓	-	✓	-

All of the above are participants in the group Borrowing Facility with the exception of Anglia Maintenance Services Limited (see note 18).

The subsidiaries are all incorporated in the United Kingdom.

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

Year ended 31 March 2007

12 Investment in subsidiaries and joint ventures *continued*

Included in investments are:

	Group		Association	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Cost incurred in formation of group	-	-	51	55
British Government investments	8	8	-	-
Investment in Leamington Waterfront LLP	3,045	-	-	-
	3,053	8	51	55
The market value of the British Government investments was	14	14	-	-

Costs of £78,000 incurred in 1995 associated with the formation of the group are being written off in the consolidated Income and Expenditure Account over 20 years.

The movement on capitalised costs in the year is as follows:

	Association costs incurred in formation of the group £'000
Written down value at 1 April 2006	55
Amortisation in year	(4)
Written down value at 31 March 2007	51

Operating surplus/(deficit) and total assets less current liabilities of the principal subsidiary undertakings at 31 March 2007:

	Operating surplus/(deficit)		Total assets less current liabilities	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Anglia Maintenance Services Limited	(58)	131	674	598
Circle 33 Charity Limited	(176)	(86)	621	754
Circle 33 Tenant Services Limited	-	-	-	47
Circle Thirty Three Housing Trust Limited	17,195	11,575	601,866	514,992
EPIC Trust	124	(253)	834	682
Foyer For Ipswich Limited	-	112	-	255
Your Lifespace Limited	4,939	(38)	6,807	1,711
Old Ford Homes Limited	360	(72)	55	619
Old Ford Housing Association	16,771	542	68,496	57,454
Ryeland Community Housing Limited	-	812	-	17,492
South Anglia Housing Limited	7,609	5,629	231,447	175,622
Thackeray Mews	-	-	-	-
Vange Community Housing Limited	-	717	-	26,482
Wherry Housing Association Limited	5,541	7,401	212,101	203,569
	52,305	26,470	1,122,901	1,000,277

12 Investment in subsidiaries and joint ventures continued

Joint ventures and associates

	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
Leamington Waterfront Limited Liability Partnership	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 Thirty Three Housing Trust Limited

The total of the group's profit before taxation from interests in associates and joint ventures was £423,000 (2006: £Nil).

	Joint ventures 2007 £'000	Associates 2007 £'000	Total 2007 £'000
Share of gross assets			
Current assets	18,885	418	19,303
Share of gross liabilities			
Due within one year	2,776	418	3,194
Due after one year	15,813	–	15,813
Sub total			19,007
Key London Alliance inter company			(400)
Total			18,607

Year ended 31 March 2007

12 Investment in subsidiaries and joint ventures *continued*

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

	Joint ventures Total		Associates Total	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Share of turnover of associates	14,888	–	1,098	–
Share of assets				
Share of fixed assets	–	–	–	–
Share of current assets	18,885	4,612	418	–
Share of liabilities				
Due within one year	(2,776)	(4,612)	(418)	–
Due after one year	(15,813)	–	–	–
Share of net assets	296	–	–	–

	Tredegar Development Company Limited joint venture		T3B Development Company Limited joint venture	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Turnover	14,888	–	–	–
Profit before taxation	473	–	–	–
Taxation	(142)	–	–	–
Profit after tax	331	–	–	–
Fixed assets	–	–	–	–
Current assets	944	4,612	2,119	–
Liabilities due within one year	(613)	(4,612)	(390)	–
Liabilities due after one year	–	–	(1,729)	–

	Leamington Waterfront LLP joint venture		Key London Alliance associate	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Turnover	–	–	1,098	–
Deficit before taxation	(50)	–	–	–
Taxation	15	–	–	–
(Deficit)/profit after tax	(35)	–	–	–
Fixed assets	–	–	–	–
Current assets	15,822	–	418	–
Liabilities due within one year	(1,773)	–	(418)	–
Liabilities due after one year	(14,084)	–	–	–

13 Stock and work in progress

	Group	
	2007 £'000	2006 £'000
Parts and warehouse stores	117	142
Gardening stock	-	248
	117	390

Stock and work in progress are held by Anglia Maintenance Services Limited and Old Ford Homes Limited.

14 Debtors

	Group		Association	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Due after more than one year				
Amount due from subsidiaries	-	-	323,764	267,564
Work in progress for third parties	-	510	-	-
Other debtors	129	147	-	-
	129	657	323,764	267,564
Due within one year				
Work in progress for third parties	2,422	4,877	-	-
Less: social housing grant received	(1,471)	(2,735)	-	-
	951	2,142	-	-
Rent and service charges receivable	10,578	9,325	-	-
Less: provision for bad and doubtful debts	(3,989)	(3,747)	-	-
	6,589	5,578	-	-
Social housing grant receivable	-	3,424	-	-
Amounts due from subsidiary undertakings	-	-	3,479	944
Other debtors	6,352	3,737	1,407	249
Prepayments and accrued income	1,020	1,071	157	358
Deferred indexation	1,185	1,351	-	-
	16,097	17,303	5,043	1,551
Total debtors	16,226	17,960	328,807	269,115

15 Current asset investments

	Group		Association	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Money market deposits	797	2,800	-	995

Year ended 31 March 2007

16 Creditors: amounts falling due within one year

	Note	Group		Association	
		2007 £'000	2006 £'000	2007 £'000	2006 £'000
Bank overdraft	18	7,621	1,225	-	-
Bank loans and borrowings	18	482	1,412	-	-
		8,103	2,637	-	-
Trade creditors		4,064	8,929	55	268
Rent and service charge received in advance		3,174	2,966	-	-
Social housing grant received in advance		-	857	-	-
Amount owed to group undertakings		-	-	1,857	814
Recycled capital grant fund		3,802	3,061	-	-
Disposal proceeds fund		819	697	-	-
Corporation tax		149	157	51	108
Other taxation and social security		757	876	749	1,114
Other creditors		1,304	1,903	7	20
Accruals and deferred income		22,411	15,059	2,512	631
		44,583	37,142	5,231	2,955

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

17 Creditors: amounts falling due after more than one year

	Note	Group		Association	
		2007 £'000	2006 £'000	2007 £'000	2006 £'000
Bank loans and borrowings	18	742,780	613,096	323,723	267,564
Obligations under finance leases	18	-	1,423	-	-
		742,780	614,519	323,723	267,564
Recycled capital grant fund		8,757	8,177	-	-
Disposal proceeds fund		3,406	3,188	-	-
Other creditors		2,770	2,434	-	-
Financial deferred income		354	433	-	-
Other deferred income		4,361	4,462	-	-
		762,428	633,213	323,723	267,564

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

The group is permitted to set aside repayable capital development grants from staircased shared ownership sales, into a Recycled Capital Grant Fund. This Fund is to be utilised in the acquisition of new housing within three years or the grants become repayable to the Housing Corporation.

The group is required to set aside a significant proportion of proceeds from sales under the Voluntary Purchase Grant scheme according to a predetermined formula, under Section 24 of the Housing Act 1996, into a Disposal Proceeds Fund. This Fund is to be utilised in the acquisition of new housing within three years or the grants become repayable to the Housing Corporation.

18 Debt analysis

Housing and non-housing loans

	Group		Association	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Due within one year				
Bank overdraft	7,621	1,225	-	-
Bank loans	242	1,265	-	-
Orchardbrook loans	240	147	-	-
	8,103	2,637	-	-
Due after more than one year				
Bank loans	733,932	603,751	323,723	267,564
Local authority loans	-	218	-	-
Orchardbrook loans	8,848	9,127	-	-
Obligations under finance leases	-	1,423	-	-
	742,780	614,519	323,723	267,564
	750,883	617,156	323,723	267,564

	Group		Association	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Within one year	8,103	2,637	-	-
Between one and two years	449	9,432	-	-
Between two and five years	2,939	35,013	-	-
After five years	739,392	570,074	323,723	267,564
	750,883	617,156	323,723	267,564

Of the total loans above £323.8m was drawn from a committed syndicated facility of £352m, which directly funds the borrowing requirements of South Anglia Housing Limited and Wherry Housing Association Limited, with loans repayable at various dates until 2034. Under this facility the property collateral of all properties charged to the lenders is pooled to secure the loan finance and overdraft facilities provided under the arrangement. This loan is secured by fixed charges over the completed housing properties of the participating members and a floating charge over the assets of the association.

A further £420m was drawn from facilities of £530m through bilateral loan agreements to fund borrowing requirements for Circle Thirty Three Housing Trust Limited and Old Ford Housing Association, with loans repayable at various dates until 2036. Under these facilities property collateral is charged directly in favour of the individual lenders. The loans are secured by fixed charges over the subsidiary and a floating charge over the assets of the relevant members.

Of the total drawings referred to, the weighted average rate of interest chargeable on them was 5.88%.

Year ended 31 March 2007

19 Financing deferred income

	Group	
	2007 £'000	2006 £'000
Lease premium		
At 1 April	52	79
Released in the year	(27)	(27)
	25	52
Transferred to creditors less than one year	(25)	(27)
At 31 March	-	25
Other deferred income		
At 1 April	459	512
Released in the year	(53)	(52)
	406	460
Transferred to creditors less than one year	(52)	(52)
At 31 March	354	408
Total	354	433

20 Provisions for liabilities and charges

Deferred tax

		Group		Association	
	Note	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Deferred tax relating to gift aid paid post year-end		1,494	-	-	-
Provision for deferred taxation		1,494	-	-	-
Provision at start of period		-	241	-	-
Deferred tax charge for period	10	1,494	-	-	-
Deferred tax released during the year		-	(241)	-	-
Provision at end of period		1,494	-	-	-

The deferred taxation credit arises from the timing difference relating to the payment of gift aid. Charges are made to the extent that there are no tax losses available to utilise against the charge.

21 Non-equity share capital

	Association	
	2007 £'000	2006 £'000
Shares of £1 each issued and fully paid		
At 1 April	11	10
Shares issued during the year	4	7
Shares surrendered during the year	(4)	(6)
At 31 March	11	11

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.

22 Reserves

Group

	Revaluation reserve £'000	Designated reserves Major repairs reserve £'000	Improve- ments reserve £'000	Other designated reserves £'000	Revenue reserve £'000	Total £'000
At 1 April 2006	297,582	658	458	3,562	56,703	358,963
Surplus for the year	-	-	-	-	31,616	31,616
Revaluation deficit	(35,850)	-	-	-	-	(35,850)
Transfer to revenue reserve	-	-	-	-	-	-
Transfers from revenue reserve	-	34	-	787	(821)	-
Realisation of revaluation surplus on properties sold in the year	(74)	-	-	-	74	-
Transfer of amount equivalent to additional depreciation on revalued assets	1,627	-	-	-	(1,627)	-
Pension actuarial gain – net of deferred tax London borough of Lewisham pension fund transferred out	-	-	-	-	1,890	1,890
	-	-	-	-	1,544	1,544
As at 31 March 2007	263,285	692	458	4,349	89,379	358,163

23 Reconciliation of movements in group and association funds

	Note	Group		Association	
		2007 £'000	2006 £'000	2007 £'000	2006 £'000
At 1 April	22	358,963	357,010	(4,674)	15
Prior year adjustments		-	(6,431)	-	(4,340)
At 1 April restated		358,963	350,579	(4,674)	(4,325)
Surplus for the financial year		31,616	9,758	-	98
Revaluation deficit in year		(35,850)	(501)	-	-
Impairment		-	-	-	-
Net actuarial gain/(loss)		3,434	(873)	1,470	(447)
Closing funds		358,163	358,963	(3,204)	(4,674)

Year ended 31 March 2007

24 Financial commitments

Capital commitments were as follows:

	Group	
	2007	2006
	£'000	£'000
Capital expenditure		
Expenditure contracted but not provided in the accounts	221,990	142,766
Expenditure authorised by the Board, but not contracted	64,145	74,118
	286,135	216,884

Capital development grants amounting to £43,641,000 (2006: £52,061,000) are available in respect of the above commitments.

Operating leases

The payments which the group and association is committed to make in the next year under operating leases are as follows:

	Group		Association	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Rentals payable on operating leases on land and building	789	1,923	347	347
Rentals payable on other operating leases	455	669	421	376
	1,244	2,592	768	723

At 31 March 2007 there were the following annual operating lease commitments on leases expiring:

	Group		Association	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Within one year	1,244	1,295	768	739
Between one and five years	3,435	3,625	1,822	1,797
After five years	2,111	2,758	1,161	1,479
	6,790	7,678	3,751	4,015

Of the operating lease commitments £5,644,000 (2006: £6,015,000) is in respect of operating lease commitments for land and buildings. (Association 2007: £2,856,000 (2006: £3,204,000)).

25 Reconciliation of operating surplus to net cash inflow from operating activities

	Group	
	2007	2006
	£'000	£'000
Operating surplus	28,169	26,383
Depreciation of tangible fixed assets	7,187	11,682
Impairment of housing properties	2,547	1,634
Deficit on disposal of tangible fixed assets	94	7
FRS17 provision movement	127	45
Amortisation of negative goodwill	-	(78)
	38,124	39,673
Working capital movements		
Stock	272	(198)
Debtors	(3,881)	1,574
Creditors	5,470	(6,967)
Net cash inflow from operating activities	39,985	34,082

26 Reconciliation of net cashflow to movement in net debt

	Group	
	2007	2006
	£'000	£'000
Decrease in cash	(7,956)	(2,742)
Cash (inflow)/outflow from (decrease)/increase in liquid resources	(2,003)	306
Cash inflow from increase in debt	(128,754)	(102,627)
Increase in net debt from cashflows	(138,713)	(105,063)
Net Debt at 1 April 2006	(599,829)	(494,766)
Net Debt at 31 March 2007	(738,542)	(599,829)

27 Analysis of changes in net debt

Group

	At 1 April 2006 £'000	Cashflow £'000	At 31 March 2007 £'000
Cash at bank in hand	13,104	(1,560)	11,544
Bank overdraft	(1,225)	(6,396)	(7,621)
Changes in cash	11,879	(7,956)	3,923
Current asset investments	2,800	(2,003)	797
Loans	(614,508)	(128,754)	(743,262)
Changes in net debt	(599,829)	(138,713)	(738,542)

Year ended 31 March 2007

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 Limited has guaranteed the commitment of office leases taken out by Circle Anglia Limited, which are subject to annual payments of £167,000 (2006: £167,000) plus VAT until July 2016.

29 Pension obligations

Group summary

a) Defined benefit schemes

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

Scheme	Norfolk County Council superannuation fund	Anglia Maintenance Services	Islington Council pension fund	EPIC Trust	Total
Group member	Circle Anglia Limited				
Current number of employees in scheme	118	35	9		162
Scheme deficit at 31 March 2007 (£'000)	5,000	554	234		5,788
Deferred tax asset (£'000)	(1,500)	(166)	–		(1,666)
Net scheme liability at 31 March 2007 (£'000)	3,500	388	234		4,122

The following defined benefit schemes have 5 or fewer active members and therefore have not been disclosed on grounds of materiality.

National Health Service Pension Scheme, Social Housing Pension Scheme, London Pension Fund Association.

Analysis of the amount charged to operating surplus

	2007 £'000	2006 £'000
Current service cost	971	1,217
Total operating charge	971	1,217

Analysis of the amount credited to other finance income

	2007 £'000	2006 £'000
Expected return on pension scheme assets	1,530	1,468
Interest on pension scheme liabilities	(1,499)	(1,605)
Net income/(cost)	31	(137)

29 Pension obligations continued

a) Defined benefit schemes continued

Analysis of amount recognised in statement of total recognised surpluses and deficits (STRSD)

	2007 £'000	2006 £'000
Actual return less expected return on pension scheme assets	(99)	3,734
Experience gains and losses arising on the scheme liabilities	608	(54)
Changes in assumptions underlying the present value of the scheme liabilities	2,144	(4,822)
Actuarial gain/(loss) recognised in STRSD	2,653	(1,142)

Movement in deficit during the year

	2007 £'000	2006 £'000
Deficit in scheme at beginning of the year	(9,810)	(8,486)
Movement in year:		
Current service cost	(971)	(1,217)
Past service costs	-	35
Contributions	770	1,148
Other finance income	26	(138)
Settlements and curtailments	-	(10)
Actuarial gain/(loss)	2,653	(1,142)
London borough of Lewisham pension fund transferred out	1,544	-
Deficit in scheme at end of the year	(5,788)	(9,810)

b) 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 2007 is shown in the employees note.

Circle Anglia Limited

The Norfolk County Council Superannuation Fund

Circle Anglia Limited 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. Pension contributions are determined by a qualified independent actuary using the attained age method. The most recent actuarial valuation of the Norfolk County Council Superannuation Fund was at 31 March 2007. The actuaries have rolled forward the actuarial values of the liabilities reported as at 31 March 2006, allowing for changes in financial assumptions as prescribed under FRS 17. In addition, consideration has been taken of the effect of contributions paid into and estimated benefits paid from the fund by the company and its employees. The assumptions that have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It is assumed that the investment returns will be 7.9% for equities and 4.9% for bonds per annum, the salary increases would average 4.7% per annum and that present and future pensions would increase at the rate of 3.2% per annum.

The actuarial valuation at 31 March 2007 showed that the market value of the scheme's assets was £1,859m and that the actuarial value of these assets represented 82.0% of the benefits that have accrued to members after allowing for expected future increases in earnings. The contributions of the company and employees are 14.1% and 6% respectively (2006: 14.1% and 6% respectively).

Year ended 31 March 2007

29 Pension obligations continued

Circle Anglia Limited continued

Actuarial valuations were updated to take account of the requirements of FRS 17. Scheme assets are stated at their market value at 31 March 2007. The major assumptions used by the actuary for the 2007 valuation update were:

	At 31 March 2007	At 31 March 2006	At 31 March 2005	At 31 March 2004
Discount rate	5.4%	4.9%	5.4%	5.5%
Inflation	3.2%	3.1%	2.9%	2.9%
Rate of increase in salaries	4.7%	4.6%	4.4%	4.9%
Rate of increase in pensions in payment	3.2%	3.1%	2.9%	2.9%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions, which due to the timescale covered, may not be necessarily borne out in practice.

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Long term rate of return expected 2007	Value 2007 £'000	Long term rate of return expected 2006	Value 2006 £'000	Long term rate of return expected 2005	Value 2005 £'000
Equities	7.9%	13,300	7.4%	12,700	7.7%	9,550
Bonds	4.9%	2,900	4.6%	2,500	4.8%	2,220
Property	5.9%	3,100	5.5%	2,200	5.7%	1,540
Cash	4.9%	500	4.6%	400	4.8%	490
Total market value of assets		19,800		17,800		13,800
Present value of scheme liabilities		(24,500)		(24,500)		(19,700)
		(4,700)		(6,700)		(5,900)
Present value of underfunded liabilities		(300)		(300)		(300)
Scheme deficit		(5,000)		(7,000)		(6,200)
Related deferred tax asset		1,500		2,100		1,860
Net pension liability		(3,500)		(4,900)		(4,340)

Movement in deficit during the year

	2007 £'000	2006 £'000
Deficit in scheme at beginning of year	(7,000)	(6,200)
Current service cost	(680)	(760)
Other finance cost	20	(120)
Settlements and curtailments	–	(10)
Contributions	560	730
Actuarial gain/(loss)	2,100	(640)
Deficit in the scheme at the end of year	(5,000)	(7,000)

29 Pension obligations continued

Circle Anglia Limited continued

Analysis of other pension costs charged in arriving at operating surplus	2007	2006
	£'000	£'000
Current service cost	(680)	(760)
Total operating charge	(680)	(760)

Analysis of amounts included in other finance costs	2007	2006
	£'000	£'000
Expected return on pension scheme assets	1,240	970
Interest on pension scheme liabilities	(1,220)	(1,090)
	20	(120)

Analysis of amount recognised in statement of total recognised surpluses and deficits

	2007	2006
	£'000	£'000
Actual return less expected return on scheme assets	(100)	2,500
Experience gains and losses arising on scheme liabilities	520	–
Changes in assumptions underlying the present value of scheme liabilities	1,680	(3,140)
Actuarial gain/(loss) recognised in the statement of total recognised surpluses and deficits	2,100	(640)

History of gains and losses	2007	2006	2005	2004
Actual return less expected return on scheme assets (£'000)	(100)	2,500	520	1,433
Percentage of year end scheme assets	(0.5%)	14.0%	3.8%	12.0%
Experience gains and losses arising on scheme liabilities (£'000)	520	–	(112)	(33)
Percentage of present value of year end scheme liabilities	2.1%	0.00%	(0.6%)	(0.2%)
Total amount recognised in the statement of total recognised surpluses and deficits (£'000)	2,100	(640)	589	291
Percentage of present value of year end scheme liabilities	8.5%	(2.6%)	(3.0%)	(1.6%)

Circle Thirty Three Housing Trust Limited

The Lewisham Management contract ended on 30 September 2006 and accordingly the Trust ceased to be responsible for the scheme contributions. An actual liability as determined by Lewisham actuaries amounted to £135k which was accrued during the year and was paid subsequent to the year end.

The pension liability of £1.5m previously provided has been released through the statements of total recognised surpluses and deficits.

Year ended 31 March 2007

29 Pension obligations *continued*

Anglia Maintenance Services Limited

The Norfolk County Council Superannuation Fund

The company 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. Pension contributions are determined by a qualified independent actuary using the attained age method. The most recent actuarial valuation of the Norfolk County Council Superannuation Fund was at 31 March 2007. The actuaries have rolled forward the actuarial values of the liabilities reported as at 31 March 2006, allowing for changes in financial assumptions as prescribed under FRS 17. In addition, consideration has been taken of the effect of contributions paid into and estimated benefits paid from the fund by the company and its employees. The assumptions that have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It is assumed that the investment returns will be 7.9% for equities and 4.9% for bonds per annum, the salary increases would average 4.7% per annum and that present and future pensions would increase at the rate of 3.2% per annum.

The actuarial valuation at 31 March 2007 showed that the market value of the scheme's assets was £1,859m and that the actuarial value of these assets represented 82.0% of the benefits that have accrued to members after allowing for expected future increases in earnings. The contributions of the company and employees are 14.1% and 6% (2006: 14.1% and 6% respectively).

Actuarial valuations were updated to take account of the requirements of FRS 17. Scheme assets are stated at their market value at 31 March 2007. The major assumptions used by the actuary for the 2007 valuation update were:

	At 31 March 2007	At 31 March 2006	At 31 March 2005	At 31 March 2004
Discount rate	5.4%	4.9%	5.4%	5.5%
Inflation	3.2%	3.1%	2.9%	2.9%
Rate of increase in salaries	4.7%	4.6%	4.4%	4.9%
Rate of increase in pensions in payment	3.2%	3.1%	2.9%	2.9%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions, which due to the timescale covered, may not be necessarily borne out in practice.

29 Pension obligations continued

Anglia Maintenance Services Limited continued

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Long term rate of return expected at 31 March 2007	Value at 31 March 2007 £'000	Long term rate of return expected at 31 March 2006	Value at 31 March 2006 £'000	Long term rate of return expected at 31 March 2005	Value at 31 March 2005 £'000
Equities	7.9%	2,307	7.4%	2,078	7.7%	1,474
Bonds	4.9%	501	4.6%	417	4.8%	344
Property	5.9%	540	5.5%	355	5.7%	237
Cash	4.9%	82	4.6%	69	4.8%	75
		3,430		2,919		2,130
Present value of scheme liabilities		(3,984)		(2,780)		(2,381)
Deficit in the scheme		(554)		139		(251)
Related deferred tax asset		166		195		191
Net pension liability		(388)		334		(60)

Movement in deficit during the year

	2007 £'000	2006 £'000
Deficit in scheme at beginning of year	(935)	(650)
Current service cost	(248)	(204)
Other finance cost	13	(2)
Contributions	175	177
Actuarial gain/(loss)	441	(256)
Deficit in the scheme at the end of year	(554)	(935)

Analysis of other pension costs charged in arriving at operating surplus

	2007 £'000	2006 £'000
Current service cost	(248)	(204)
Total operating charge	(248)	(204)

Analysis of amounts included in other finance costs

	2007 £'000	2006 £'000
Expected return on pension scheme assets	209	155
Interest on pension scheme liabilities	(196)	(157)
	13	(2)

Year ended 31 March 2007

29 Pension obligations continued

Anglia Maintenance Services Limited continued

Analysis of amount recognised in statement of total recognised surpluses and deficits

	2007 £'000	2006 £'000
Actual return less expected return on scheme assets	(18)	398
Experience gains and losses arising on scheme liabilities	88	(1)
Changes in assumptions underlying the present value of scheme liabilities	371	(653)
Actuarial gain/(loss) recognised in the statement of total recognised surpluses and deficits	441	(256)

History of gains and losses	2007	2006	2005	2004
Actual return less expected return on scheme assets (£'000)	18	398	77	200
Percentage of year end scheme assets	(0.5%)	13.6%	3.6%	11.5%
Experience gains and losses arising on scheme liabilities (£'000)	88	(1)	(152)	(6)
Percentage of present value of year end scheme liabilities	2.2%	0.00%	(5.5%)	(0.3%)
Total amount recognised in the statement of total recognised surpluses and deficits (£'000)	441	(256)	24	(2)
Percentage of present value of year end scheme liabilities	11.1%	(6.6%)	(0.9%)	(0.1%)

EPIC Trust

Islington Council Pension Fund

The Trust operates a defined benefit scheme for employees, the assets of which are held in a separate trustee administered fund, the Islington Council Pension Fund. Pension contributions are determined by a qualified independent actuary using the attained age method. The most recent actuarial valuation of the Islington Council Pension Fund was at 31 March 2007. The actuaries have rolled forward the actuarial values of the liabilities reported as at 31 March 2006, allowing for changes in financial assumptions as prescribed under FRS 17. In addition, consideration has been taken of the effect of contributions paid into and estimated benefits paid from the fund by the Trust and its employees. The assumptions that have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It is assumed that the investment returns will be 7.5% for equities and 4.7% for bonds per annum, the salary increases would average 4.85% per annum and that present and future pensions would increase at the rate of 3.1% per annum.

The actuarial valuation at 31 March 2007 showed that the market value of the scheme's assets was £718m and that the actuarial value of these assets represented 92.0% of the benefits that have accrued to members after allowing for expected future increases in earnings. The contributions of the Trust and employees are 16.8% and 6% respectively (2006: 16.8% and 6% respectively).

29 Pension obligations continued

EPIC Trust continued

Actuarial valuations were updated to take account of the requirements of FRS 17. Scheme assets are stated at their market value at 31 March 2007. The major assumptions used by the actuary for the 2007 valuation update were:

	At 31 March 2007	At 31 March 2006	At 31 March 2005
Discount rate applied to scheme liabilities	5.4%	4.9%	5.4%
Inflation assumption	3.1%	2.9%	2.9%
Rate of increase in salaries	4.85%	4.65%	4.65%
Rate of increase in pensions in payment and deferred pensions	3.1%	2.9%	2.9%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions, which due to the timescale covered, may not be necessarily borne out in practice.

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Long term rate of return 2007	Value at 31 March 2007 £'000	Long term rate of return 2006	Value at 31 March 2006 £'000	Long term rate of return 2005	Value 2005 £'000
Equities	7.5%	1,038	7.0%	986	7.5%	772
Bonds	4.7%	138	4.3%	143	4.7%	178
Other bonds	5.4%	154	4.9%	146	5.4%	77
Property	6.5%	54	6.0%	56	6.5%	49
Cash	5.25%	16	4.5%	33	4.75%	12
Other	7.5%	67	-	-	-	-
		1,467		1,364		1,088
Present value of scheme liabilities		(1,701)		(1,695)		(1,430)
Net pension liability		(234)		(331)		(342)

Movement in deficit during the year

	2007 £'000	2006 £'000
Deficit in scheme at beginning of year	(331)	(342)
Current service cost	(43)	(42)
Past service gain	-	35
Other finance cost	(7)	(7)
Contributions	35	37
Actuarial gain/(loss)	112	(12)
Deficit in the scheme at the end of year	(234)	(331)

Year ended 31 March 2007

29 Pension obligations continued

EPIC Trust continued

	2007 £'000	2006 £'000
Analysis of other pension costs charged in arriving at operating deficit		
Current service cost	(43)	(42)
Past service gain	-	35
	(43)	(7)

	2007 £'000	2006 £'000
Analysis of amounts included in other finance costs		
Expected return on pension scheme assets	81	71
Interest on pension scheme liabilities	(83)	(78)
	(2)	(7)

Analysis of amount recognised in statement of total recognised surpluses and deficits

	2007 £'000	2006 £'000
Actual return less expected return on scheme assets	19	185
Experience (loss)/gain arising on scheme liabilities	-	(54)
Changes in assumptions underlying the present value of scheme liabilities	93	(143)
Actuarial gain/(loss) recognised in the statement of total recognised surpluses and deficits	112	(12)

	2007	2006
History of gains and losses		
Actual return less expected return on scheme assets (£'000)	19	185
Percentage of year end scheme assets	1.3%	13.6%
Experience gains and losses arising on scheme liabilities (£'000)	-	(54)
Percentage of present value of year end scheme liabilities	0.0%	3.2%
Total amount recognised in the statement of total recognised surpluses and deficits (£'000)	112	(12)
Percentage of present value of year end scheme liabilities	6.6%	(0.7%)

30 Related party transactions

Tenant Board members on subsidiary Boards rent properties from the group under the same terms and conditions as all tenants in similar properties.

31 Post balance sheet events

Circle Anglia has consolidated the differing funding structures inherited from the merger of the former Anglia Housing and Circle 33 Housing Groups. The new funding structure will provide funding from a number of sources including bank funding and a potential £400m capital markets issue. The terms agreed with funders deliver a more flexible lending structure to support the groups future strategic plans as well as deliver substantial reductions in the funding costs of the group. The funding is through a new funding vehicle created within the group, Circle Anglia Treasury Limited. This company will borrow from external funders and lend the funds to group Registered Social Landlords. The Trust and the other borrowers will guarantee the obligations of Circle Anglia Treasury Limited and will provide security over property assets of the group.

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