



# Report of the Board and Financial Statements

*Enhancing Life Chances*

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## Board Members

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

As at 31 March 2010 the Board of Circle Anglia Limited comprised:

<b>Sir Robin Young</b>	Group Chair and Independent member – Appointed 1 January 2010
<b>Mark Rogers</b>	Group Chief Executive
<b>Robert Burgin</b>	Independent member
<b>Martin Shaw OBE</b>	Independent member
<b>Jane Clarkson</b>	Independent member
<b>Murray Foster</b>	South Anglia Executive Director Board
<b>Baroness Jones of Whitchurch</b>	Circle 33 Housing Trust Limited
<b>Alan Catterick</b>	Mole Valley Housing Association
<b>Nicola Lucking</b>	Wherry Housing Association
<b>Michael Webber</b>	Russet Homes Limited

The following served as Board members, but resigned during the year to 31 March 2010:

<b>Roger Humber</b>	Resigned 31 December 2009
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Group Executive Officers

<b>Mark Rogers</b>	Group Chief Executive
<b>Calum Mercer</b>	Executive Director (Finance)
<b>Andy Doylend</b>	Executive Director (Operations)
<b>David Williams</b>	Executive Director (Strategy and New Business)
<b>Sarah Trota</b>	Executive Director (People and Business Transformation)
<b>Kai Boschmann</b>	Executive Director (Communications) Resigned 31 March 2010

## Operating and financial review

### Principal Activities

#### Circle Anglia Limited

Circle Anglia Limited is a Registered Provider (RP) of social housing. Its principal activities are ownership and management of social and other housing, development of social housing and working to enhance the Life Chances of our customers.

#### 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 and lead more independent lives. We have created a commercial approach to development to help fund an increased affordable housing programme, with income from a combination of grant, use of our own resources and profits from property disposals. This includes developing properties for private sale, shared ownership and market rent, providing leasehold management services and including commercial premises as part of some mixed tenure schemes.

We provide homes in over 90 local authority areas, but with 85% of the properties within 21 local authority areas.



Circle Anglia's management stock profile at 31 March 2010	2010	2009	2008
Social housing rented	50,218	41,022	40,552
Shared ownership	3,829	2,830	2,221
Keyworker	245	250	221
Leaseholder	5,441	2,565	2,372
Staff accommodation	66	34	28
Non-social rented	1,565	775	625
Other non-social	163	248	244
Garages	1,541	1,541	1,541
<b>Total stock owned</b>	<b>63,068</b>	<b>49,265</b>	<b>47,804</b>
Accommodation managed on behalf of others	552	199	465
Less stock owned but not managed	(4,555)	(4,687)	(4,035)
<b>Total stock managed</b>	<b>59,065</b>	<b>44,777</b>	<b>44,234</b>

Operating and financial review continued...

## Mission and values

### Our mission is to 'Enhance Life Chances'.

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

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

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

- **People...** are the heart of everything we do
- **Partnership...** our way of working together
- **Brand...** a sense of belonging
- **Belief...** in our organisation, ourselves and our ability to grow

## Circle Anglia Three Year Plan summary 2010-13

### Introduction

By reviewing, planning and communicating the business planning process in more detail, the business has in place a route map to be able to measure progress and monitor key milestones against achieving the mission, aims and goals. The plan this year is characterised by a focus on review and preparation as the business is in the first year of a three year cycle.

### Life Chances

The plan below therefore reflects this core purpose of enhancing peoples' Life Chances. This has been put together with extensive resident engagement. Resident involvement will also be key to the delivery of these plans, as will working with other associations and partners.

There are 8 strategic goals, which support our mission of Enhancing Life Chances – four primary goals and four

enabling goals. These goals are supplemented with three year objectives, which are further broken down into annual commitments.

### Homes – Enhancing Life Chances

The provision of secure, comfortable and affordable places to live is the starting point for Circle Anglia in Enhancing Life Chances. At Circle Anglia we will continue to provide new homes while investing in our existing stock to ensure that the homes we provide are of a high quality and meet customer needs. This will be done through a sustainable development programme, meeting Decent Homes targets and investing in estates. We will continue to develop a range of tenure options and seek out ways to continuously engage and involve our customers.

### Services – Enhancing Life Chances

Developing quality, responsive, consistent services that meet individual customer needs is paramount to Circle Anglia Enhancing Life Chances. By a process of continuous improvement we will aim to achieve high levels of customer satisfaction, which will in turn prepare us for the Customer Choice agenda. We will give particular focus to our repairs service, ensuring that we deliver value for money, whilst reviewing our geographical coverage so that we focus resources in local areas. We have made promises to new partners and are committed to ensuring these promises are fulfilled.

### Care and Support – Enhancing Life Chances

At Circle Anglia we will maintain our focus on providing high quality, sustainable services in this area as it is a key element of the Group's Life Chances ambitions.

### Sustainable Communities – Enhancing Life Chances

Whilst the provision of homes is the core of what we do, this is only the first step to Enhancing Life Chances. At Circle Anglia we provide a wide range of services to enhance our customers Life Chances. We will develop our existing provision to extend support services, with a particular focus on worklessness and financial inclusion. We will support the strategic plans of our key partners and continue to work for social inclusion for all our customers.

### Enabler: Growth – Adding Value through Growth

Circle Anglia has been successful in attracting new partners to the Group and will continue to build on this success. We will explore growth that adds capacity and financial value to the Group, benefits the need of our current customers and supports the ambition to focus resources on key local areas.

Operating and financial review continued...

### Enabler: Enhancing Performance through Business Excellence

Circle Anglia will continue to strengthen all governance arrangements across the Group to achieve the highest standards of probity and meet regulatory expectations. We will ensure our information systems meet the capacity and performance expectations across the Group and that there is a commonality of systems, policy, processes and communications to achieve economy of scale and increase efficiency.

### Enabler: Ensuring Financial Stability

A stable financial environment provides the Group with the resources to Enhance Life Chances. Financial stability will be ensured through effective financial controls and risk management with financially aware managers. A key objective in the availability of sufficient funding secured on terms which enhance the ability of the Group to deliver its plans with the flexibility to react to changing circumstances. Value for money will continue to be a strong focus area.

### Enabler: High Performance, People and Culture

Circle Anglia will facilitate the growth and development of people with the aim of maximising their capability. We will develop, recognise and reward talent to ensure we have the right people in the right roles. The leadership will be supported across the Group to engage staff and create a high performing culture.

## Operating review

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

## Performance measures

The Board and Executive Team use a number of key performance measures to monitor achievement of the Group's objectives. These include the areas of financial management, housing management, development and sales and asset management. These measures are reviewed to ensure that the business remains in line with Tenant Services Authority requirements and is prepared for the co-regulation agenda.

Financial management measures include comparisons of surpluses as a percentage of turnover across the various

business teams, as well as monthly management accounts which compare actual results to budgets and revised forecasts. Interest cover and gearing are also monitored by the treasury team for compliance with covenants and to assess the Group's cash flow.

Housing management measures focus on arrears, voids management and, in particular, tenant satisfaction and day to day repairs. This includes the average costs of carrying out repairs, response times for each repairs category and completion times against target.

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

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

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

The following tables show the operating performance of the nine partner RPs that make up the direct housing management operations of Circle Anglia.

Operating and financial review continued...

### Circle Thirty Three Housing Trust

Circle Thirty Three provides homes in North and East London. The Local Authorities they work with are Islington, Waltham Forest, Haringey, Hackney and Camden.

	2009/10	2008/09	2007/08	2006/07
Rent collected as % of rent due - managed stock	100.0%	99.8%	99.7%	99.5%
Current tenants arrears as % of rent roll - managed stock	3.7%	4.2%	4.5%	4.8%
Average weekly gross rent - owned stock	£100.31	£92.97	£85.31	£83.24
Average re-let turnaround times (days) - managed stock	39.7	34.0	37.6	43.4
Dwellings vacant and available for let - owned stock	1.1%	0.8%	1.6%	0.6%
Dwellings vacant but unavailable for rent - owned stock	0.7%	0.5%	1.5%	2.6%
Emergency repairs completed in target - managed stock	98.5%	91.0%	88.3%	86.8%
Urgent repairs completed in target - managed stock	97.7%	92.5%	83.9%	82.1%
Routine repairs completed in target - managed stock	90.4%	88.4%	92.1%	87.9%
Average SAP rating - managed stock	71	71	70	73
% of homes failing Decent Homes standard - owned stock	4.0%	6.4%	6.5%	6.5%
% of tenants satisfied with overall service - owned stock	73.5%	73.3%	69.9%	61.0%

Circle 33 continued the excellent performance of the previous years and continues to build upon improvements in performance. The Trust continued to invest in neighbourhood management teams and in delivering reactive repairs in partnership with Osborne. Performance on re-letting of vacant homes (voids) and lettings turn round times remain a key focus for the operations as does the continued investment in homes to ensure that all meet the Decent Homes standard. Plans are in place to ensure that all properties meet decency by the December 2010 deadline.

Rent collection and rent arrears maintained the levels of the previous year. There was a slight improvement in current arrears, which fell to 3.7% continuing the downward trend of the last four years.

The regional repairs teams that have been put in place have had a significant positive impact on the emergency and urgent repairs performance.

Circle 33 is making steady progress in improving overall satisfaction with the landlord through listening to tenants about what is important to them and focusing on improving services in ways which reflect this.



Operating and financial review continued...

### Old Ford Housing Association

In 2008 Old Ford Housing Association took up the transfer from Tower Hamlets Council of the housing stock at the Parkside Estate as well as the Mardyke Estate (now renamed Orchard Village) from Havering Council. This increased its stock in management by over 2,000 homes.

	2009/10	2008/09	2007/08	2006/07
Rent collected as % of rent due - managed stock	99.9%	99.4%	96.7%	99.6%
Current tenants arrears as % of rent roll - managed stock	4.4%	4.6%	5.3%	2.5%
Average weekly gross rent - owned stock	£95.23	£89.12	£88.01	£80.23
Average re-let turnaround times (days) - managed stock	20.4	39.9	40.0	22.0
Dwellings vacant and available for let - owned stock	0.1%	0.1%	0.2%	0.1%
Dwellings vacant but unavailable for rent - owned stock	3.1%	5.8%	1.8%	0.0%
Emergency repairs completed in target - managed stock	96.7%	95.5%	93.2%	96.7%
Urgent repairs completed in target - managed stock	96.0%	91.4%	94.6%	92.7%
Routine repairs completed in target - managed stock	94.8%	85.4%	86.7%	93.7%
Average SAP rating - managed stock	80	78	73	90
% of homes failing Decent Homes standard - owned stock	10.1%	10.8%	28.9%	0.0%
% of tenants satisfied with overall service - owned stock	75.0%	69.1%	60.0%	71.5%

In terms of performance this year, rent collection and rent arrears maintained the levels of the previous year with a slight improvement in both percentages.

Through the continued investment in neighbourhood management teams and partnerships with contractors repairs completed in target have improved significantly.

Improvements have also been made to the homes from the 2008 stock transfer and this is reflected by the reduction in the percentage of homes not reaching the Decent Homes standard. It is important to note that the deadline for decency for the Parkside homes is December 2012. Plans are in place to ensure that all other properties meet decency by the December 2010 deadline.

Long term voids has decreased as progress has been made on the refurbishment programme on the stock transfer of the Orchard Village Estate.

Old Ford is making steady progress in improving overall satisfaction with the landlord through listening to tenants about what is important to them and focusing on improving services in ways which reflect this.



Operating and financial review continued...

### South Anglia Housing Association

South Anglia provides homes in Hertfordshire, Bedfordshire and Essex and was originally formed from the stock transfer from East Hertfordshire Council. Other key areas of housing include Luton, Basildon, Braintree and Harlow.

	2009/10	2008/09	2007/08	2006/07
Rent collected as % of rent due - managed stock	100.7%	100.4%	99.3%	99%
Current tenants arrears as % of rent roll - managed stock	3.7%	5.0%	6.0%	6.2%
Average weekly gross rent - owned stock	£92.02	£85.53	£80.43	£77.05
Average re-let turnaround times (days) - managed stock	33.0	36.5	38.2	28.0
Dwellings vacant and available for let - owned stock	0.1%	0.6%	3.3%	0.4%
Dwellings vacant but unavailable for rent - owned stock	0.5%	1.1%	0.9%	0.6%
Emergency repairs completed in target - managed stock	96.0%	87.4%	95.2%	97.1%
Urgent repairs completed in target - managed stock	96.5%	94.0%	89.8%	80.4%
Routine repairs completed in target - managed stock	96.1%	94.2%	97.2%	89.7%
Average SAP rating - managed stock	63	74	68	71
% of homes failing Decent Homes standard - owned stock	12.4%	11.4%	9.3%	15.2%
% of tenants satisfied with overall service - owned stock	79.6%	78.4%	67.0%	75.8%

For South Anglia rent arrears and rent collection performance ended the year with an improved performance over the previous years.

Letting turnaround times and voids at the year end reflected the continued development programme of new homes undertaken throughout the year by the Association. These show an improvement from previous years performance and continued review and management of the allocations and lettings processes will continue to be monitored closely.

Repairs performance has improved compared to 2008/09. The dip in 2008/09 was the result of the mobilisation phase of the initial contracts with Anglia Maintenance Services.

Plans are in place to ensure that all properties meet decency by the December 2010 deadline.

South Anglia is making steady progress in improving overall satisfaction with the landlord through listening to tenants about what is important to them and focusing on improving services in ways which reflect this.



Operating and financial review continued...

### Wherry Housing Association

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

	2009/10	2008/09	2007/08	2006/07
Rent collected as % of rent due - managed stock	99.8%	99.8%	100.8%	99.2%
Current tenants arrears as % of rent roll - managed stock	3.3%	3.8%	4.3%	5.8%
Average weekly gross rent - owned stock	£77.50	£72.06	£68.50	£68.16
Average re-let turnaround times (days) - managed stock	17.3	23.9	23.2	26.1
Dwellings vacant and available for let - owned stock	0.4%	0.6%	1.6%	0.5%
Dwellings vacant but unavailable for rent - owned stock	0.7%	0.7%	0.3%	0.5%
Emergency repairs completed in target - managed stock	99.2%	89.2%	88.4%	97.1%
Urgent repairs completed in target - managed stock	96.3%	89.8%	89.1%	80.4%
Routine repairs completed in target - managed stock	97.7%	90.4%	94.2%	89.7%
Average SAP rating - managed stock	61	69	67	71
% of homes failing Decent Homes standard - owned stock	5.5%	9.6%	12.2%	15.2%
% of tenants satisfied with overall service - owned stock	89.5%	85.4%	76.0%	75.8%

Rent collection remains consistent with previous years and arrears showed an improvement. This reflects focus of work in this area completed by the Wherry team throughout the year.

Average re-let time and voids at the year end remains consistent.

The emergency repairs performance has continued to improve due to the agreement set up with Anglia Maintenance Services. This is reflected in customer satisfaction levels.

The programme of home improvements has continued which is reflected in the percentage of homes meeting the Decent Homes standard. Further work is programmed to ensure that all properties meet decency by the December 2010 deadline.

Wherry is making steady progress in improving overall satisfaction with the landlord through listening to tenants about what is important to them and focusing on improving services in ways which reflect this.



Operating and financial review continued...

### Roddons Housing Association

Roddons, also formed from a stock transfer organisation provides homes in Fenland in Cambridgeshire.

	2009/10	2008/09	2007/08
Rent collected as % of rent due - managed stock	101.1%	99.7%	96.4%
Current tenants arrears as % of rent roll - managed stock	2.4%	4.2%	3.6%
Average weekly gross rent - owned stock	£71.53	£65.87	£66.18
Average re-let turnaround times (days) - managed stock	18.4	44.7	32.0
Dwellings vacant and available for let - owned stock	0.1%	0.3%	1.2%
Dwellings vacant but unavailable for rent - owned stock	0.5%	0.7%	0.4%
Emergency repairs completed in target - managed stock	97.9%	92.3%	98.0%
Urgent repairs completed in target - managed stock	95.2%	92.5%	97.0%
Routine repairs completed in target - managed stock	81.4%	91.7%	93.0%
Average SAP rating - managed stock	66	70	70
% of homes failing Decent Homes standard - owned stock	11.0%	7.0%	9.2%
% of tenants satisfied with overall service - owned stock	83.7%	83.1%	82.0%

Roddons has continued to focus on delivering the promises made to tenants as part of the original stock transfer and this will be a priority in the year ahead.

Rent collection and rent arrears maintained the levels of the previous year with an improvement in current arrears which fell to 2.4%.

Repairs completed in target has significantly improved compared to the previous year. This is due to the resolution of the minor integration issues with new contractors in the previous year.

The programme of home improvements has continued and further work is programmed to ensure that all properties meet the Decent Homes standard by the agreed dates at the time of the stock transfer.

Roddons is making steady progress in improving overall satisfaction with the landlord through listening to tenants about what is important to them and focusing on improving services in ways which reflect this.



Operating and financial review continued...

### Mole Valley Housing Association

Mole Valley formed from a stock transfer organisation provides homes in Mole Valley in Surrey.

	2009/10	2008/09	2007/08
Rent collected as % of rent due - managed stock	100.3%	101.2%	103.7%
Current tenants arrears as % of rent roll - managed stock	3.3%	3.8%	4.5%
Average weekly gross rent - owned stock	£86.27	£79.88	£72.41
Average re-let turnaround times (days) - managed stock	27.9	48.1	75.8
Dwellings vacant and available for let - owned stock	0.4%	1.0%	1.1%
Dwellings vacant but unavailable for rent - owned stock	0.1%	0.6%	0.2%
Emergency repairs completed in target - managed stock	99.2%	97.4%	N/A
Urgent repairs completed in target - managed stock	96.3%	98.5%	77.0%
Routine repairs completed in target - managed stock	97.7%	98.9%	79.0%
Average SAP rating - managed stock	62	63	55
% of homes failing Decent Homes standard - owned stock	36.1%	12.2%	35.7%
% of tenants satisfied with overall service - owned stock	83.7%	87.0%	78.0%

Rent collection performance remained consistent and tenant arrears have improved on the previous year.

The Decent Homes percentage has increased considerably for a number of reasons. This is mainly due to an improved data collection methodology. A significant amount of work was undertaken in the year in line with transfer promises made rather than on Decent Homes work. The deadline for Mole Valley homes to reach the Decent Homes standard is December 2012 and plans are in place to ensure this is met.

Mole Valley has improved customer satisfaction overall over the last three years, with a dip from last year due to the changes necessary to bring Mole Valley into the Group. We are confident that the trend will continue upwards from this year.

Repairs performance has dipped slightly and this will be a focus for 2010/11.



Operating and financial review continued...

### Russet Homes

Russet Homes, formed originally from a stock transfer, provides homes in Tonbridge and Malling.

	2009/10	2008/09	2007/08
Rent collected as % of rent due - managed stock	98.1%	100.2%	98.2%
Current tenants arrears as % of rent roll - managed stock	1.9%	1.7%	1.8%
Average weekly gross rent - owned stock	£91.92	£86.31	£81.64
Average re-let turnaround times (days) - managed stock	28.3	29.0	31.0
Dwellings vacant and available for let - owned stock	0.6%	0.5%	1.3%
Dwellings vacant but unavailable for rent - owned stock	0.1%	0.1%	0.3%
Emergency repairs completed in target - managed stock	99.2%	98.5%	81.2%
Urgent repairs completed in target - managed stock	97.9%	97.6%	93.7%
Routine repairs completed in target - managed stock	98.4%	98.9%	100.0%
Average SAP rating - managed stock	67	63	63
% of homes failing Decent Homes standard - owned stock	0.3%	0.2%	0.7%
% of tenants satisfied with overall service - owned stock	89.8%	90.0%	90.0%

Rent collection and arrears performance remains within target and re-let times improved slightly.

As a result of the new delivery arrangements with contractors Osborne agreed last year, repairs performance was on target.

Russet has been successful in maintaining a high level of customer satisfaction against a background of rising customer expectations.



Operating and financial review continued...

### Mercian Housing Association

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

	2009/10
Rent collected as % of rent due - managed stock	99.3%
Current tenants arrears as % of rent roll - managed stock	4.2%
Average weekly gross rent - owned stock	£77.31
Average re-let turnaround times (days) - managed stock	24.0
Dwellings vacant and available for let - owned stock	0.6%
Dwellings vacant but unavailable for rent - owned stock	0.1%
Emergency repairs completed in target - managed stock	-
Urgent repairs completed in target - managed stock	-
Routine repairs completed in target - managed stock	-
Average SAP rating - managed stock	70
% of homes failing Decent Homes standard - owned stock	3.5%
% of tenants satisfied with overall service - owned stock	77.6%

Rent collection and arrears performance remains within the targets set, although re-let times were slightly below average.

Repairs performance was on target.

Mercian is working hard with tenants and staff to bring about the service improvements tenants want to see. This is being helped by the focus brought by the recent mock inspection.

### Merton Priory Homes

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

Reviewing the KPIs for the first few months of 2010/11, repairs are on target, however there is a very high percentage of homes failing the Decent Homes standard as expected with any stock transfer, the standard is planned to be achieved by 2015.



Operating and financial review continued...

### Investment in housing stock

The Group has identified and costed the work required to ensure that all tenanted properties meet the Government's Decent Homes Standard by December 2010, except the more recent stock transfers where extended deadlines have been agreed. Plans are in place with each RP to fulfil this. 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, this will help to reduce inconvenience to residents.

Circle Anglia brought forward the timing of stock surveys to ensure up to date information is held on the Group's properties. This helps the planning of reactive and planned maintenance works and ensures that there is sufficient provision within financial plans to deliver the required improvements. It also helps ensure that Decent Homes will be met as planned.

### Building new homes

Circle Anglia is a preferred development partner of the Homes and Communities Agency (HCA). The Group outperformed its 2009/10 targets creating 1,437 new homes in the year, including 223 for other housing associations. There were 2,790 properties in development at the year end.

The development of new properties for social use is supported by grants and the sale of properties developed for outright sale and low cost shared ownership. The difficulties in the housing and mortgage markets and the potential impact on the development programme have been considered as part of the normal financial planning process. This includes stress testing the financial plans to ensure that they can cope with significantly lower volumes of sale as well as house prices falls. This results in adjustments to the development programme such as changing the timing of developments and the mix of tenures (for example intermediate or market rent). Sales of shared ownership properties have slowed significantly. There is still a high demand for these properties, but the limited availability of mortgages and the uncertain property market has reduced completions. Completions have been averaging over 50 per month recently.

### Mergers, acquisitions, stock transfers and other growth initiatives

In July 2009, the members of Mercian Housing Association voted to join the Group. Tenant Services Authority approval was granted in September 2009 and Mercian joined the Group on 1 October 2009, adding approximately 3,000 properties to the Group portfolio.

In April 2009, the tenants of the London Borough of Merton voted to join the Group. Merton Priory Homes was a new RP set up for this stock transfer and became a member of the Group on 22 March 2010, bringing approximately 8,500 properties into the Group.



### Corporate Social Responsibility

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

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

Operating and financial review continued...

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

### Main influences and risks

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

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

The Group reviews its risks on a regular basis and has in place a risk management strategy which provides a guide for Board members and managers on the Group's approach to risk management, and a Group Risk Map is maintained. Through the process of regular review those risks which present the greatest threats to the Group are identified and reported to the Group Audit Committee.

Risk management supports the achievement of business objectives by:

- Enhancing the quality of decision-making, planning and prioritisation.
- Contributing to effective allocation of resources.
- Protecting and enhancing the Group's assets and its reputation.



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

- Economic factors that could influence the viability of the Group e.g. higher interest and borrowing costs, VAT increases, falling sales values.
- Our ability to understand exactly where we are in our performance against customer expectations as well as new TSA standards. Without this, our ability to meet customers' standards will be compromised. The Group needs to continue to improve resident satisfaction and offer integrated customer services processes with consistent service standards.
- A large part of the Group's development programme is in relation to low cost shared ownership homes. A downturn in the market may impact on the demand for these properties and on the price that can be achieved. Expertise and accurate research is required to ensure that schemes developed are viable and meet the needs of the community within which they are located.
- The Group needs to ensure it has control over costs and income and takes the necessary steps for performance to meet budget expectations. We must embed a culture of Value For Money across the Group. As the Group grows we need to ensure that governance arrangements remain effective.

Operating and financial review continued...

## Financial review

### Group financial highlights

Group income and expenditure	2010 £m	2009 Restated £m
Turnover	290.8	259.2
Less: share of joint ventures turnover	(4.3)	(5.1)
Group turnover	286.5	254.1
Cost of sales	(52.8)	(27.5)
Operating costs	(166.0)	(190.6)
Operating surplus	67.7	36.0
Share of operating (deficit) of joint ventures	(0.4)	(0.9)
Surplus on sale of assets	6.0	5.6
Impairment of JVs	(8.9)	-
Negative goodwill	18.3	-
Net interest charge	(69.8)	(56.1)
Taxation	(0.5)	(0.1)
Surplus/(Deficit) after taxation for the year	12.4	(15.5)
Minority interests	-	-
Surplus/(Deficit) for the year after minority interests	12.4	(15.5)

Group balance sheet	2010 £m	2009 Restated £m
Housing properties at cost	1,851.8	1,688.8
Other tangible fixed assets	63.7	47.0
Goodwill	0.2	0.2
Investments	1.2	6.7
Share of joint venture assets less liabilities	-	(1.9)
Net current assets/(liabilities)	(10.6)	39.6
Debtors – due after one year	316.5	140.1
Creditors – due after one year	(1,858.9)	(1,573.1)
Other long term liabilities	(36.3)	(12.1)
Provisions	(3.3)	-
Negative goodwill	-	-
Minority interests	(1.2)	(0.9)
Reserves	(323.1)	(334.4)

Operating and financial review continued...

Group turnover excluding joint ventures has increased by 12.7% (2009: 23.8%). Cost of sales and operating costs have increased by 0.6% (2009: 38.0%).

Social housing turnover has grown by 11.8% (2009: 32.2%) to £217.1 million (2009: £194.1 million).

The operating surplus from social housing activities before depreciation and impairment has increased by 115.7% (2009: 17.3%) despite the significant maintenance and improvement programmes that are being delivered for the stock transfers in the Group in particular.

Underlying surplus before exceptional items was £8.8 million (2009: deficit £12.2 million). This represents 2.99% of turnover. The adjustments can be seen in the table below.



	2010 £m	2009 Restated £m
Surplus / (deficit) for the year after minority interest	12.4	(15.5)
Adjustments for exceptional items:		
Negative goodwill	(18.3)	-
Impairments	(1.4)	2.9
Impairment of investment in joint venture	8.9	-
Sales and leasebacks	0.6	-
Top up pension contributions re new partner	1.9	-
Loan breakage costs	4.7	-
Euro hedging loss	-	0.4
Underlying surplus/(deficit) for the year after exceptional items	8.8	(12.2)

Income of £28.5 million (2009: £27.0 million) and operating costs of £27.6 million (2009: £22.5 million) in respect of first tranche sales are included in the results for the year.

Supporting People activity has continued to grow by 24.7% (2009: 15%) within its current funding, producing a small surplus of £0.9 million (2009: £0 million). The growth and small surplus remain 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. A surplus of

£6.0 million (2009: £5.6 million) is included in the results for the year. Following a review of all properties, a credit of £1.5 million (2009: a charge of £2.9 million) relating to impairments has been recognised in the Income and Expenditure statement for the year.

Interest costs include £4.7 million of loan breakage costs. Costs of borrowing, as noted were maintained under close control throughout the year, with the refinancing of the Group borrowing facilities in 2007/08 delivering significant long term savings and providing greater flexibility for the Group to manage risk and opportunities.

The Group has a surplus of £12.4 million (2009: deficit £15.5 million).

Operating and financial review continued...

### Accounting policies

The Group's principal accounting policies are set out on pages 32 to 36 of the financial statements. The policies that are most critical to the financial results relate to accounting for housing properties and include: accounting for major capital project repairs and maintenance costs, capitalisation of interest and development administration costs, deduction of capital grant from the cost of assets, housing property depreciation, and treatment of shared ownership properties first tranche sales.

### Goodwill

The Group has opted to take early adoption of the SORP 2010 exposure draft for accounting for goodwill. This results in negative goodwill being recognised in the income and expenditure as soon as it is incurred.

Adoption of the exposure draft also helps make the balance sheet more transparent and simpler to understand.

Negative goodwill of £18.3 million has been recognised in the income and expenditure in the current year and a restatement of prior years has resulted in £227.1 million of negative goodwill being transferred to reserves.

### Housing properties

As at 31 March 2010, the Group owned 63,068 housing properties (2009: 49,265).

The group has made a decision to revert to historic cost accounting for its housing properties. The main reasons being as follows:

The Group normally holds general needs properties for the very long term, therefore historic cost accounting is a relevant measure of performance of the Group's business; rather than exposing the Group to short term fluctuations in valuations and therefore potentially letting this accounting treatment influence the way the Group runs the business, over and above the operational needs.

Historic cost is more transparent and simpler to understand for everyone. It will also enable easier benchmarking for the Group as historic cost accounting is used by approximately 70% of housing associations.

The restatement has had the effect of reducing the net assets as at 31 March by £365.9 million.

The Board appointed professional valuers to value the Group's housing properties as at 31 March 2010. Our investment in housing properties this year was funded by a mixture of social housing grant, loan finance and working capital. The valuation, on the basis of existing use as social housing, of properties owned by us was £2,174.1 million. (2009: £1,880.4 million).

An impairment review was carried out at 31 March 2010 for the housing properties and impairments of £1.5 million have been recognised in the accounts. As a result of changes to the mix of tenure in certain schemes and improved sales values, previous years impairments of £2.9 million have been reversed in the current year.

At the end of March 2010 capital commitments for new developments amounted to £162.7 million (2009: £225.6 million), which will be funded by a combination of grant from public bodies and private finance loans.

The total development and capital improvement activity during the year spent £273.7 million net of grants (2009: £270.9 million) to meet growth and quality home improvement targets; these major investments continue to strengthen the financial performance of the Group.

### Capital Structure & Treasury Management

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

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

The Group borrowing requirements are based on a prudent approach to business planning which includes sensitivity testing to ensure that they can cope with major changes in circumstances without breaching investor covenants. This includes testing different scenarios of property sales prices, volumes of sales and differing levels of inflation and interest rates.

Operating and financial review continued...

### Loan Structure

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

During the year, the Group refinanced a total of £88m (2009: £550 million) in facilities taking the total loans secured to £1,838.9 million (2009: £1,666.6 million) in loan facilities. Total secured and unsecured facilities for the Group are £1,985.3 million (2009: £1,881.4 million).

Russet Homes has retained its existing loan facility of £200 million (drawn: £146.6 million) and is not currently part of the Guarantor Group.

Mercian Housing Association has secured external loan facilities of £53.8m (drawn: £36.7m) and is not currently part of the Guarantor Group.

This flexible structure allows greater depth in the funding markets for Circle Anglia. It also allows each of the Guarantors to leverage the strength of the Group to provide investment in the areas where it will provide a sustainable social benefit and Enhance Life Chances.

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

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

Group Loan Repayment Profile:	£m
Within one year	30.4
Between one and five years	1.0
Between five and ten years	11.0
Over ten years	1,489.6
<b>Total</b>	<b>1,532.0</b>

The weighted average maturity of debt across the group is 23 years. The weighted average cost of debt at the end of the year was 4.6%.



### Interest rate risk management

The Group's current strategy is to mitigate risk of breaching covenants due to movement in interest and inflation rates whilst ensuring the maximum enterprise value for the organisation. Circle Anglia uses a combination of embedded and freestanding instruments to hedge against adverse movements in interest rates and inflation. As at 31 March 2010, 97% of the Group's debt had been hedged for the next six months and at an average of 65% over the next five years.

### Loan facilities

As at 31 March 2010, the Group had committed long term loan facilities of £1,985.3 million (2009: £1,880.5 million), with un-drawn committed loan facilities of £437.9 million (2009: £446.8 million). The loans contain £415.0 million of revolving facilities that revert to long term facilities on their maturity and £210.1 million (2009: £173.9 million) of these are currently utilised.

Operating and financial review continued...



### Compliance with loan covenants

Loan covenants are primarily interest cover and gearing ratio and are monitored monthly and reported annually to finance providers. For the year to 31 March 2010, the interest cover and gearing ratio were in compliance with the loan covenants. Interest cover in the Guarantor Group was 109.0% (2009: 110.0%) and gearing was 52.0% (2009: 54.0%), this incorporates funding for both Merton Priory Homes and Mercian Housing Association.

Russet Homes and Mercian Housing Association have separate loan covenants to the Guarantor Group and were also in compliance for the year to 31 March 2010.

For comparison purposes we have calculated the Guarantor covenant ratios including Merton Priory Homes, Mercian Housing Association and Russet Homes' results and on this basis the interest cover would be 119.0% and gearing 51.0%.

### Cash flows

The consolidated cash flows show that the Group generated cash of £94.4 million (2009: £57.2 million) from operations (excluding property sales, gift aid and interest) and return on investments. The loan service costs of £59.8 million net (2009: £67.5 million) and £268.0 million (2009: £299.8 million) of expenditure on new development schemes and capital works to existing stock were funded by a social housing grant of £167.6 million (2009: £65.3 million), proceeds from property sales of £35.8 million (2009: £28.7 million), reductions in cash holdings and net drawdown of loans.

### Investments

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

The Group has invested in Landericus, a fund created with two partners to invest in residential property in Germany. The total amount invested in Landericus at the end of the year was £16.7 million (2009: £7.7 million). Landericus owns 747 properties with a value of £34.8 million, mainly in Bremen, North Rhine Westphalia, Berlin and Halle, Landericus made a surplus for the year of £0.4 million.

### Leamington Waterfront LLP

The Leamington Waterfront LLP was set up to develop 251 units in Leamington Spa in partnership with a third party. The first phase of the development is currently built, however, the continuing issues in the UK housing market and ongoing economic uncertainty has significantly affected the ability of the LLP to sell the completed units. As a result, the members of the LLP decided not to continue with the construction of the final two phases of the development for the time being and there are ongoing discussions with the funder and our partner. The investment and guarantees from Circle Anglia have been provided for in full at £8.89 million.

### Going Concern

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

### Statement of compliance

In presenting the Operating and Financial Review on pages 5 to 22, the Board has endeavoured to follow the principles regarding the purpose, audience, timeframe, reliability, comparability, financial and non-financial measures as set out in SORP 2010 exposure draft.

## Board of Management Statement on the effectiveness of the System of Internal Control

The Board acknowledge their ultimate responsibility for ensuring that the Group and its Partners have 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:

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

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

The Management Board has itself, and through the activities of the Group Audit Committee, reviewed the outcome of internal and external audit work, manager's control and risk 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 Tenant Services Authority reports, Audit Commission assessments and audits.

Key elements of the system of control include ensuring that:

- management reports on operational and financial matters and controls are routinely available to the Board. The Group has a well-established risk and control culture whereby operational and financial reports provide a major source of assurance when considering internal controls. Financial reporting has improved this year due to enhanced controls and checks within Accounts Payable and the Reconciliations teams. Management has more effective financial information.
- risk management activities are used to highlight and mitigate undesirable events from occurring. By reviewing, assessing and managing the significant

risks the Board ensures that implemented internal controls can achieve the long-term business objectives. Risks have been documented with agreed priority ratings and with definition of related current controls and Board monitoring mechanisms. The implementation of improvements to controls identified by the risk mapping process is monitored by management and reported to the Group Audit Committee. Clear lines of responsibility are established throughout the Group for coordinating risk management activities and reporting on key risks identified and considered by the Board.

- assignment of responsibility for oversight of audit activities rests with the Group Audit Committee. Audit activities have clear terms of reference, which are regularly reviewed and updated with business and regulatory requirements.
- control and risk self-assessments (CRSA) are undertaken by management. CRSA is a systematic approach designed to meet the needs of the Group, which requires risks and controls to be identified and measured. Staff and line managers review their own risks with assistance from the Risk Management team and by building their own control assessment. This is designed to promote accountability by all staff and not to rely upon functions such as risk management to monitor potential risks. The system is supportive and designed to instil a greater understanding of risk by all members of the team. In 2009/10 robust pandemic planning ensured that front line services would be maintained if the Group suffered disruption due to the swine flu virus.
- internal auditors are used to ensure a robust risk management approach is applied across the Group in order to reduce the risks to an acceptable level for the Board. It is important to stress that internal audit are not responsible for the design and construction of control systems but undertake an objective role in order to review them appropriately at a later date. Grant Thornton and the in-house internal auditor undertake this responsibility on behalf of the Circle Anglia, which ensures an objective review and audit. Value has been added to the internal audit process due to continued support and presence of the in-house internal auditor.
- the Group's objectives and strategies as well as the related business risks are made clear to external auditors so they can gain an understanding of the overall structure and governance of the Group.

Board of Management Statement on the effectiveness of the System of Internal Control continued...

(g) internal financial control is mainstreamed into the processes of the Group. The principal financial internal controls are segregation of duties, the employment of qualified staff and advisors and operating sound and well documented budgetary controls. A number of controls have been reviewed and reinforced at both Group and local level providing clear guidance and effective safeguards for staff.

At present, forecasts and budgets are prepared which allow the Board and management to monitor the key business risks and financial objectives and progress towards financial plans set for the year and medium term.

(h) quality management systems are in place. This will ensure that the final service we provide to our customers always meets or exceeds the performance standards. Popular forms of quality management are accreditations such as Investors in People (IIP), which the Group has achieved, Customer Excellence Service. The Group has also been awarded Gold at the RoSPA Health and Safety awards.

(i) compliance with other quality schemes and standards are established. The Board can demonstrate intended levels of quality and standards through customer satisfaction reports. Service Level Agreements and work undertaken by the Business Leadership Group also provide strong examples of quality schemes in existence within the Group. The Group has undertaken gap analysis against the new TSA standards, which demonstrates that our system of internal control supports the new regulatory framework. Other codes of practice and national standards and achievements are adopted by the Group, as appropriate, to provide additional assurance to the Board.

(j) the Board receives reports on all areas of the Group's performance information (including key performance indicators) which is regularly reviewed. The TSA values benchmarking schemes, committees and evidence of a performance management culture, which is both led and supported by senior managers.

(k) reports from regulatory and other external bodies are available to the Board.

(l) formal procedures have been established for implementing appropriate action to correct weaknesses identified. Action plans are followed through to deliver robust procedures. An example is the actions that were implemented following a quarterly business assurance exercise concerning controls over cash and near cash items.

(m) it is recognised that the Group does not tolerate fraud and action is taken to reduce the risk of fraud through control systems. Circle Anglia's fraud awareness culture has been enhanced in 2009/10 through mandatory E-learning training and a group wide training supplement detailing key responsibilities within our regulatory framework. This work has been heavily supported by Executive Director Board to drive the message forward in a consistent manner and has been recognised externally by the Training Journal; a national publication.

(n) all significant new initiatives, major commitment and investment projects are subject to formal review and authorisation. A Group wide methodology is in place with training available for staff undertaking new projects. Governance in this area is robust and consistent with monthly meetings of the Project Governance and Investment Group. The appointment of Mears to work with AMS has improved performance levels, however there have been issues with sub-contracting and costing, which have not been resolved to our satisfaction. Appropriate action is being taken to resolve these issues.

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

On behalf of the Board, the Group Audit Committee has reviewed the annual reports of the Group Chief Executive and those of the Internal Audit and Risk Management functions. The Committee has regularly reviewed the effectiveness of the system of internal control in existence in the Group for the year ended 31st March 2010 and until the July 27th 2010. No weaknesses were found in internal controls, which resulted in material losses, contingencies or uncertainties, which require disclosure.

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



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

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

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

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

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

The Board is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Industrial & Provident Societies Acts 1965 to 2003,

the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

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

### Disclosure of information to auditors

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

### Auditors

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

By order of the Board

*A. J. Firman*

A Firman

# Report of the independent auditors 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 2010 which comprise the Consolidated and Association Income and Expenditure Accounts, the Consolidated Statement of Total Recognised Surpluses and Deficits, the Group and Association Balance Sheet and 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 25.

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 2003, and the and 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 association as at 31 March 2010 and of its surplus for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2003, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

### Chris Wilson

(Senior Statutory Auditor)  
for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants  
1 Forest Gate  
Brighton Road  
Crawley  
RH11 9PT

## Group income and expenditure account for the year ended 31 March 2010

	Note	2010 £m	Group 2009 £m
<b>Turnover: continuing activities</b>	<b>3</b>		
Group and share of joint ventures		<b>290.8</b>	259.2
Less share of joint ventures turnover		<b>(4.3)</b>	(5.1)
<b>Group turnover</b>		<b>286.5</b>	254.1
Operating costs	<b>3</b>	<b>(52.8)</b>	(27.5)
Other costs	<b>3</b>	<b>(166.0)</b>	(190.6)
<b>Operating surplus: continuing activities</b>	<b>3</b>	<b>67.7</b>	36.0
Share of operating (deficit) of joint ventures		<b>(0.4)</b>	(0.9)
Surplus on sale of fixed assets – housing properties	<b>6</b>	<b>6.0</b>	5.6
Impairment of JVs		<b>(8.9)</b>	-
Negative goodwill		<b>18.3</b>	-
Interest receivable and other income	<b>7</b>	<b>4.2</b>	9.0
Interest payable and similar charges	<b>8</b>	<b>(74.0)</b>	(65.1)
<b>Surplus/(deficit) on ordinary activities before taxation</b>		<b>12.9</b>	(15.4)
Tax charge on surplus/(deficit) on operating activities	<b>10</b>	<b>(0.5)</b>	(0.1)
<b>Surplus/(deficit) for the financial year after taxation</b>		<b>12.4</b>	(15.5)
<b>Minority interests</b>		-	-
<b>Surplus/(deficit) for the financial year after minority interests</b>		<b>12.4</b>	(15.5)

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

	Note	2010 £m	Group 2009 Restated £m
Reported surplus/(deficit) for the financial year		12.4	(15.5)
Actuarial Loss recognised in the pension scheme	29	(23.0)	(7.8)
<b>Total recognised deficits for the year</b>		<b>(10.6)</b>	<b>(23.3)</b>
Prior year adjustment relating to a change in shared ownership		-	31.7
Prior year adjustment re historic cost	34	(365.9)	-
<b>Total recognised (deficit)/surplus for the year</b>		<b>(376.5)</b>	<b>8.4</b>

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

	Note	2010 £m	Group 2009 £m
<b>Turnover: continuing activities</b>	3	39.5	35.9
Operating costs	3	(38.0)	(36.6)
<b>Operating surplus/(deficit): continuing activities</b>	3	1.5	(0.7)
Interest receivable and other income	7	0.4	2.3
Interest payable and similar charges	8	(1.4)	(2.2)
<b>Surplus/(deficit) on ordinary activities before taxation</b>		0.5	(0.6)
Tax (charge)/credit on surplus on operating activities	10	(0.5)	0.7
<b>Surplus for the financial year after taxation</b>		-	0.1

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

Surplus for the financial year		-	0.1
Actuarial loss recognised in the pension scheme	29	(9.3)	(3.2)
<b>Total recognised deficits since the last annual report</b>		<b>(9.3)</b>	<b>(3.1)</b>

Enhancing Life Chances

### Consolidated balance sheet for the year ended 31 March 2010

	Note	2010 £m	2009 Restated £m
<b>Tangible fixed assets</b>			
Housing properties at cost	11	1,851.8	1,688.8
Other tangible fixed assets	11	63.7	47.0
Goodwill		0.2	0.2
Investments	12	1.2	6.7
<i>Investments in joint venture:</i>			
Share of gross assets	12	0.1	21.1
Share of gross liabilities	12	(0.1)	(23.0)
<i>Fixed asset investments:</i>			
Investment - loans	12	30.9	-
Grant received	12	(30.9)	-
<i>Investment in property under the Homebuy Scheme:</i>			
Grant investment		14.1	1.9
Social housing grant		(14.1)	(1.9)
		<b>1,916.9</b>	<b>1,740.8</b>
<b>Current assets</b>			
Stock and work in progress	13	54.2	70.5
Debtors due within one year	14	78.2	61.3
		<b>132.4</b>	<b>131.8</b>
Investments	15	12.7	25.6
Cash at bank and in hand		32.7	5.5
		<b>177.8</b>	<b>162.9</b>
<b>Creditors: Amounts falling due within one year</b>	16	<b>(188.4)</b>	<b>(123.2)</b>
<b>Net current assets</b>		<b>(10.6)</b>	<b>39.7</b>
<b>Assets less current liabilities</b>		<b>1,906.3</b>	<b>1,780.5</b>
<b>Other debtors – amounts falling due after one year</b>	14	<b>316.5</b>	<b>140.1</b>
<b>Total assets less current liabilities</b>		<b>2,222.8</b>	<b>1,920.6</b>
<b>Creditors: Amounts falling due after more than one year</b>	17	<b>1,858.9</b>	<b>1,573.2</b>
<b>Provisions</b>	30	<b>3.3</b>	<b>-</b>
<b>Long term pension liability</b>	28	<b>36.3</b>	<b>12.1</b>
		<b>1,898.5</b>	<b>1,585.3</b>
<b>Capital and reserves:</b>			
Non-equity share capital	31	-	-
Designated reserves	32	6.3	7.7
Revenue reserves	32	316.8	326.7
Minority interests		1.2	0.9
		<b>324.3</b>	<b>335.3</b>
<b>Consolidated funds</b>		<b>2,222.8</b>	<b>1,920.6</b>

The financial statements were approved by the Board on 27 July 2010 and signed on its behalf by:

Board Member

*James*

Board Member

*Robin Gray*

Secretary

*A. J. Firman*

### Company balance sheet for the year ended 31 March 2010

	Note	2010 £m	2009 £m
<b>Tangible fixed assets</b>			
Other tangible fixed assets	11	7.2	4.7
Investments	12	1.1	0.3
		<b>8.3</b>	5.0
<b>Current assets</b>			
Debtors due after one year	14	7.5	4.4
Debtors due within one year	14	13.1	5.0
		<b>20.6</b>	9.4
Cash at bank and in hand		0.3	1.1
		<b>20.9</b>	10.5
<b>Creditors:</b> Amounts falling due within one year	16	<b>(16.3)</b>	(7.2)
<b>Net current assets</b>		<b>4.6</b>	3.3
<b>Total assets less current liabilities</b>		<b>12.9</b>	8.3
<b>Creditors:</b> Amounts falling due after more than one year	17	<b>13.1</b>	8.7
<b>Long term pension liability</b>	29	<b>11.4</b>	4.5
		<b>24.5</b>	13.2
<b>Capital and reserves:</b>			
Non-equity share capital	31	-	-
Revenue reserve	33	(11.6)	(4.9)
		<b>12.9</b>	8.3

The financial statements were approved by the Board on 27 July 2010 and signed on its behalf by:

Board Member

*J. Jones*

Board Member

*Robin Young*

Secretary

*A. J. Firman*

### Consolidated cash flow statement for the year ended 31 March 2010

	Note	2010 £m	2009 £m
<b>Net cash inflow from operating activities</b>	24	<b>94.4</b>	57.2
<b>Returns on investments and servicing of finance</b>			
Dividends received from joint ventures		1.2	0.5
Interest received		4.3	8.3
Interest paid		(65.3)	(76.3)
<b>Net cash flow from returns on investment and servicing activities</b>		<b>(59.8)</b>	(67.5)
<b>Taxation paid</b>			
Corporation tax paid		(0.3)	0.6
<b>Capital expenditure</b>			
Purchase and construction of housing properties		(268.0)	(299.8)
Social housing grants received		167.6	65.3
Sale of housing properties		35.8	28.7
Purchase of other fixed assets		(19.1)	(30.4)
<b>Net cash flow from capital expenditure</b>		<b>(83.7)</b>	(236.2)
<b>Acquisitions and disposals</b>			
Cash acquired on acquisition of subsidiaries		11.7	-
Purchase of interest in joint ventures		-	(0.6)
Share issue to minority interest		0.3	0.9
<b>Net cash flow from acquisitions and disposals</b>		<b>12.0</b>	0.3
<b>Cash outflow before management of liquid resources and financing</b>		<b>(37.4)</b>	(245.6)
<b>Management of liquid resources</b>			
Cash withdrawn/(paid into) from money market deposit accounts		14.1	(21.5)
Housing loans received net of payments	25/26	42.8	263.7
<b>Increase/(Decrease) in cash</b>	25/26	<b>19.5</b>	(3.4)

# Notes to the financial statements for the year ended 31 March 2010

## 1. Legal status

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

## 2. Accounting policies

The financial statements have been prepared on a going concern basis and in accordance with applicable Accounting Standards in the United Kingdom, the Statement of Recommended Practice for Registered Social Landlords update 2008 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

### Changes in accounting policies

#### Historic cost

The group has made a decision to revert to historic cost accounting for its housing properties. The main reasons being as follows:

The restatement has had the effect of reducing the net assets as at 31 March by £365.9 million.

#### Goodwill

The Group has opted to take early adoption of the SORP 2010 exposure draft, which includes changes in accounting for goodwill. This results in negative goodwill being recognised in the income and expenditure as soon as it is incurred.

Adoption of the exposure draft also helps make the balance sheet more transparent and simpler to understand.

Negative goodwill of £18.3 million has been recognised in the income and expenditure in the current year and a restatement of prior years has resulted in £227.1 million of negative goodwill being transferred to reserves.

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

#### (a) Basis of accounting

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

#### (b) Basis of consolidation

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

#### (c) Turnover

Turnover represents gross rental income receivable during the period net of voids, fees, management fees, direct

works income, supporting people income, first tranche sales of shared ownership and other sundry sources.

#### (d) Interest payable

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

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

#### (e) Taxation

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

#### (f) Deferred tax

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

#### (g) Value added tax (VAT)

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

#### (h) Housing properties

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

All housing properties are split between their land and structure costs and a specific set of major components

Notes to the financial statements for the year ended 31 March 2010 continued...

which require periodic replacement. Refurbishment or replacement of such major components is capitalised and depreciated over the estimated useful life of the component as follows:

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

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

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

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

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

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

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

#### (i) Shared ownership properties

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

#### (j) Properties for sale and stock

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

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

#### (k) Depreciation of housing properties

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

Notes to the financial statements for the year ended 31 March 2010 continued...

2. Accounting policies continued...

#### (l) Impairment

Houses which are depreciated over a period in excess of 50 years are, in accordance with FRS 11 and the SORP, subject to impairment reviews annually. Other assets are reviewed for impairment if there is an indication that impairment may have occurred.

Where there is evidence of impairment, fixed assets are written down to recoverable amount and any such write down would be charged to operating surplus.

#### (m) Social housing grant

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

SHG due from the Homes and Communities Agency or received in advance is included as a current asset or liability. SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates.

SHG received in advance for the development of properties under the agreement with Tower Hamlets Housing Action Trust is shown under current liabilities.

SHG is subordinated in respect of loans on agreement with the Homes and Communities Agency. SHG released on sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included in the balance sheet under creditors.

SHG released on sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grant Fund or Disposal Proceed Fund and included in the balance sheet in creditors.

#### (n) Other grants

These include grants from local authorities and other organisations. The capital costs of housing properties are stated net of grants receivable on these properties. Grants in respect of revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which they relate.

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

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

#### (o) Sale and leaseback

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

#### (p) Stock transfers

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

#### (q) Lease obligations

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

Notes to the financial statements for the year ended 31 March 2010 continued...



#### (r) Investments

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

#### (s) Deferred indexation

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

#### (t) Deferred income

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

#### (u) Finance costs

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

#### (v) Joint arrangements

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

#### (w) Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Notes to the financial statements for the year ended 31 March 2010 continued...

## 2. Accounting policies continued...

### (x) Pensions

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

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. In accordance with FRS17, the pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised 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 income and expenditure account for the year in which they are payable to the schemes.

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

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

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

### (y) Designated and other restricted reserves

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

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

### (z) Negative goodwill

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



Notes to the financial statements for the year ended 31 March 2010 continued...

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

### Group – continuing activities

	2010				2009	
	Turnover	Cost of sales	Operating costs	Operating Surplus	Restated Turnover	Operating Surplus/ (deficit)
	£m	£m	£m	£m	£m	£m
<b>Social housing lettings</b>	<b>217.1</b>	<b>(9.7)</b>	<b>(137.0)</b>	<b>70.4</b>	194.1	42.7
<b>Other social housing activities</b>						
Supporting people contract income	18.0	(3.9)	(13.2)	0.9	19.8	-
Development services	0.1	-	(0.1)	-	-	-
Management services	1.1	-	(0.7)	0.4	0.6	(2.6)
Community regeneration	1.1	-	(2.2)	(1.1)	0.7	(1.3)
First tranche sales	28.5	(27.6)	-	0.9	27.0	4.5
Other	10.4	(11.6)	(7.7)	(8.9)	7.6	(9.2)
	<b>59.2</b>	<b>(43.1)</b>	<b>(23.9)</b>	<b>(7.8)</b>	55.7	(8.6)
<b>Non-social housing activities</b>						
Lettings	10.2	-	(5.1)	5.1	4.3	1.9
	<b>286.5</b>	<b>(52.8)</b>	<b>(166.0)</b>	<b>67.7</b>	254.1	36.0

### Association – continuing activities

	2010				2009	
	Turnover	Cost of sales	Operating costs	Operating Surplus	Turnover	Operating Surplus/ (deficit)
	£m	£m	£m	£m	£m	£m
<b>Social housing lettings</b>	<b>38.9</b>	<b>-</b>	<b>(38.0)</b>	<b>1.5</b>	35.9	(0.7)

Notes to the financial statements for the year ended  
31 March 2010 continued...

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

Particulars of income and expenditure from social housing lettings

Group	General needs housing £m	Supported housing £m	Temporary social housing £m	Shared ownership £m	Lease £m	2010 Total £m	2009 Restated Total £m
Rent receivable net of identifiable service charges	174.2	16.5	2.6	7.7	0.2	201.2	181.0
Charges for support services	-	-	-	-	-	-	-
Service charges receivable	7.8	4.6	-	2.0	1.1	15.5	13.0
<b>Rental income</b>	<b>182.1</b>	<b>21.1</b>	<b>2.6</b>	<b>9.7</b>	<b>1.3</b>	<b>216.7</b>	194.0
Other revenue grants	0.3	0.1	-	-	-	0.4	0.1
<b>Turnover from social housing lettings</b>	<b>182.3</b>	<b>21.2</b>	<b>2.6</b>	<b>9.7</b>	<b>1.3</b>	<b>217.1</b>	194.1

Notes to the financial statements for the year ended  
31 March 2010 continued...

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

	General needs housing £m	Supported housing £m	Temporary social housing £m	Shared ownership £m	Lease £m	2010 Total £m	2009 Restated Total £m
Management	(34.6)	(11.4)	(0.6)	(3.8)	(2.9)	(53.3)	(52.9)
Services	(12.8)	(4.6)	-	(1.0)	(0.9)	(19.3)	(18.5)
Routine maintenance	(18.2)	(2.8)	(0.1)	-	(0.1)	(21.2)	(30.6)
Planned maintenance	(22.2)	(2.2)	-	-	(0.5)	(24.9)	(17.9)
Bad debts	(0.9)	(0.2)	(0.1)	-	(0.1)	(1.3)	(2.0)
Depreciation of housing properties	(15.1)	(1.2)	(0.1)	(0.5)	(0.8)	(17.7)	(16.0)
Impairment of housing properties	(0.7)	(0.2)	-	2.5	-	1.5	(2.7)
Other costs	(6.3)	(1.2)	(2.0)	(0.6)	(0.4)	(10.5)	(10.8)
<b>Operating costs on social housing lettings</b>	<b>(110.8)</b>	<b>(23.8)</b>	<b>(2.9)</b>	<b>(3.4)</b>	<b>(5.8)</b>	<b>(146.7)</b>	(151.4)
<b>Operating surplus on social housing lettings</b>	<b>71.5</b>	<b>(2.6)</b>	<b>(0.3)</b>	<b>6.3</b>	<b>(4.5)</b>	<b>70.4</b>	42.7
Voids	(2.6)	(0.8)	(0.4)	(0.5)	-	(4.3)	(5.2)

Notes to the financial statements for the year ended  
31 March 2010 continued...

#### 4. Accommodation in management and development

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

	2010 No.	Group 2009 No.
<b>Social housing</b>		
General housing	44,967	37,727
Supported housing and housing for older people	5,251	3,295
Shared ownership	3,829	2,830
Keyworker	245	250
Leaseholders	5,441	1,659
Staff accommodation	66	34
<b>Total social housing owned</b>	<b>59,799</b>	<b>45,795</b>
<b>Non-social housing</b>		
Market rented	845	775
Garages	1,541	1,541
Leaseholders	499	906
Other non-social	384	248
<b>Total non-social housing owned</b>	<b>3,269</b>	<b>3,470</b>
<b>Total housing owned</b>	<b>63,068</b>	<b>49,265</b>
Accommodation managed for others	552	199
Stock owned but not managed	(4,555)	(4,687)
<b>Total managed</b>	<b>59,065</b>	<b>44,777</b>
<b>Accommodation in development at the year end</b>	<b>1,988</b>	<b>3,868</b>

Notes to the financial statements for the year ended  
31 March 2010 continued...

#### 5. Operating surplus

This is arrived at after charging:

	2010 £m	Group 2009 Restated £m	Company 2010 £m	2009 £m
Depreciation of housing properties	18.2	13.8	-	-
Impairment of housing properties	(1.5)	2.9	-	-
Depreciation of other Tangible fixed assets	3.7	2.8	1.9	0.8
Operating lease rentals	3.9	4.1	1.4	1.2
Current and past service costs	1.4	2.1	0.3	1.4
Foreign Exchange loss	0.4	-	-	-
Auditors' Remuneration: (including VAT)				
-for audit services	0.3	0.2	-	-
-for non-audit services	0.1	0.2	-	-

#### 6. Surplus on sale of fixed assets – housing properties

	2010 £m	Group 2009 £m
Sales proceeds	12.5	10.4
Cost of sales	(6.5)	(4.8)
	<b>6.0</b>	<b>5.6</b>

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

#### 7. Interest receivable and other income

	2010 £m	Group 2009 £m	Company 2010 £m	2009 £m
Interest receivable on bank deposits	2.2	4.5	-	-
Interest receivable on derivatives	-	4.3	-	-
Other interest earned	0.8	-	-	-
Net finance income (FRS 17)	-	-	-	-
Interest receivable from unlisted investments	-	(0.3)	-	-
Dividend from Joint Ventures	1.2	0.5	-	-
Interest from subsidiaries	-	-	0.4	2.3
	<b>4.2</b>	<b>9.0</b>	<b>0.4</b>	<b>2.3</b>

Notes to the financial statements for the year ended 31 March 2010 continued...

## 8. Interest payable and similar charges

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Interest on loans	31.2	66.4	-	-
Interest on bonds	19.9	7.0	-	-
Loan breakage costs-net	4.7	-	-	-
Other interest payable	2.0	1.8	-	-
Interest payable on derivatives	20.0	2.4	-	-
Other finance costs – pension FRS 17	1.2	0.4	-	0.2
Finance charges re Finance Leases	0.4	-	-	-
RCGF/DPF	0.1	-	-	-
Interest to subsidiaries	-	-	1.4	2.0
	<b>79.5</b>	<b>78.0</b>	<b>1.4</b>	<b>2.2</b>
Interest payable capitalised on Housing Properties under construction	(5.5)	(12.9)	-	-
	<b>74.0</b>	<b>65.1</b>	<b>1.4</b>	<b>2.2</b>
Capitalisation rate used to determine the finance costs capitalised during the period	4.22%	5.23%	-	-

Notes to the financial statements for the year ended 31 March 2010 continued...

## 9. Employees

	Group		Company	
	2010 No.	2009 No.	2010 No.	2009 No.
<b>Average monthly number of employees (FTE)</b>				
Administration	331	290	236	199
Care	513	447	-	-
Developing or selling housing stock	60	62	39	51
Managing or maintaining housing stock	824	700	15	16
	<b>1,728</b>	<b>1,499</b>	<b>290</b>	<b>266</b>

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
<b>Staff Costs:</b>				
Wages and salaries	51.0	45.9	12.7	11.6
Social security costs	4.9	4.4	1.3	1.3
Other pension costs	3.6	3.4	1.0	0.9
	<b>59.5</b>	<b>53.7</b>	<b>15.0</b>	<b>13.8</b>

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).

### Board members and Executive Officers

During the year, Board members and Executive Officers received emoluments (including pension contributions and benefits in kind) totalling £1,422,403 (2009: £1,153,741). Expenses paid during the year to the Board and committee members amounted to £16,076 (2009: £28,608).

The emoluments of the highest paid director, the Chief Executive, excluding pension contributions, were £229,465 (2009: £221,278). Pension contributions paid into a defined contribution scheme on behalf of the Chief Executive were £56,375 (2009: £56,375).

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



Notes to the financial statements for the year ended  
31 March 2010 continued...

## 10. Tax on surplus on ordinary activities

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
<b>Current tax</b>				
UK Corporation Tax charge on surpluses for the year	0.4	0.1	0.4	-
Adjustment in respect of prior years	0.2	-	0.2	0.1
<b>Total current tax charge</b>	<b>0.6</b>	<b>0.1</b>	<b>0.6</b>	<b>0.1</b>
<b>Deferred tax</b>				
Deferred tax on pension charge	(0.1)	-	(0.1)	(0.8)
<b>Total deferred tax charge</b>	<b>(0.1)</b>	<b>-</b>	<b>(0.1)</b>	<b>(0.8)</b>
<b>Tax charge/(credit) on surpluses for the year</b>	<b>0.5</b>	<b>0.1</b>	<b>0.5</b>	<b>(0.7)</b>

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
<b>Current year tax reconciliation</b>				
Surplus/(deficit) on ordinary activities before tax	12.4	(13.1)	0.5	(0.5)
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008: 30%)	3.4	(3.7)	0.1	(0.1)
Gift aid timing difference	-	2.7	-	-
Surpluses of charitable entities not subject to corporation tax	(1.1)	1.5	-	-
Depreciation in excess of capital allowances	0.2	0.7	0.1	-
Other non-deductible expenditure, net of allowable capital cost	(3.9)	(0.8)	0.3	-
Losses carried forward	2.0	-	-	0.1
Utilisation of losses	-	(0.3)	(0.1)	-
Adjustments in respect of prior years	0.2	-	0.2	0.1
<b>Total current tax charge</b>	<b>0.6</b>	<b>0.1</b>	<b>0.6</b>	<b>0.1</b>

Notes to the financial statements for the year ended  
31 March 2010 continued...

## 11. Tangible fixed assets

### Group – Housing properties

	Completed Properties		Housing Properties Under Construction		Total
	Housing properties held for letting £m	Shared ownership housing properties £m	Housing properties held for letting £m	Shared ownership housing properties £m	
<b>Cost or valuation</b>					
As at 31 March 2009 at valuation	2,707.9	222.6	142.1	79.0	3,151.6
Prior year adjustment to historic cost	(284.4)	(25.2)	-	-	(309.6)
Restated as at 1 April 2009 at cost	2,423.5	197.4	142.1	79.0	2,842.0
<b>Movements in the year</b>					
Additions:					
- Acquisitions	163.8	25.8	6.2	1.1	196.9
- Spend in new 09/10 WIP schemes	-	-	18.6	4.7	23.3
- Works in existing properties/schemes	67.7	8.7	126.9	41.4	244.7
Capitalised interest	0.4	0.2	2.5	1.6	4.7
Schemes completed in the year	143.9	71.7	(143.9)	(71.7)	-
Disposals	(5.4)	(27.2)	-	-	(32.6)
Impairments	(0.8)	2.3	-	-	1.5
<b>As at 31 March 2010</b>	<b>2,793.1</b>	<b>278.9</b>	<b>152.4</b>	<b>56.1</b>	<b>3,280.5</b>
<b>Social housing grant</b>					
As at 1 April 2009	(970.4)	(55.7)	(36.1)	(10.6)	(1,072.8)
Additions:					
- Acquisitions	(73.7)	(11.2)	(3.5)	-	(88.4)
- New schemes	-	-	(13.6)	(2.6)	(16.2)
- Existing properties/schemes	(12.2)	1.3	(103.4)	(37.1)	(151.4)
Schemes completed in the year	(60.1)	(11.6)	60.1	11.6	-
Disposals	1.2	0.9	-	-	2.1
Intercompany transfers	-	-	-	-	-
<b>As at 31 March 2010</b>	<b>(1,115.2)</b>	<b>(76.3)</b>	<b>(96.5)</b>	<b>(38.7)</b>	<b>(1,326.7)</b>
<b>Depreciation</b>					
As at 31 March 2009	0.1	-	-	-	0.1
Prior year adjustment to historic cost	(78.5)	(1.9)	-	-	(80.4)
Restated as at 1 April 2009	(78.4)	(1.9)	-	-	(80.3)
Charged in the year	(18.1)	(0.1)	-	-	(18.2)
Acquisitions	(3.5)	(0.3)	-	-	(3.8)
Intercompany transfers	-	-	-	-	-
Released on disposal	0.2	0.1	-	-	0.3
<b>As at 31 March 2010</b>	<b>(99.8)</b>	<b>(2.2)</b>	<b>-</b>	<b>-</b>	<b>(102.0)</b>
<b>Net book value</b>					
As at 31 March 2010	1,578.1	200.4	55.9	17.4	1,851.8
As at 31 March 2009 restated	1,374.7	139.8	106.0	68.3	1,688.8

Notes to the financial statements for the year ended 31 March 2010 continued...

11. Tangible fixed assets continued...

**Group – Housing properties (continued)**

Works to existing properties

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

	2010 £m	2009 £m
Capitalised in fixed assets	73.7	59.2
Expensed in the income and expenditure account	51.1	65.0
	<b>124.8</b>	<b>124.2</b>

On 31 March 2010, the Group's housing properties were valued FPD Savills Consulting, an independent firm of Chartered Surveyors, based on their full valuation at 31 March 2009 and updated for the following:

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

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

Future rent increases	Retail Price Index plus 0.5% long-term
Real discount rate	4.5%
Valuations EUV-SH	£2,174,145,000

Included in the total net book value of £1,851.8 million is £1.2 million (2009: £1.2 million) in respect of assets held under finance lease contracts. Depreciation for the year on these assets was £nil (2009: £nil).



Notes to the financial statements for the year ended 31 March 2010 continued...

11. Tangible fixed assets continued...

**Tangible fixed assets - Other**

Group	Properties £m	Leasehold/ freehold offices £m	Furniture, fixtures and fittings £m	Computer equipment £m	Motor vehicles £m	Total £m
<b>Cost</b>						
As at 1 April 2009	21.0	21.5	11.1	17.3	0.1	71.0
Acquisitions	-	0.5	0.9	0.6	-	2.0
Additions	14.0	0.4	1.2	3.8	-	19.4
Reclassification	-	(0.1)	0.1	-	-	-
Impairment	-	(0.1)	-	-	-	(0.1)
Disposals	-	-	-	(0.3)	-	(0.3)
<b>As at 31 March 2010</b>	<b>35.0</b>	<b>22.2</b>	<b>13.3</b>	<b>21.4</b>	<b>0.1</b>	<b>92.0</b>

**Depreciation**

As at 1 April 2009	-	(4.6)	(7.2)	(12.1)	(0.1)	(24.0)
Acquisitions	-	(0.3)	(0.2)	(0.4)	-	(0.9)
Charge for year	-	(0.3)	(1.1)	(2.3)	-	(3.7)
Disposals	-	-	-	0.3	-	0.3
<b>As at 31 March 2010</b>	<b>-</b>	<b>(5.2)</b>	<b>(8.5)</b>	<b>(14.5)</b>	<b>(0.1)</b>	<b>(28.3)</b>

**Net Book Value**

<b>As at 31 March 2010</b>	<b>35.0</b>	<b>17.0</b>	<b>4.8</b>	<b>6.9</b>	<b>-</b>	<b>63.7</b>
As at 31 March 2009	21.0	16.9	3.9	5.2	-	47.0

Company	Furniture, Fixtures and Fittings £m	Computer Equipment £m	Total £m
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**Cost**

As at 1 April 2009	2.5	5.3	7.8
Additions during year	1.4	3.0	4.4
<b>As at 31 March 2010</b>	<b>3.9</b>	<b>8.3</b>	<b>12.2</b>

**Depreciation**

As at 1 April 2009	(1.0)	(2.1)	(3.1)
Charge for year	(0.4)	(1.5)	(1.9)
<b>As at 31 March 2010</b>	<b>(1.4)</b>	<b>(3.6)</b>	<b>(5.0)</b>

**Net Book Value**

<b>As at 31 March 2010</b>	<b>2.5</b>	<b>4.7</b>	<b>7.2</b>
As at 31 March 2009	1.5	3.2	4.7

Notes to the financial statements for the year ended 31 March 2010 continued...

## 12. Investments

### Investments in Subsidiaries

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

All of the above are participants in the Group Borrowing Facility with the exception of Circle Anglia Social Housing plc, Circle Living Limited (formerly Commercial Services Circle Anglia Limited), EPIC Trust Limited, Anglia Maintenance Services Limited, Circle Anglia Foundation Limited, Russet Homes Limited, Invicta Telecare Limited, Mercian Housing Association Limited, Art Homes Limited, Zenith Developments Limited, Merton Priory Homes Limited, Landericus Limited, and Thackeray Mews Limited.

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

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

Notes to the financial statements for the year ended 31 March 2010 continued...

12. Investments continued...

### Investments in Subsidiaries (continued)

Included in investments are:

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Costs re formation of the Group	-	-	-	-
Cost of shares – Circle Anglia Social Housing Plc	-	-	0.1	0.1
Cost of shares – Invicta Telecare Limited	-	-	0.2	0.2
Costs of acquiring Mercian Housing Association	-	-	0.8	-
Listed investments	1.0	-	-	-
Unlisted investments	0.2	-	-	-
	1.2	-	1.1	0.3
Investment in Joint ventures:-				
Leamington Waterfront LLP	-	5.5	-	-
Wideacre Lifespace Saffron LLP	-	1.2	-	-
	1.2	6.7	1.1	0.3

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.

Notes to the financial statements for the year ended 31 March 2010 continued...

12. Investments continued...

### Investments in Subsidiaries (continued)

Operating surplus/(deficit) and total assets less current liabilities of the principal subsidiary undertakings at 31 March 2010:

	Surplus/(deficit)		Total assets less current liabilities	
	2010	2009	2010	2009
	£m	Restated £m	£m	Restated £m
Anglia Maintenance Services Limited	(0.7)	(0.4)	(0.5)	0.3
Circle Anglia Foundation Limited	-	-	0.4	0.4
Circle Anglia Treasury Limited	-	-	1,338.3	1,218.9
Circle Anglia Social Housing Plc	-	-	275.1	275.1
Circle Living Limited (formerly Circle Anglia Commercial Services Limited)	-	(0.2)	-	-
Circle Thirty Three Housing Trust Limited	(10.2)	0.4	126.1	169.4
Epic Trust	0.5	0.4	2.0	1.5
Your Lifespace Limited	(10.0)	(3.1)	4.8	1.9
Old Ford Homes Limited	0.1	(6.0)	0.4	0.3
Old Ford Housing Association	0.9	3.4	43.5	61.3
South Anglia Housing Limited	(0.8)	(8.7)	(3.2)	(0.5)
Wherry Housing Association Limited	0.2	(2.9)	0.6	1.2
Mole Valley Housing Association	3.4	2.7	60.3	65.7
Roddons Housing Association	0.4	(0.7)	30.2	38.8
Russet Housing Association	10.4	(1.1)	160.6	145.6
Invicta Telecare Limited	(0.1)	0.1	0.3	0.4
Landericus Limited	0.4	-	36.7	23.2
Thackeray Mews Limited	(3.6)	(0.5)	0.2	3.9
Mercian Housing Association Limited	(4.8)	-	72.3	-
Art Homes Limited	-	-	4.1	-
Zenith Developments Limited	(0.1)	-	0.1	-
Merton Priory Homes Limited	(2.6)	-	207.7	-
	(16.6)	(16.6)	2,360.0	2,007.4

Notes to the financial statements for the year ended 31 March 2010 continued...

12. Investments continued...

### Investments in Joint Ventures

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

The total of the Group's loss before taxation from interests in associates and joint ventures was £5,411,000 (2009: loss before taxation £880,000).

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

	Joint Ventures Total		Associate Total	
	2010	2009	2010	2009
	£m	£m	£m	£m
Share of turnover	4.3	4.7	0.1	0.4
Share of assets				
- Share of current assets	0.1	21.1	-	0.1
Share of liabilities				
- Due within one year	(0.1)	(23.0)	-	(0.1)
<b>Share of net liabilities</b>	-	(1.9)	-	-

Notes to the financial statements for the year ended 31 March 2010 continued...

#### 12. Investments continued...

##### Investments – loans

	Group	
	2010 £m	2009 £m
Loans	30.9	-
Grants	(30.9)	-
	-	-

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

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

#### 14. Debtors

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
<b>Due after more than one year:</b>				
Amount due from subsidiaries	-	-	7.5	4.4
Stock transfer – future works	316.5	140.1	-	-
Other debtors	-	-	-	-
	316.5	140.1	7.5	4.4
<b>Due within one year:</b>				
Rent and service charges receivable	19.2	16.2	-	-
Less: Provision for bad and doubtful debts	(7.7)	(7.0)	-	-
	11.5	9.2	-	-
Amounts due from subsidiary undertakings	-	-	11.3	3.6
Stock transfer – future works	44.1	24.6	-	-
Other debtors	15.9	21.2	1.1	1.1
Prepayments and accrued income	5.8	4.6	0.6	0.3
Deferred taxation	0.1	-	0.1	-
Deferred interest indexation	-	1.3	-	-
Other taxation & social security	0.8	0.4	-	-
	66.7	52.1	13.1	5.0
<b>Total debtors - within one year</b>	<b>78.2</b>	<b>61.3</b>	<b>13.1</b>	<b>5.0</b>

#### 13. Stock and work in progress

	Group	
	2010 £m	2009 £m
Parts and warehouse stores	0.1	0.1
Work in progress	0.1	0.7
Completed properties	33.6	45.3
Properties under construction	20.4	24.4
	54.2	70.5

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

Stock of housing properties comprises acquisition and development expenditure on shared ownership properties first tranche. Capitalised development interest charged to stock during the year is £281,981 (2009: £770,911).

Notes to the financial statements for the year ended 31 March 2010 continued...

#### 15. Current asset investments

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Short term investments	0.9	0.8	-	-
Money market deposits – collateral	1.4	2.9	-	-
Money market deposits	10.4	21.9	-	-
	12.7	25.6	-	-

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

#### 16. Creditors: Amounts falling due within one year

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Bank overdraft (note 19)	9.6	1.9	-	-
Bank loans and borrowings (note 19)	23.2	1.1	-	-
	32.8	3.0	-	-
Trade creditors	21.2	16.5	1.2	1.1
Capital creditors	1.6	2.6	-	-
Rent and service charge received in advance	5.6	4.6	-	-
Amount owed to Group undertakings	-	-	10.7	2.9
Recycled capital grant fund (note 18)	4.1	3.8	-	-
Disposal proceeds fund (note 18)	3.6	2.2	-	-
Corporation Tax	0.4	0.1	0.4	-
Other taxation and social security	1.6	2.1	1.5	1.3
Other creditors	11.0	5.9	0.7	1.1
Stock transfer – future works	44.1	24.6	-	-
Accruals and deferred income	62.4	57.8	1.8	0.8
	188.4	123.2	16.3	7.2

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

Notes to the financial statements for the year ended 31 March 2010 continued...

## 17. Creditors: Amounts falling due after more than one year

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Bank loans and borrowings (note 19)	1,528.8	1,420.4	-	-
Obligations under finance leases (note 19)	1.4	1.4	-	-
	1,530.2	1,421.8	-	-
Recycled Capital Grant Fund (note 18)	4.4	6.5	-	-
Disposal Proceeds Fund (note 18)	2.2	4.2	-	-
Amounts owed to Group undertakings	-	-	13.1	8.7
Other creditors	0.6	0.4	-	-
Financial deferred income	1.1	0.2	-	-
Other deferred Income	3.9	-	-	-
Stock transfer – future works	316.5	140.1	-	-
	1,858.9	1,573.2	13.1	8.7

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

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

## 18. Reconciliation of RCGF and DPF balances

	RCGF £m	DPF £m
As at 1 April 2009	10.3	6.4
Inputs to reserve:		
- Transfers	0.8	-
- Grants recycled	2.1	0.9
- Interest accrued	0.1	-
- New build	(4.8)	(1.5)
- Major repairs and works to existing stock		
As at 31 March 2010	8.5	5.8
Amount due for repayment to the Homes and Communities Agency	-	-

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 HCA. 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 HCA

Enhancing Life Chances

Notes to the financial statements for the year ended 31 March 2010 continued...

## 19. Debt analysis

Housing and non-housing loans	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
<b>Due within one year</b>				
Bank overdraft	9.6	1.9	-	-
Bank loans	12.4	0.9	-	-
Orchardbrook loans	10.8	0.2	-	-
	32.8	3.0	-	-
<b>Due after more than one year</b>				
Bank loans	1,258.8	1,161.9	-	-
Bonds	270.0	250.0	-	-
Orchardbrook loans	-	8.5	-	-
Obligations under finance leases	1.4	1.4	-	-
	1,530.2	1,421.8	-	-
	1,563.0	1,424.8	-	-

£25 million of the £275 million Bond was held for investment purposes by Circle Anglia Treasury Limited and this has been netted off the original Bond on consolidation.

Bank loans are shown net of £7.9 million loan arrangement fees.

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Within one year	32.8	3.0	-	-
Between one and two years	1.0	0.4	-	-
Between two and five years	11.0	4.7	-	-
After five years	1,518.2	1,416.7	-	-
	1,563.0	1,424.8	-	-

Of the total loans above £1,329.9 million (2009: £1,198.1 million) was drawn from committed facilities of £1,683.0 million (2009: £1,595.0 million), arranged through the Group's borrowing vehicle, Circle Anglia Treasury Limited, of which £275.0 million is represented by the Bond issue through Circle Anglia Social Housing Plc.

Circle Anglia Treasury Limited directly funds the borrowing requirements of the charitable RPs within the Group. £103.3 million (2009: £85.5 million) of facilities still reside within the charitable RPs (£1.4 million finance lease in Wherry Housing Association, £70.2 million in historic bonds and loans in Circle 33 Housing Trust, £53.8 million in Mercian Housing Association).

Under the facilities, the loans which are repayable at various dates through to 2048, are secured by fixed charges over the completed housing properties of the participating Group members and a series of cross guarantees. The weighted average rate of interest chargeable was 4.6% (2009: 4.78%).

Russet Homes borrowings, included in the above table are £146.6 million (2009: £142.0 million) and are secured under a facility of £201.0 million (2009: £201.0 million), repayable within 35 years secured by a charge over the Association's housing properties and other assets. The weighted average rate of interest chargeable was 5.18% (2009: 5.43%).

Landericus has separate borrowings of £17.6m.

Notes to the financial statements for the year ended 31 March 2010 continued...

19. Debt analysis continued...

Included within the debt are fair value amounts of £17.2 million relating to the acquisition of Mercian Housing Association and £21.7 million relating to the acquisition of Russet Homes Limited. The fair value adjustments represent the difference between the book value and the fair value at the date of the acquisitions and this is the price the loans are carried at in the accounts.

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

**Maturity of debt**

Group	Short term borrowings £m	Loans falling due after more than one year £m	Total £m
Revolver	3.0	207.1	210.1
Term	9.3	1,021.5	1,030.8
Bond	-	270.0	270.0
Other	18.1	1.6	19.7
Finance Lease	-	1.4	1.4
	30.4	1,501.6	1,532.0
Unamortised arrangement fees	(0.3)	(7.6)	(7.9)
<b>Maturity of debt as at 31 March 2010</b>	<b>30.1</b>	<b>1,494.0</b>	<b>1,524.1</b>
Maturity of debt as at 31 March 2009	2.8	1,400.3	1,403.1

	Funding Group			Non Funding Group			Group total £m
	Short term borrowings £m	Loans falling due after more than one year £m	Total £m	Short term borrowings £m	Loans falling due after more than one year £m	Total £m	
Revolver	-	160.5	160.5	3.0	46.6	49.6	210.1
Term	-	879.4	879.4	9.3	142.1	151.4	1,030.8
Bond	-	270.0	270.0	-	-	-	270.0
Other	18.0	1.6	19.6	0.1	-	0.1	19.7
Finance Lease	-	1.4	1.4	-	-	-	1.4
	18.0	1,312.9	1,330.9	12.4	188.7	201.1	1,532.0
Unamortised arrangement fees	(0.3)	(7.5)	(7.8)	-	(0.1)	(0.1)	(7.9)
<b>Maturity of debt as at 31 March 2010</b>	<b>17.7</b>	<b>1,305.4</b>	<b>1,323.1</b>	<b>12.4</b>	<b>188.6</b>	<b>201.0</b>	<b>1,524.1</b>
Maturity of debt as at 31 March 2009	2.7	1,258.3	1,261.0	0.1	142.0	142.1	1,403.1

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Notes to the financial statements for the year ended 31 March 2010 continued...

19. Debt analysis continued...

**Maturity of borrowings**

Group	Within one year £m	Between one and two years £m	Between two and five years £m	After five years £m	Total £m
Revolver	3.0	-	-	207.1	210.1
Term	9.3	0.9	10.6	1,010.0	1,030.8
Bond	-	-	-	270.0	270.0
Other	18.1	0.1	0.4	1.1	19.7
Finance Lease	-	-	-	1.4	1.4
	30.4	1.0	11.0	1,489.6	1,532.0
Unamortised arrangement fees	(0.3)	(0.3)	(0.8)	(6.5)	(7.9)
<b>Maturity of debt as at 31 March 2010</b>	<b>30.1</b>	<b>0.7</b>	<b>10.2</b>	<b>1,483.1</b>	<b>1,524.1</b>
Maturity of debt as at 31 March 2009	2.8	0.2	4.0	1,396.1	1,403.1

**Maturity of facilities**

Group	Within one year £m	Between one and two years £m	Between two and five years £m	After five years £m	Total £m
Revolver	20.0	-	-	395.0	415.0
Term	9.2	0.9	10.6	1,243.0	1,263.7
Bond	-	-	-	295.0	295.0
Other	8.6	0.1	0.4	1.1	10.2
Finance Lease	-	-	-	1.4	1.4
<b>Maturity of debt as at 31 March 2010</b>	<b>37.8</b>	<b>1.0</b>	<b>11.0</b>	<b>1,935.5</b>	<b>1,985.3</b>
Maturity of debt as at 31 March 2009	1.1	0.4	8.7	1,871.2	1,881.4

Notes to the financial statements for the year ended  
31 March 2010 continued...

19. Debt analysis continued...

#### Interest rate analysis

Group	Total	Floating rate	Fixed rate	Fixed interest rate %	Time fixed rate debt in years
	£m	£m	£m		
Revolver	210.1	92.2	117.9	4.97%	6
Term	1,030.8	-	1,030.8	6.27%	19
Bond	270.0	-	270.0	7.48%	27
Other	19.7	-	19.7	10.17%	2
Finance Lease	1.4	-	1.4	9.97%	16
<b>As at 31 March 2010</b>	<b>1,532.0</b>	<b>92.2</b>	<b>1,439.8</b>	<b>7.0%</b>	<b>23</b>
<b>As at 31 March 2009</b>	<b>1,410.6</b>	<b>-</b>	<b>1,410.6</b>	<b>4.9%</b>	<b>15.5</b>

#### Currency and interest rate analysis of debt

Group	Total	Floating rate	Fixed rate	Fixed interest rate %	Time fixed rate debt in years
	£m	£m			
Sterling	1,514.4	126.8	1,387.6	4.6%	17
Euro	17.6	4.4	13.2	5.4%	7
<b>As at 31 March 2010</b>	<b>1,532.0</b>	<b>131.2</b>	<b>1,400.8</b>	<b>4.6%</b>	<b>19</b>
<b>As at 31 March 2009</b>	<b>1,410.6</b>	<b>-</b>	<b>1,410.6</b>	<b>4.9%</b>	<b>15.5</b>

Notes to the financial statements for the year ended  
31 March 2010 continued...

## 20. Financing deferred income

Deferred income	Group	
	2010 £m	2009 £m
As at 1 April	0.2	0.2
Released in the year	(0.2)	-
	-	0.2
Transferred to creditors less than one year	-	-
<b>As at 31 March</b>	<b>-</b>	<b>0.2</b>
<b>Total</b>	<b>-</b>	<b>0.2</b>

## 21. Deferred tax

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Deferred tax relating to gift aid paid post year-end	-	-	-	-
Provision for deferred taxation	-	-	-	-
Provision as at 1 April	-	-	-	-
Deferred tax charge for period (note 10)	0.1	-	-	-
<b>Provision as at 31 March</b>	<b>0.1</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 22. Financial commitments

Capital expenditure	Group	
	2010 £m	2009 £m
Expenditure contracted but not provided in the accounts	78.7	179.8
Expenditure authorised by the board, but not contracted	84.0	32.1
<b>As at 31 March</b>	<b>162.7</b>	<b>211.9</b>

Notes to the financial statements for the year ended 31 March 2010 continued...

## 23. Operating leases

At 31 March 2010 there were the following annual operating lease commitments on leases expiring:

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Within one year:				
Land and Buildings	0.1	-	-	-
Rentals Payable on Other	0.6	0.4	0.3	0.1
Between one and five years:				
Land and Buildings	0.1	0.1	-	-
Rentals Payable on Other	0.6	0.6	0.6	0.6
After five years:				
Land and Buildings	1.7	1.0	0.6	0.5
Rentals Payable on Other	-	-	-	-
	<b>3.1</b>	<b>2.1</b>	<b>1.5</b>	<b>1.2</b>

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

	2010 £m	Group 2009 £m
Operating surplus	67.7	38.3
Depreciation of tangible fixed assets	21.9	16.6
Impairment of housing properties	(1.4)	2.9
FRS17 provision movement	(1.2)	1.1
	<b>87.0</b>	<b>58.9</b>
<b>Working capital movements</b>		
Stock	16.3	(21.5)
Debtors	11.3	(18.4)
Creditors	(20.2)	38.2
	<b>94.4</b>	<b>57.2</b>
<b>Net cash inflow from operating activities</b>	<b>94.4</b>	<b>57.2</b>

Notes to the financial statements for the year ended 31 March 2010 continued...

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

	2010 £m	Group 2009 £m
(Decrease)/increase in cash	19.5	(3.4)
Cash (outflow)/inflow from increase in liquid resources	(14.1)	21.5
Cash (inflow) from increase in debt	(42.8)	(263.7)
Loans acquired on acquisition of subsidiaries	(70.5)	-
Fixed asset investments acquired on acquisition	1.2	-
Loan fair value adjustments	(17.2)	(21.7)
	<b>(123.9)</b>	<b>(267.3)</b>
<b>Increase in net debt from cash flows</b>	<b>(123.9)</b>	<b>(267.3)</b>
Net Debt at 1 April	(1,393.7)	(1,126.4)
<b>Net Debt at 31 March</b>	<b>(1,517.6)</b>	<b>(1,393.7)</b>

## 26. Analysis of changes in net debt

	At 1 April 2009 £m	New partners (excluding cash and overdrafts)	Fair value adjustments	Cash flow £m	At 31 March 2010 £m
Cash at bank in hand	5.5	-	-	27.2	32.7
Bank overdraft	(1.9)	-	-	(7.7)	(9.6)
<b>Changes in cash</b>	<b>3.6</b>	<b>-</b>	<b>-</b>	<b>19.5</b>	<b>23.1</b>
<b>Current asset investments</b>	<b>25.6</b>	<b>1.2</b>	<b>-</b>	<b>(14.1)</b>	<b>12.7</b>
<b>Loans</b>	<b>(1,422.9)</b>	<b>(70.5)</b>	<b>(17.2)</b>	<b>(42.8)</b>	<b>(1,553.4)</b>
<b>Changes in net debt</b>	<b>(1,393.7)</b>	<b>(69.3)</b>	<b>(17.2)</b>	<b>(37.4)</b>	<b>(1,517.3)</b>

Notes to the financial statements for the year ended 31 March 2010 continued...



## 27. 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.

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

Mercian Housing Association has a contingent liability in respect of major repairs arising on developments which contain leasehold flats purchased under the Right to Buy provisions to the extent that costs exceed those notified to lessees at the date of creation of the lease.

## 28. Contingent asset

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

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

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

## 29. Pension obligations

### Group summary

#### a) Defined contribution schemes

Members of the Group 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 2010 is shown in the employees note.

#### b) Defined benefit schemes

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

The following defined benefit schemes have 10 or fewer active members and therefore have not been disclosed on grounds of materiality;

National Health Service Pension Scheme, Social Housing Pension Scheme.

Notes to the financial statements for the year ended 31 March 2010 continued...

29. Pension obligations continued...

### Group summary (continued)

Scheme	Norfolk County Superannuation Fund	Surrey County Council Superannuation Fund	Cambridgeshire County Council Superannuation Fund	Kent County Council Pension Fund	London Borough of Merton Pensions Fund	Other	Totals
Group Member	Circle Anglia Maintenance Services Limited	Mole Valley Housing Association	Roddons Housing Association	Invicta Telecare Homes	Merton Priory Homes	See Note below	
Current number of employees in the scheme	34	65	84	103	142	26	606
Scheme deficit at 31 March 2010	(2.3)	(2.0)	(2.5)	(3.2)	(9.6)	(1.6)	(42.3)
Deferred tax asset	4.4	-	-	0.9	-	-	6.0
Net scheme deficit at 31 March 2010	(11.4)	(2.0)	(2.5)	(2.3)	(9.6)	(1.6)	(36.3)

Note: Other represents four Pension funds for EPIC and Old Ford each with fewer than 10 members and therefore considered to be below the materiality level for reporting in the consolidated accounts. Details of these funds can be found in the individual statutory accounts. The Pension Funds are:- Islington Council (EPIC), London Borough of Camden (EPIC), London Borough of Tower Hamlets (Old Ford) and London Pensions Fund Authority (Old Ford).

Notes to the financial statements for the year ended 31 March 2010 continued...

29. Pension obligations continued...

**Group summary (continued)**

Analysis of the amount charged to operating surplus	2010 £m	2009 £m
Current service cost	1.2	1.5
Past service costs	-	0.6
Settlements and curtailments	0.2	-
<b>Total operating charge</b>	<b>1.4</b>	<b>2.1</b>

Analysis of the amount credited to other finance income	2010 £m	2009 £m
Expected return on pension scheme assets	2.6	3.4
Interest on pension scheme liabilities	(3.8)	(3.8)
<b>Net expenditure</b>	<b>(1.2)</b>	<b>(0.4)</b>

Movement in deficit in the year	2010 £m	2009 £m
Deficit in schemes at beginning of the year	(14.2)	(6.7)
Opening balance of new entities at point of entrance	(4.9)	-
<b>Movement in year:</b>		
Current service cost	(1.2)	(1.5)
Past service costs	-	(0.6)
Settlements and curtailments	(0.2)	-
Contributions by the employer	2.4	2.8
Interest cost	(3.8)	(3.8)
Expected return on assets	2.6	3.4
Actuarial loss	(23.0)	(7.8)
<b>Deficit in schemes at the end of the year</b>	<b>(42.3)</b>	<b>(14.2)</b>

Notes to the financial statements for the year ended 31 March 2010 continued...

29. Pension obligations continued...

**Circle Anglia 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. The actuarial liabilities in relation

to the scheme are subject to triennial valuation by independent actuaries. An actuarial valuation was carried out as at 31 March 2007 using the projected unit method.

The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

Principal actuarial assumptions at the year end were as follows:

	2010	2009
Inflation	3.8%	3.1%
Pension increase rate	3.8%	3.1%
Salary increase rate	5.3%	4.6%
Expected return on assets	6.9%	6.2%
Discount rate	5.5%	6.9%

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

	Males	Females
Current pensioner aged 65	20.8 years	24.1 years
Future retiree upon reaching 65	22.3 years	25.7 years

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

**Long term expected rates of return:**

	2010	2009
Equities	7.8%	7.0%
Bonds	5.0%	5.4%
Property	5.8%	4.9%
Cash	5.5%	4.0%

**Fair Value:**

	2010 £m	2009 £m
Equities	13.6	9.5
Bonds	3.4	3.2
Property	2.0	1.5
Cash	1.3	1.2
<b>Total</b>	<b>20.3</b>	<b>15.4</b>

Notes to the financial statements for the year ended 31 March 2010 continued...

29. Pension obligations continued...

#### Circle Anglia Limited (continued)

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

	2010 £m	2009 £m
Total market value of assets	20.3	15.4
Present value of scheme liabilities	(35.8)	(21.4)
	(15.5)	(6.0)
Present value of unfunded liabilities	(0.3)	(0.2)
Scheme deficit	(15.8)	(6.2)
Related deferred tax asset	4.4	1.7
<b>Net pension liability</b>	<b>(11.4)</b>	<b>(4.5)</b>

Movement in deficit in the year:

	2010 £m	2009 £m
Deficit at the beginning of the year	(6.2)	(2.9)
Current service costs	(0.2)	(0.3)
Contributions paid	0.5	0.6
Expected return on employer assets	1.0	1.3
Past service costs	-	(0.2)
Interest cost	(1.5)	(1.5)
Settlements and curtailments	(0.1)	-
Actuarial loss	(9.3)	(3.2)
<b>Deficit at the end of the year</b>	<b>(15.8)</b>	<b>(6.2)</b>

Movement in the present value of defined benefit obligation:

	2010 £m	2009 £m
As at 1 April	(21.6)	(22.2)
Current service cost	(0.2)	(0.3)
Interest cost	(1.5)	(1.5)
Contributions by members	(0.2)	(0.2)
Settlements and curtailments	(0.1)	-
Actuarial losses	(13.1)	2.2
Past service costs	-	(0.2)
Estimated benefit paid	0.6	0.6
<b>As at 31 March</b>	<b>(36.1)</b>	<b>(21.6)</b>

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Notes to the financial statements for the year ended 31 March 2010 continued...

29. Pension obligations continued...

#### Circle Anglia Limited (continued)

Movement in the fair value of the plan assets:

	2010 £m	2009 £m
As at 1 April	15.4	19.3
Expected return on assets	1.0	1.3
Contributions by the employer	0.5	0.6
Contributions by members	0.2	0.2
Actuarial gains/(losses)	3.8	(5.4)
Estimated benefits paid	(0.6)	(0.6)
<b>As at 31 March</b>	<b>20.3</b>	<b>15.4</b>

The Company expects the employer's contribution for the year ended 31 March 2011 to be approximately £510,000.

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

	2010	2009
Equities	67%	62%
Bonds	17%	21%
Property	10%	10%
Cash	6%	7%

Analysis of amounts charged to the income and expenditure:

	2010 £m	2009 £m
Current service costs	0.2	0.3
Past service costs	-	0.2
Settlements and curtailments	-	-
<b>Total charge</b>	<b>0.2</b>	<b>0.5</b>

Analysis of the amount charged to other finance costs

	2010 £m	2009 £m
Expected return on assets	1.0	1.3
Interest on liabilities	(1.5)	(1.5)
<b>Net expenditure</b>	<b>(0.5)</b>	<b>(0.2)</b>

Notes to the financial statements for the year ended 31 March 2010 continued...

29. Pension obligations continued...

#### Circle Anglia Limited (continued)

##### History of plan

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

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Present value of scheme liabilities	(36.1)	(21.6)	(22.2)	(24.8)	(24.8)
Fair value of scheme assets	20.3	15.4	19.3	19.8	17.8
<b>Deficit</b>	<b>(15.8)</b>	<b>(6.2)</b>	<b>(2.9)</b>	<b>(5.0)</b>	<b>(7.0)</b>

##### History of experience gains and losses

	2010 £m/%	2009 £m/%	2008 £m/%	2007 £m/%	2006 £m/%
Experience adjustments on scheme liabilities	-	-	(0.6)	0.5	-
Percentage of year end scheme liabilities	0.00%	0.00%	(2.84)%	2.63%	0.00%
Experience adjustments on scheme assets	3.8	(5.4)	(1.8)	(0.1)	2.5
Percentage of year end scheme assets	18.7%	(35.34)%	(6.07)%	(0.40)%	14.04%
Total amount recognised in the Statement of Total Recognised Surpluses and Deficits	(9.3)	(3.2)	2.1	2.1	(0.6)
Percentage of year end scheme liabilities	(25.8)%	(15.09)%	9.25%	8.47%	(2.58)%

#### Anglia Maintenance Services Limited

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. The actuarial liabilities in relation to the scheme are subject to triennial valuation by independent actuaries.

An actuarial valuation was carried out as at 31 March 2007 using the projected unit method.

The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

Principal actuarial assumptions at the year end were as follows:

	2010	2009
Inflation	3.8%	3.1%
Pension increase rate	3.8%	3.1%
Salary increase rate	5.3%	4.6%
Expected return on assets	6.9%	6.2%
Discount rate	5.5%	6.9%

Notes to the financial statements for the year ended 31 March 2010 continued...

29. Pension obligations continued...

#### Anglia Maintenance Services Limited (continued)

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

	Males	Females
Current pensioner aged 65	20.8 years	24.1 years
Future retiree upon reaching 65	22.3 years	25.7 years

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

##### Long term expected rates of return:

	2010	2009
Equities	7.8%	7.0%
Bonds	5.0%	5.4%
Property	5.8%	4.9%
Cash	4.8%	4.0%

##### Fair value:

	2010 £'000	2009 £'000
Equities	2,802	1,855
Bonds	711	628
Property	418	299
Cash	251	209
<b>Total</b>	<b>4,182</b>	<b>2,991</b>

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

	2010 £'000	2009 £'000
Total market value of assets	4,182	2,991
Present value of scheme liabilities	(6,471)	(3,279)
<b>Deficit in the scheme</b>	<b>(2,289)</b>	<b>(288)</b>
Related deferred tax asset	641	81
<b>Net pension deficit</b>	<b>(1,648)</b>	<b>(207)</b>

Notes to the financial statements for the year ended 31 March 2010 continued...

29. Pension obligations continued...

#### Anglia Maintenance Services Limited (continued)

Movement in deficit in the year:

	2010 £'000	2009 £'000
(Deficit)/surplus at the beginning of the year	(288)	187
Current service costs	(101)	(125)
Contributions paid	244	247
Expected return on Employer assets	193	250
Past service costs	-	(44)
Interest cost	(229)	(234)
Actuarial loss	(2,108)	(569)
<b>Deficit at the end of the year</b>	<b>(2,289)</b>	<b>(288)</b>

Movement in the present value of the defined benefit obligation:

	2010 £'000	2009 £'000
As at 1 April	(3,279)	(3,301)
Current service cost	(101)	(125)
Interest cost	(229)	(234)
Contributions by members	(61)	(60)
Actuarial (losses)/gains	(2,874)	447
Past service costs	-	(44)
Estimated benefit paid	73	38
<b>As at 31 March</b>	<b>(6,471)</b>	<b>(3,279)</b>

Movement in the fair value of the plan assets:

	2010 £'000	2009 £'000
As at 1 April	2,991	3,488
Expected return on assets	193	250
Contribution by the Employer	244	247
Contributions by members	61	60
Actuarial gains/(losses)	766	(1,016)
Estimated benefits paid	(73)	(38)
<b>As at 31 March</b>	<b>4,182</b>	<b>2,991</b>

The Company expects the employer's contribution for the year ended 31 March 2011 to be approximately £244,000.

Enhancing Life Chances

Notes to the financial statements for the year ended 31 March 2010 continued...

29. Pension obligations continued...

#### Anglia Maintenance Services Limited (continued)

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

	2010	2009
Equities	67%	62%
Bonds	17%	21%
Property	10%	10%
Cash	6%	7%

Analysis of accounts charged to the profit and loss account:

	2010	2009
Current service costs	101	125
Past service costs	-	44
<b>Total charge</b>	<b>101</b>	<b>169</b>

Analysis of amounts charged to other finance costs:

	2010	2009
Expected return on assets	193	250
Interest on liabilities	(229)	(234)
<b>Net (cost)/return</b>	<b>(36)</b>	<b>16</b>

#### History of plan

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

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Present value of scheme liabilities	(6,471)	(3,279)	(3,301)	(3,984)	(3,854)
Fair value of scheme assets	4,182	2,991	3,488	3,430	2,919
<b>(Deficit)/surplus</b>	<b>(2,289)</b>	<b>(288)</b>	<b>187</b>	<b>(554)</b>	<b>(935)</b>

Notes to the financial statements for the year ended 31 March 2010 continued...

29. Pension obligations continued...

#### Anglia Maintenance Services Limited (continued)

History of experience gains and losses:

	2010 £'000/%	2009 £'000/%	2008 £'000/%	2007 £'000/%	2006 £'000/%
Experience adjustments on scheme liabilities	-	-	208	88	(1)
Percentage of year end scheme liabilities	0.00%	0.00%	6.30%	2.21%	(0.03)%
Experience adjustments on scheme assets	766	(1,016)	(411)	(18)	398
Percentage of year end scheme assets	18.32%	(33.97)%	(11.78)%	(0.52)%	13.63%
Total amount recognised in the Statement of Total Recognised Surpluses and Deficits	(2,108)	(569)	755	441	(256)
Percentage of year end scheme liabilities	(32.58)%	(17.35)%	22.87%	11.07%	(6.64)%

Notes to the financial statements for the year ended 31 March 2010 continued...

29. Pension obligations continued...

#### Mole Valley Housing Association

The Association operates a defined benefit scheme for employees, the assets of which are held in a separate trustee administered fund, the Surrey County Council Superannuation Fund. The actuarial liabilities in relation to the scheme are subject to triennial valuation by independent actuaries. An actuarial valuation was carried out as at 31 March 2007 using the projected unit method.

The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

Principal actuarial assumptions at the year end were as follows:

	2010	2009
Inflation	3.8%	3.1%
Pension increase rate	3.8%	3.1%
Salary increase rate	5.3%	4.6%
Expected return on assets	7.2%	6.5%
Discount rate	5.5%	6.9%

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

	Males	Females
Current pensioner aged 65	22.7 years	26.1 years
Future retiree upon reaching 65	24.8 years	28.3 years

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

Long term expected rates of return:

	2010	2009
Equities	7.8%	7.0%
Bonds	5.0%	5.4%
Property	5.8%	4.9%
Cash	4.8%	4.0%



Notes to the financial statements for the year ended 31 March 2010 continued...

29. Pension obligations continued...

**Mole Valley Housing Association (continued)**

Fair value:

	2010 £'000	2009 £'000
Equities	3,280	2,040
Bonds	743	503
Property	262	168
Cash	87	84
	<b>4,372</b>	<b>2,795</b>

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

	2010 £'000	2009 £'000
Total market value of assets	4,372	2,795
Present value of scheme liabilities	(6,413)	(3,559)
Net pension deficit	<b>(2,041)</b>	<b>(764)</b>

Movement in deficit in the year:

	2010 £'000	2009 £'000
Deficit at the beginning of the year	(764)	(73)
Current service costs	(131)	(201)
Contributions paid	252	261
Expected return on Employer assets	192	245
Past service costs	-	(64)
Settlements and curtailments	(17)	-
Interest cost	(253)	(243)
Actuarial loss	(1,320)	(689)
Deficit at the end of the year	<b>(2,041)</b>	<b>(764)</b>

Notes to the financial statements for the year ended 31 March 2010 continued...

29. Pension obligations continued...

**Mole Valley Housing Association (continued)**

Movement in the present value of defined benefit obligation:

	2010 £'000	2009 £'000
As at 1 April	(3,559)	(3,349)
Current service cost	(131)	(201)
Interest cost	(253)	(243)
Contributions by members	(79)	(82)
Actuarial (losses)/gains	(2,374)	380
Past service costs	-	(64)
Settlements and curtailments	(17)	-
As at 31 March	<b>(6,413)</b>	<b>(3,559)</b>

Movement in the fair value of the plan assets:

	2010 £'000	2009 £'000
As at 1 April	2,795	3,276
Expected return on assets	192	245
Contributions by the Employer	252	261
Contributions by members	79	82
Actuarial gains/(losses)	1,054	(1,069)
As at 31 March	<b>4,372</b>	<b>2,795</b>

The Association expects the employer's contribution for the year ended 31 March 2011 to be approximately £204,000

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

	2010	2009
Equities	75%	73%
Bonds	17%	18%
Property	6%	6%
Cash	2%	3%

Notes to the financial statements for the year ended 31 March 2010 continued...

29. Pension obligations continued...

#### Mole Valley Housing Association (continued)

Analysis of amounts charged to the income and expenditure:

	2010 £'000	2009 £'000
Current service costs	131	201
Settlements and curtailments	17	-
Past service costs	-	64
<b>Total charge</b>	<b>148</b>	<b>265</b>

Analysis of the amount charged to other finance costs:

	2010 £'000	2009 £'000
Expected return on assets	192	245
Interest on liabilities	(253)	(243)
<b>Net (charge)/return</b>	<b>(61)</b>	<b>2</b>

#### History of plan

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

	2010 £'000	2009 £'000	2008 £'000
Present value of scheme liabilities	(6,413)	(3,559)	(3,349)
Fair value of scheme assets	4,372	2,795	3,276
<b>Deficit</b>	<b>(2,041)</b>	<b>(764)</b>	<b>(73)</b>

History of experience gains and losses:

	2010 £'000/%	2009 £'000/%	2008 £'000/%
Experience adjustments on scheme liabilities	-	-	1
Percentage of year end scheme liabilities	0.00%	0.00%	0.03%
Experience adjustments on scheme assets	1,054	(1,069)	(576)
Percentage of year end scheme assets	24.11%	(38.25)%	(17.58)%
Total amount recognised in the Statement of Total Recognised Surpluses and Deficits	(1,320)	(689)	152
Percentage of year end scheme liabilities	(20.58)%	(19.36)%	4.54%

Enhancing Life Chances

29. Pension obligations continued...

#### Roddons Housing Association

The Association operates a defined benefit scheme for employees, the assets of which are held in a separate trustee administered fund, the Cambridgeshire County Council Superannuation Fund. The actuarial liabilities in relation to the scheme are subject to triennial valuation by independent actuaries. An actuarial valuation was carried out as at 31 March 2007 using the projected unit method.

The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

Principal actuarial assumptions at the year end were as follows:

	2010	2009
Inflation	3.8%	3.1%
Pension increase rate	3.8%	3.1%
Salary increase rate	5.3%	4.6%
Expected return on assets	7.1%	6.5%
Discount rate	5.5%	6.9%

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

	Males	Females
Current pensioner aged 65	20.8 years	24.1 years
Future retiree upon reaching 65	22.3 years	25.7 years

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

Long term expected rates of return:

	2010	2009
Equities	7.8%	7.0%
Bonds	5.0%	5.4%
Property	5.8%	4.9%
Cash	4.8%	4.0%



Notes to the financial statements for the year ended 31 March 2010 continued...

29. Pension obligations continued...

#### Roddons Housing Association (continued)

Fair value:

	2010 £'000	2009 £'000
Equities	3,604	2,228
Bonds	751	592
Property	400	348
Cash	250	313
	<b>5,005</b>	<b>3,481</b>

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

	2010 £'000	2009 £'000
Total market value of assets	5,005	3,481
Present value of scheme liabilities	(7,486)	(3,950)
Net pension deficit	<b>(2,481)</b>	<b>(469)</b>

Movement in deficit in the year:

	2010 £'000	2009 £'000
(Deficit)/surplus at the beginning of the year	(469)	151
Current service costs	(195)	(263)
Contributions paid	281	309
Expected return on Employer assets	230	286
Past service costs	-	(71)
Settlements and curtailments	(5)	-
Interest cost	(281)	(272)
Actuarial loss	(2,042)	(609)
Deficit at the end of the year	<b>(2,481)</b>	<b>(469)</b>

Notes to the financial statements for the year ended 31 March 2010 continued...

29. Pension obligations continued...

#### Roddons Housing Association (continued)

Movement in the present value of defined benefit obligation:

	2010 £'000	2009 £'000
As at 1 April	(3,950)	(3,740)
Current service cost	(195)	(263)
Interest cost	(281)	(272)
Contributions by members	(103)	(116)
Actuarial (losses)/gains	(2,992)	472
Past service costs	-	(71)
Settlements and curtailments	(5)	-
Estimated benefit paid	40	40
As at 31 March	<b>(7,486)</b>	<b>(3,950)</b>

Movement in the fair value of the plan assets:

	2010 £'000	2009 £'000
As at 1 April	3,481	3,891
Expected return on assets	230	286
Contributions by the Employer	281	309
Contributions by members	103	116
Actuarial losses	950	(1,081)
Estimated benefits paid	(40)	(40)
As at 31 March	<b>5,005</b>	<b>3,481</b>

The Association expects the employer's contribution for the year ended 31 March 2011 to be approximately £374,000

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

	2010	2009
Equities	72%	64%
Bonds	15%	17%
Property	8%	10%
Cash	5%	9%

Notes to the financial statements for the year ended 31 March 2010 continued...

29. Pension obligations continued...

#### Roddons Housing Association (continued)

Analysis of amounts charged to the income and expenditure:

	2010 £'000	2009 £'000
Current service costs	195	263
Past service costs	-	71
Settlements and curtailments	5	-
<b>Total charge</b>	<b>200</b>	<b>334</b>

Analysis of the amount charged to other finance costs:

	2010 £'000	2009 £'000
Expected return on assets	230	286
Interest on liabilities	(281)	(272)
<b>Net (cost)/return</b>	<b>(51)</b>	<b>14</b>

#### History of plan

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

	2010 £'000	2009 £'000	2008 £'000
Present value of scheme liabilities	(7,486)	(3,950)	(3,740)
Fair value of scheme assets	5,005	3,481	3,891
<b>(Deficit)/surplus</b>	<b>(2,481)</b>	<b>(469)</b>	<b>151</b>

History of experience gains and losses:

	2010 £'000/%	2009 £'000/%	2008 £'000/%
Experience adjustments on scheme liabilities	-	-	(24)
Percentage of year end scheme liabilities	0.00%	0.00%	0.64%
Experience adjustments on scheme assets	950	(1,081)	(389)
Percentage of year end scheme assets	18.98%	31.05%	9.99%
Total amount recognised in the Statement of Total Recognised Surpluses and Deficits	(2,042)	(609)	496
Percentage of year end scheme liabilities	27.28%	15.42%	13.26%

Enhancing Life Chances

Notes to the financial statements for the year ended 31 March 2010 continued...

29. Pension obligations continued...

#### Invicta Telecare Limited

The Company operates a defined benefit scheme for employees, the assets of which are held in a separate trustee administered fund, the Kent County Council Superannuation Fund. The actuarial liabilities in relation to the scheme are subject to triennial valuation by independent actuaries.

The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

Principal actuarial assumptions at the year end were as follows:

	2010	2009
Inflation	3.9%	3.1%
Pension increase rate	3.9%	3.1%
Salary increase rate	5.4%	4.6%
Expected return on assets	6.9%	6.3%
Discount rate	5.5%	6.9%

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

	Males	Females
Current pensioner aged 65	21.5 years	24.4 years
Future retiree upon reaching 65	22.6 years	25.5 years

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

Long term expected rates of return:

	2010	2009
Equities	7.5%	7.0%
Gilts	4.5%	-
Other Bonds	5.5%	5.4%
Property	5.5%	4.9%
Cash	3.0%	4.0%



Notes to the financial statements for the year ended 31 March 2010 continued...

29. Pension obligations continued...

**Invicta Telecare Limited (continued)**

Fair value:

	2010 £'000	2009 £'000
Equities	3,805	2,370
Gilts	51	-
Other Bonds	720	610
Property	360	320
Cash	206	290
	<b>5,142</b>	<b>3,590</b>

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

	2010 £'000	2009 £'000
Total market value of assets	5,142	3,590
Present value of scheme liabilities	(8,371)	(4,650)
	<b>(3,229)</b>	<b>(1,060)</b>
Deficit in the scheme	(3,229)	(1,060)
Related deferred tax asset	904	297
	<b>(2,325)</b>	<b>(763)</b>

Movement in deficit in the year:

	2010 £'000	2009 £'000
Deficit at the beginning of the year	(1,060)	(490)
Current service costs	(176)	(240)
Contributions paid	337	380
Expected return on Employer assets	234	290
Past service costs	-	(70)
Interest cost	(324)	(320)
Actuarial loss	(2,240)	(610)
	<b>(3,229)</b>	<b>(1,060)</b>

Notes to the financial statements for the year ended 31 March 2010 continued...

29. Pension obligations continued...

**Invicta Telecare Limited (continued)**

Movement in the present value of defined benefit obligation:

	2010 £'000	2009 £'000
As at 1 April	(4,650)	(4,460)
Current service cost	(176)	(240)
Interest cost	(324)	(320)
Contributions by members	(102)	(120)
Actuarial (losses)/gains	(3,292)	520
Past service costs	-	(70)
Estimated benefit paid	173	40
	<b>(8,371)</b>	<b>(4,650)</b>

Movement in the fair value of the plan assets:

	2010 £'000	2009 £'000
As at 1 April	3,590	3,970
Expected return on assets	234	290
Contribution by the Employer	102	120
Contributions by members	337	380
Actuarial gains/(losses)	1,052	(1,130)
Estimated benefits paid	(173)	(40)
	<b>5,142</b>	<b>3,590</b>

The Company expects the employer's contribution for the year ended 31 March 2011 to be approximately £353,000.

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

	2010	2009
Equities	74%	66%
Gilts	1%	-
Bonds	14%	17%
Property	7%	9%
Cash	4%	8%

Notes to the financial statements for the year ended 31 March 2010 continued...

29. Pension obligations continued...

#### Invicta Telecare Limited (continued)

Analysis of amounts charged to the income and expenditure:

	2010	2009
Current service costs	176	240
Past service costs	-	70
<b>Total charge</b>	<b>176</b>	<b>310</b>

Analysis of the amount charged to other finance costs:

	2010	2009
Expected return on assets	234	290
Interest on liabilities	(324)	(320)
<b>Net cost</b>	<b>(90)</b>	<b>(30)</b>

#### History of plan

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

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Present value of scheme liabilities	(8,371)	(4,650)	(4,460)	(4,910)	(4,670)
Fair value of scheme assets	5,142	3,590	3,970	4,470	3,880
<b>Deficit</b>	<b>(3,229)</b>	<b>(1,060)</b>	<b>(490)</b>	<b>(440)</b>	<b>(790)</b>

History of experience gains and losses:

	2010 £'000/%	2009 £'000/%	2008 £'000/%	2007 £'000/%	2006 £'000/%
Experience adjustments on scheme liabilities	-	-	80	10	3
Percentage of year end scheme liabilities	0.00%	0.00%	1.79%	0.20%	0.06%
Experience adjustments on scheme assets	1,052	(1,120)	(1,170)	(30)	580
Percentage of year end scheme assets	20.46%	(31.2)%	(29.47)%	(0.67)%	14.95%
Total amount recognised in the Statement of Total Recognised Surpluses and Deficits	(2,240)	(610)	(50)	370	(127)
Percentage of year end scheme liabilities	(26.76)%	(13.12)%	(1.12)%	7.54%	(2.71)%

Notes to the financial statements for the year ended 31 March 2010 continued...

29. Pension obligations continued...

#### Russet Homes Limited

The Association operates a defined benefit scheme for employees, the assets of which are held in a separate trustee administered fund, the Kent County Council Superannuation Fund. The actuarial liabilities in relation to the scheme are subject to triennial valuation by independent actuaries.

The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

Principal actuarial assumptions at the period end were as follows:

	2010	2009
Inflation	3.9%	3.1%
Pension increase rate	3.9%	3.1%
Salary increase rate	5.4%	4.6%
Expected return on assets	6.9%	6.3%
Discount rate	5.5%	6.9%

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

	Males	Females
Current pensioner aged 65	21.5 years	24.4 years
Future retiree upon reaching 65	22.6 years	25.5 years

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

Long term expected rates of return:

	2010	2009
Equities	7.5%	7.0%
Gilts	4.5%	-
Other Bonds	5.5%	5.4%
Property	5.5%	4.9%
Cash	3.0%	4.0%



Notes to the financial statements for the year ended 31 March 2010 continued...

29. Pension obligations continued...

**Russet Homes Limited (continued)**

Fair value:

	2010 £'000	2009 £'000
Equities	9,295	6,090
Gilts	126	-
Other Bonds	1,758	1,570
Property	879	830
Cash	502	740
	<b>12,560</b>	<b>9,230</b>

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

	2010 £'000	2009 £'000
Total market value of assets	12,560	9,230
Present value of scheme liabilities	(22,201)	(13,970)
Net pension deficit	<b>(9,641)</b>	<b>(4,740)</b>

Movement in deficit in the period:

	2010 £'000	2009 £'000
Deficit at the beginning of the period	(4,740)	(3,200)
Current service costs	(232)	(300)
Contributions paid	741	860
Expected return on Employer assets	585	780
Past service costs	-	(140)
Settlements and curtailments	(163)	-
Interest cost	(951)	(980)
Actuarial loss	(4,881)	(1,760)
Deficit at the end of the period	<b>(9,641)</b>	<b>(4,740)</b>

Notes to the financial statements for the year ended 31 March 2010 continued...

29. Pension obligations continued...

**Russet Homes Limited (continued)**

Movement in the present value of defined benefit obligation:

	2010 £'000	2009 £'000
As at 6 April	(13,970)	(14,120)
Current service cost	(232)	(300)
Interest cost	(951)	(980)
Contributions by members	(128)	(150)
Actuarial (losses)/gains	(7,511)	1,260
Past service costs	-	(140)
Settlements and curtailments	(163)	-
Estimated benefit paid	754	460
As at 31 March (2009: 5 April)	<b>(22,201)</b>	<b>(13,970)</b>

Movement in the fair value of the plan assets:

	2010 £'000	2009 £'000
As at 6 April	9,230	10,920
Expected return on assets	585	780
Contributions by the Employer	741	860
Contributions by members	128	150
Actuarial gains/(losses)	2,630	(3,020)
Estimated benefits paid	(754)	(460)
As at 31 March (2009: 5 April)	<b>12,560</b>	<b>9,230</b>

The Association expects the employer's contribution for the year ended 31 March 2011 to be approximately £766,000.

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

	2010	2009
Equities	74%	66%
Gilts	1%	-
Other Bonds	14%	17%
Property	7%	9%
Cash	4%	8%

Notes to the financial statements for the year ended 31 March 2010 continued...

29. Pension obligations continued...

#### Russet Homes Limited (continued)

Analysis of amounts charged to the income and expenditure:

	2010	2009
Current service costs	232	300
Past service costs	-	140
<b>Total charge</b>	<b>232</b>	<b>440</b>

Analysis of the amount charged to other finance costs:

	2010	2009
Expected return on assets	585	780
Interest on liabilities	(951)	(980)
Settlements and curtailments	(163)	-
<b>Net cost</b>	<b>(529)</b>	<b>(200)</b>

#### History of plan

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

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Present value of scheme liabilities	(22,201)	(13,970)	(14,120)	(14,910)	(14,510)
Fair value of scheme assets	12,560	9,230	10,920	10,380	8,810
<b>Deficit</b>	<b>(9,641)</b>	<b>(4,740)</b>	<b>(3,200)</b>	<b>(4,530)</b>	<b>(5,700)</b>

History of experience gains and losses:

	2010 £'000/%	2009 £'000/%	2008 £'000/%	2007 £'000/%	2006 £'000/%
Experience adjustments on scheme liabilities	-	-	(550)	-	15
Percentage of year end scheme liabilities	0.00%	0.00%	(3.90)%	0.00%	0.10%
Experience adjustments on scheme assets	2,630	(2,970)	(870)	(60)	1,334
Percentage of year end scheme assets	20.9%	(32.18)%	(7.97)%	(0.58)%	15.14%
Total amount recognised in the Statement of Total Recognised Surpluses and Deficits	(4,881)	(1,760)	1,030	860	(415)
Percentage of year end scheme liabilities	(21.99)%	(12.60)%	7.30%	5.77%	(2.90)%

Enhancing Life Chances

Notes to the financial statements for the year ended 31 March 2010 continued...

29. Pension obligations continued...

#### Merton Priory Homes

##### London Borough of Merton Pension Fund

Merton Priory Homes operates a defined benefit scheme for employees, the assets of which are held in a separate trustee administered fund, the London Borough of Merton Pension Fund. This scheme has been closed to new members of staff who are eligible to join the Circle Anglia stakeholder scheme, a defined contribution pension scheme. The actuarial liabilities in relation to the scheme are subject to triennial valuation by independent actuaries. This scheme relates to the members transferring to Merton Priory Homes from Merton Council as part of the stock transfer agreement.

The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

Principal actuarial assumptions at the year end were as follows:

	2010
Inflation	3.9%
Pension increase rate	3.9%
Salary increase rate	5.4%
Expected return on assets	7.1%
Discount rate	5.5%

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

	Males	Females
Current pensioner aged 65	20.4 years	23.4 years
Future retiree upon reaching 65	21.1 years	24.1 years

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

Long term expected rates of return:

	2010
Equities	8.0%
Gilts	4.5%
Other bonds	5.5%
Property	5.5%
Cash	3.0%



Notes to the financial statements for the year ended 31 March 2010 continued...

29. Pension obligations continued...

**Merton Priory Homes (continued)**

Fair value:

	2010 £'000
Equities	5,572
Gilts	1,908
Other bonds	-
Property	229
Cash	(76)
	7,633

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

	2010 £'000
Total market value of assets	7,633
Present value of scheme liabilities	(12,900)
Net pension deficit	(5,267)

Movement in deficit in the period:

	2010 £'000
Opening deficit	(4,989)
Current service costs	(26)
Contributions paid	15
Expected return on Employer assets	13
Interest cost	(17)
Actuarial loss	(263)
Deficit at the end of the year	(5,267)

Notes to the financial statements for the year ended 31 March 2010 continued...

29. Pension obligations continued...

**Merton Priory Homes (continued)**

Movement in the present value of defined benefit obligation:

	2010 £'000
Opening defined benefit obligation	(12,540)
Current service cost	(26)
Interest cost	(17)
Contributions by members	(6)
Actuarial losses	(311)
As at 31 March	(12,900)

Movement in the fair value of the plan assets:

	2010 £'000
Opening fair value of scheme assets	7,551
Expected return on assets	13
Contributions by the Employer	15
Contributions by members	6
Actuarial gains	48
As at 31 March	7,633

The Association expects the employer's contribution for the year ended 31 March 2011 to be approximately £662,000.

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

	2010
Equities	73%
Gilts	25%
Property	3%
Cash	(1%)

Analysis of amounts charged to the income and expenditure:

	2010 £'000
Current service costs	26
Total charge	26

Notes to the financial statements for the year ended 31 March 2010 continued...

29. Pension obligations continued...

#### Merton Priory Homes (continued)

Analysis of amounts charged to the income and expenditure:

	2010
Expected return on assets	13
Interest on liabilities	(17)
Net cost	(4)

#### History of plan

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

	2010 £'000
Present value of scheme liabilities	(12,900)
Fair value of scheme assets	7,633
Deficit	(5,267)

History of experience gains and losses:

	2010 £'000 /%
Experience adjustments on scheme liabilities	-
Percentage of year end scheme liabilities	0.00%
Experience adjustments on scheme assets	48
Percentage of year end scheme assets	0.63%
Total amount recognised in the Statement of Total Recognised Surpluses and Deficits	(263)
Percentage of year end scheme liabilities	(2.04)%

Notes to the financial statements for the year ended 31 March 2010 continued...

29. Pension obligations continued...

#### Social Housing Pension Scheme (SHPS)

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

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

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

The last formal valuation of the Scheme was performed as at 20 September 2008 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £1,527 million. The valuation revealed a shortfall of assets compared with the value of the liabilities of £663 million, equivalent to a past service funding level of 69.7%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2009. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £1,723 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £738 million, equivalent to a past service funding level of 70.0%.

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

#### 30. Provisions

	2010 £000	2009 £000
Provision relating to investments	3,250	-
	3,250	-

A provision has been recognised in the accounts for the guarantee made in respect of the loan facility on the Leamington Waterfront LLP.

#### 31. Non equity share capital

	2010 £	Association 2009 £
<b>Shares of £1 each issued and fully paid</b>		
As at 1 April	11	11
Shares issued during the year	1	-
Shares surrendered during the year	3	-
As at 31 March	9	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.

Notes to the financial statements for the year ended 31 March 2010 continued...

### 32. Reserves

#### Group

	Revaluation reserve	Major repairs reserve	Designated reserves		Revenue Reserve	Total
			Improvements Reserve	Other designated reserves		
	£m	£m	£m	£m	£m	£m
As at 31 March 2009	358.5	0.7	0.5	6.5	131.0	<b>497.2</b>
Change in treatment of goodwill – adoption of SORP exposure draft	-	-	-	-	205.4	<b>205.4</b>
Prior year adjustment re reversal of revaluations revaluations	(358.5)	-	-	-	(9.7)	<b>(368.2)</b>
Restated as at 31 March 2009	-	0.7	0.5	6.5	326.7	<b>334.4</b>
Surplus for the year	-	-	-	-	12.4	<b>12.4</b>
Transfer between reserves	-	-	-	(1.4)	1.4	-
Surplus on exchange rates	-	-	-	-	(0.6)	<b>(0.6)</b>
Opening deficit on pension scheme	-	-	-	-	(3.9)	<b>(3.9)</b>
Pension actuarial loss net of deferred tax	-	-	-	-	(19.2)	<b>(19.2)</b>
As at 31 March 2010	-	0.7	0.5	5.1	316.8	<b>323.1</b>

Major repairs reserves and improvements reserves represent the amount of accumulated surpluses put aside to fund major repairs and improvements expenditure on Group properties, and as such are not freely available for general use.

Other designated reserves represent the amounts for leaseholder sinking funds and supported housing and general needs scheme upgrades.

The revenue reserve is used towards funding the day-to-day operations of the Group.

### 33. Reconciliation of movement in Group and Association funds

	Group		Company	
	2010	2009 restated	2010	2009
	£m	£m	£m	£m
At 1 April (See note 22)	<b>497.2</b>	338.2	<b>(4.9)</b>	(1.7)
Surplus/(deficit) for the financial year	<b>12.4</b>	(10.9)	-	0.1
Revaluation in year	-	157.2	-	-
(Deficit)/surplus on exchange rates	<b>(0.6)</b>	1.6	-	-
Opening deficit on pension scheme	<b>(3.9)</b>	-	-	-
Prior year adjustments	<b>(162.8)</b>	18.9	-	-
Net actuarial losses	<b>(19.2)</b>	(7.8)	<b>(6.7)</b>	(3.3)
<b>Closing funds</b>	<b>323.1</b>	497.2	<b>(11.6)</b>	(4.9)

Notes to the financial statements for the year ended 31 March 2010 continued...

### 34. Prior year adjustments

The group has made a decision to revert to historic cost accounting for its housing properties. The main reasons being as follows:

The Group normally holds general needs properties for the very long term, therefore historic cost accounting is a relevant measure of performance of the Group's business; rather than exposing the Group to short term fluctuations in valuations and therefore potentially letting this accounting treatment influence the way the Group runs the business, over and above the operational needs.

Historic cost is more transparent and simpler to understand for everyone. It will also enable easier benchmarking for the Group as historic cost accounting is used by approximately 70% of housing associations.

The restatement has had the effect of reducing the net assets as at 31 March 2009 by £365.9 million.

#### Balance sheet as at 31 March 2009

	Tangible fixed assets	Creditors due in more than one year	Revenue reserve	Revaluation reserve
	£	£	£	£
As at 31 March 2009	2,054.7	(1,551.4)	131.0	358.5
Change in treatment of goodwill – adoption of SORP exposure draft	-	(21.7)	205.4	-
Prior year adjustment re reversal of revaluation	(365.9)	-	(9.7)	(358.5)
As at 31 March 2009 restated	1,688.8	(1,573.1)	326.7	-





If you would like to receive this information in any other format or in a different language, please contact 0207 447 3035

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