FINANCIAL STATEMENTS

2012/13

housing21

care, health and housing

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BOARD, EXECUTIVE TEAM AND ADVISERS

Board

Lord Ben Stoneham (Chair)

Simon Fanshawe OBE

Matthew Harker

Heléna Herklots (Resigned 31 July 2013)

Richard Humphries

Kenneth Jeffries

Jenny Owen CBE

Pushpa Raguvaran (Chief Executive)

Sanaya Robinson

Michael Stansfield

Executive team

Pushpa Raguvaran
Chief Executive

Tayo Bilewu
Director of Property

Peter Caley
Director of Organisational Development/
Human Resources
(Resigned 31 May 2013)

Les Clarke
Director of Operations

Paul Richards
Director of Property Management
(Resigned 31 May 2012)

Dominic Rothwell
Director of Business Development

Sandy Staff
Interim Director of Organisational Development/
Human Resources
(Appointed 7 May 2013)

Paul Weston
Group Finance Director
(Appointed 1 August 2012)

Secretary and registered office

Stephen Bateman
The Triangle
Baring Road
Beaconsfield
Bucks HP9 2NA

Auditors

BDO LLP
2 City Place
Beehive Ring Road
Gatwick
RH6 0PA

Bankers

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

Principal Solicitors

Devonshires
30 Finsbury Circus
London
EC2M 7DT

Registration of the Association

The Association is incorporated under the Industrial and Provident Societies Act 1965 (Registered number 16791R) and under the Housing and Regeneration Act 2008 (Number L0055). Housing 21 is an exempt charity.

Principal activities and review of the business

The Group provides housing, care and health services primarily for older people. A review of activity for the year ended 31 March 2013 and its prospects are set out in the Operating and Financial Review.

Housing 21's Group of active companies (The Group)

Housing 21 (the Parent) is an Industrial and Provident Society with exempt charitable status. As a Registered Provider of Social Housing it provides care and housing with associated amenities. It is registered with the Financial Services Authority and regulated by the Homes and Communities Agency. Its constitution is contained in its Rule Book. The Group's main subsidiaries are as follows:

Housing 21 Property Services Limited (H21PS) is a non-charitable private company limited by shares set up to manage the Group's housing development programme.

War Memorial Village Derby (WMVD) is a charitable member of the Housing 21 Group. It retains Housing 21 to act as managing agent for a retirement housing scheme in Derby. It is registered with the Charities Commission.

H21 Guernsey LBG (H21G) is a private company limited by guarantee and incorporated under and subject to the law of the States of Guernsey. The purpose of this subsidiary is the management of a scheme for and on behalf of the State of Guernsey.

Oldham Retirement Housing Partnership Limited (ORHP) is an Industrial and Provident Society with exempt charitable status. It is a special purpose vehicle set up under the Private Finance Initiative (PFI) to refurbish, build and manage retirement housing in Oldham under a contract with Oldham Metropolitan Borough Council.

Kent Community Partnerships Limited (KCP) is an Industrial and Provident Society with exempt charitable status. It is a special purpose vehicle set up under the PFI to build and manage extra care housing in Kent under a contract with Kent County Council.

Claimar Care Group Limited is a private company limited by shares. It is a subsidiary of Housing 21 but is also the holding company for a sub-group containing all former Claimar Group PLC subsidiaries.

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

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

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

FirstCall Community Systems Limited is a private company limited by shares. It is a subsidiary of Claimar Care Group Limited. The principal activity of the company is the provision of domiciliary care, specialising in dementia, learning disabilities, mental health conditions, physical disabilities and sensory impairments for children and adults. Its constitution is contained in its Memorandum and Articles of Association.

Gharana Housing Association Limited (GHAL) is an Industrial and Provident Society with exempt charitable status and comprises two sheltered housing schemes in Northamptonshire.

The Board of Management presents its reports and audited consolidated financial statement for Housing 21 and its subsidiary undertaking for the year ending 31 March 2013.

Housing 21 Vision

Our vision is 'A Life of Choice for Older People'.

Housing 21 Mission

We aim to promote independence and choice for older people through quality housing, care and support.

Housing 21 Core Values

Our values set out what we stand for:

caring we treat everyone with dignity and respect by caring for them

individuality we meet different needs better by respecting people as individuals

empowering we enrich lives by giving people choice and responsibility

integrity we enable people to trust us by being open and honest

improving we constantly improve by aiming for the highest standards

investing we do more for people by investing wisely

ambition we deliver more and better services by working to be the best

Board member responsibilities

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

Industrial and Provident Society law and social housing legislation require the board members to prepare financial statements for each financial year for the Group and Association in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Group and Association for that period.

In preparing these financial statements, the board members are required to:

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

The board members are responsible for keeping adequate accounting records that are sufficient to show and explain the Association's transactions and disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, the Industrial and Provident Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing in England from April 2012. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board members are responsible for ensuring that the report of the board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers (Update 2010).

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the board members. The board members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Governance

The Group is committed to best practice in all aspects of corporate governance. During the year ended 31 March 2013 the Group was in full compliance with its Rules and the provisions of the Governance Handbook adopted from the National Housing Federation model guidance.

The Board

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

The Board has responsibility for:

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

Recruitment of Board members

The Board is elected by shareholding members. One third of the Board is retired and stands for re-election at each Annual General Meeting. The Board has the capacity to co-opt members. There is an open recruitment policy, with applications sought from candidates with a defined range of skills and experience, including those directly concerned with our client base.

The maximum term that any Board member can serve is three consecutive terms of three years (nine years in total). The Board has up to two places reserved for members who are also current residents.

Policy for admitting shareholding members

The organisation has an open membership policy, whilst seeking to achieve a broad and balanced membership including residents and non-residents, corporate and individual members.

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

Audit and Risk Management Committee

Sanaya Robinson – Chair

Heléna Herklots

Kenneth Jeffries

Jenny Owen CBE

Remuneration Committee

Heléna Herklots – Chair

Michael Stansfield

Lord Ben Stoneham

Nominations Committee

Richard Humphries – Chair

Kenneth Jeffries

Pushpa Raguvaran

Sanaya Robinson

National Committee

Keith Stacey – Chair

Malcolm Gardiner

Graham Granville Cole

Maureen Hooley

Marjorie Inman

Jane Jolly

Doris Land

Maureen Lindsey

Barry Naylor

Bob Perrin

Lisa Rowe

Ex-Officio Committee Membership:

The Chairman Lord Ben Stoneham is an ex-officio member of all committees.

Customer Involvement

The Group maintains strong customer involvement structures by way of local and national forums to enable customers to influence their services and scrutinise performance. The Customer Engagement Strategy is delivering enhancements and has established stronger mechanisms for delivering customer centred services. Customer involvement in the governance structure has been strengthened through the development of the National Committee and Regional Partnership Groups

Management

Whilst the Board is responsible for overall strategy and policy of Housing 21, the day to day running of the Group is delegated to the Chief Executive and other Directors who operate as an Executive Team.

Executive Team

The executive team has established three working sub-committees:

- Investment Committee
- Operations Performance Committee
- Policy Committee

Internal Control

Board Statement on Internal Control

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

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

Housing 21 is committed to reviewing it's arrangements against emerging good practice in order to continuously make improvements in overall governance and risk management arrangements.

The key elements which have been established to provide effective internal control are summarised below.

Internal Audit

The Internal Audit activity operates independently of management to review objectively the policies of the Board and operations of the Group and to consider the adequacy of internal controls. Audit reviews are planned on a risk-assessed basis and agreed actions are monitored with management through to completion.

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

Where issues have come to light, effective action has been taken to close control weaknesses.

Progress against action plans designed to close any control gaps is regularly reviewed by the Executive Team and Audit and Risk Management Committee.

Risk Management

The management of risk is acknowledged as being fundamentally important. Risks are continually assessed to measure their significance and reported to the Board.

The Group has a well developed risk management strategy and framework. Our approach to risk includes:

- A formal framework setting out how we identify and manage risks and opportunities, which sets out responsibilities for the Board, Management Team and Officers;
- Risk maps which set out the risk of failing to meet a business objectives, together with controls and actions needed to manage the risks;
- Internal Audit using a risk based approach to the audit programme based on the risk register and performance reports;
- Investment Committee approval for new business and developments, and Executive Team and Board approval for all major projects;
- Sensitivity analysis of key areas of risk built into our financial forecasts;
- Regular review of operational performance;
- Robust budgetary control and reporting;

- Formal project management of key projects;
- Business continuity and disaster recovery plans;
- Robust employment procedures and the commitment to training, developing and appraising our employees;
- Arrangements for information security and data protection;
- Scanning of the housing and care environment and reviewing the impact to the Group;
- Reporting to the Board on key risks.

The Group's Chief Executive has responsibility for implementation of the risk management strategy. The Group's Risk Management Facilitator ensures that the necessary risk management activity is undertaken by management. The corporate risk register is a key part of the risk management system as well as departmental and project risk maps and resulting action plans. The Board reviews the corporate risk register bi-annually and monitors progress against action plans through the Audit and Risk Management Committee. The Audit and Risk Management Committee receives regular Risk Reports covering:

- the progress made with managing recognised risks;
- new risks; and
- Business Learning Incidents, which are material events that have caused risks to crystallise within the Group, together with the action taken by management to ensure there is no recurrence.

Financial, operational and governance reporting

The regular reports to the Executive Team and Board, and their challenges to the information are a fundamental element of the control framework and provide assurance over the achievement of the Group's aims and objectives and compliance with internal and external standards. Regular reporting includes:

- Financial performance against budget and longer term business plans;
- Treasury and covenants compliance;
- Operational performance and key performance indicators which cover housing and care management, repairs and maintenance, customer satisfaction and complaints; and
- Legal and Regulatory compliance including performance reporting in the areas of Health and Safety, for example, as well as the results of self assessments against regulatory and governance codes.

Quality and Safeguarding

The Group has an Internal Quality Team which assesses compliance with the Group's Quality Standards as well as those required by the Care Quality Commission. A formal quality toolkit and regular auditing of operational sites measures compliance with standards. Formal reporting on outcomes and themes arising both locally and within the governance structure enables the Group to implement continuous improvement.

In addition, the Safeguarding Manager provides assurance over the identification and management of safeguarding incidents. The Group has an established procedure for the raising and reporting of safeguarding incidents and onward reporting and management either through third parties such as local authorities or by the management of Housing 21. Formal reporting on the type and number of incidents and their locality take place along with corrective action.

Anti-Fraud and Corruption

The Group is committed to act at all times with honesty and integrity in safeguarding the resources for which it is responsible. As part of its system of internal control, the Audit and Risk Management Committee has approved a clear and well-communicated anti-fraud strategy and policy. The policy defines fraud, and the strategy covers prevention and detection within the Group together with how it is reported.

A clearly established whistle blowing policy is also included in the arrangements.

The Group maintains a register of all detected incidents of fraud and attempted fraud. The Audit and Risk Management Committee receives a report at each meeting of any cases of fraud and attempted fraud.Improvements in controls as a result of investigations is reported.

Anti-Bribery Statement

The Group also has an Anti-Bribery Policy Statement in place.

To ensure communication of the Group's commitment to an organisational culture where fraud or corruption is not tolerated, regular training on both Fraud Awareness and Anti Bribery takes place.

Health and Safety

The Board acknowledges its duty to the care of employees, tenants and residents in respect of all matters relating to Health and Safety.

The Group has detailed health and safety policies and procedures and provides staff training and education on health and safety matters. Dedicated Health and Safety Managers regularly review the policies and procedures, supervise and review risk assessments and manage actions arising.

Consultation and promotion of health and safety is through the various forums including 'Your Voice'; the employee consultation forum, cascade briefings from the executive team, departmental and team meetings and other forms of communication such as newsletters, e-mail bulletins and the intranet.

The Audit and Risk Management Committee oversees compliance with health and safety legislation and policies. It regularly reviews the strategy for ensuring that a positive health and safety culture is promoted within the Group, gaining the commitment of staff and providing sufficient and clear information about the benefits to the business. The Board also considers Health and Safety matters and receive formal reports.

Advancement of disabled people

Applications for employment from disabled persons are given full and fair consideration for all vacancies having regard to their particular aptitude and abilities. In the event of employees becoming disabled, every effort is made to retain them in order that their employment within the Group may continue.

Employee involvement

The Group continued its policy on consultation and communication with employees on matters affecting them and on the progress of the Group. Through a staff council, employees are consulted on various issues. Additionally, there are cascade briefings from the executive team, departmental and team meetings and other forms of communication such as newsletters, e-mail bulletins and the intranet. A regional employee consultation forum called 'Your Voice' has recently been launched.

Insurance of directors and officers

Directors are covered by Directors and Officers Liability insurance to an indemnity limit of £7.5m in respect of their duties as directors of the Group.

Audit and Risk Management Committee

The Audit and Risk Management Committee meets with members of the Executive Team, internal auditors and external auditors to review specific reporting and internal control matters and to satisfy itself that systems are operating effectively and to ensure that the highest standards of effective governance are in place.

The Audit and Risk Management Committee and Board are satisfied that the Group's systems of internal controls to manage risks are adequate to give reasonable assurance on the effective operation of each business stream.

Where weaknesses have been found, effective and timely remedial action is being taken to close control gaps, and staff continue to follow the internal controls. No material weaknesses were found which resulted in unmanageable material losses.

Opportunities and challenges

General

2012-13 was a year of significant challenge but also opportunity. Externally the operating environment has continued to be tough with ongoing public spending reductions and structural changes in Health and Social Care affecting local authorities and the replacement of Primary Care Trusts with Clinical Commissioning Groups. These changes impact on the commissioning of care and support, a significant element of Housing 21's business. Housing 21 has managed this, along with the general challenges in the economic market place, through strong financial and operational management of services and contracts, sustainable new growth and simplifying the business to focus on core activities.

Our focus on provision of services for older people mean that the impact of welfare reform is relatively low but we continue to operate in a changing environment and we know we must continue to make ourselves more competitive, in terms of costs and the range and quality of the services we provide. To this end, our transformational change programme has continued this year with significant developments in structures, systems and people.

Our regional and locality operational structures implemented last year are maturing and contributing strongly to improvements in performance and service quality. Corporate departments are being strengthened and aligned to support localities deliver efficient, caring and customer focussed services.

Major developments in IT infrastructure and Services Management business systems have progressed with live implementation on the first operational sites due in the summer. The new systems will enable a high level of flexibility in the provision of a range of services and provide sound operational and financial controls.

Our strategy to centralise business operations and rationalise corporate offices to one location has continued. We closed one of our regional offices during the year and will be moving forward with a central office in Birmingham in the coming year.

We are a leading provider of extra care homes in the country. Our strong track record in the retirement housing and care sector is attracting increasing public attention as well as demonstrating strong growth potential for the future. The organisation is uniquely positioned to provide a range of housing, care and health services that offer real choice and independence for people living in their own homes. As the public debate and policy agenda moves further in our favour, there are significant opportunities to work in coordination with the NHS and social care sector to deliver integrated models of service with good housing playing a crucial role in overall health and wellbeing. Partnerships between local authorities, health providers and ourselves can transform people's lives as well as ensuring we are spending public and private resources more effectively.

Putting customers at the heart of our services continues to be a key focus. Implementing our customer engagement strategy, we have introduced a number of impressive new initiatives to ensure that our customers not only have a voice, but are heard.

The programme of staff development has continued following the highly successful introduction of NVQ for care staff last year. We achieved Investors in People this year and introduced improved mechanisms for staff engagement embracing the diverse group of staff in the organisation.

By adopting a rigorous approach to financial planning and management, Housing 21 is better placed to respond to the developments in the sector and its own operating environment. The focus of Housing 21 is set out in our Corporate Plan and provides a balance between growing and responding to local needs, providing excellence in housing and care including dementia care while maintaining the financial and commercial strength of the organisation.

Public Finance Initiative (PFI) and Public Private Partnership (PPP)

The Group is an acknowledged leader in Private Finance Initiatives (PFI) and Private Public Partnerships (PPP), working with local authorities to deliver modern housing and services for older people. The Group operates three contracts of which two are performing strongly.

One of the PFI contracts is operated through the Group's subsidiary, Oldham Retirement Housing Partnership (ORHP), with Oldham MBC which involves refurbishment and new build of 1,467 properties and the maintenance of those properties for a period of 25 years.

The Group aspired to deliver the refurbishment works to a high standard and contracted out these works to a third party contractor. After the completion of the refurbishment period it has come to light that the subcontractor failed to deliver against the output specification agreed with ORHP as did the independent surveyors that ORHP used to certify the work.

The Group is committed to delivering the contracted works to Oldham MBC and to rectify the defects from Housing 21's reserves. In 2012-13 the Group incurred a loss of income of £12.3m. Housing 21 will make every effort to recover these costs.

After the year end, an agreement has been reached on this issue and future risks have been mitigated. The Group's forecasts and projections provide reasonable assurances that the Group has sufficient cash resources to manage this issue going forward.

Housing

As with the sector in general, Housing 21 has experienced some challenges as the recession continues to impact on the property market and the ability of prospective customers to sell their own homes. This has impacted on the timing of expected outright and shared ownership sales. The risk of empty properties is also ever present. However developments in Housing 21's management and operational structure to a regional based one has enabled more effective lettings of properties with close liaison between local and central teams and relevant local authorities.

Our housing development programme remains strong; 154 new extra care apartments were completed in the year with a further 1500 in the pipeline supported by the Affordable Homes Programme. We will reach another milestone shortly on the completion of our 100th extra care scheme consolidating our position as the leading provider of extra care housing.

Work began on a number of new developments across the country, including a 175 apartment scheme in Sunderland, the first of six new extra care developments in Warwickshire and the first flexi-care scheme for St Albans City & District Council. We also saw new extra care schemes complete in Banbury, Bristol, Sandwell, Thatcham and Kingswood.

Care Services

To enable the most efficient and effective care service, Housing 21 has embarked on a major project of business systems transformation in the form of a Service Management Solution Programme. The implementation of this technology over the next 12 months will provide greater control over care delivery as well as the associated income and costs. The project is of huge significance as it will not only provide technological solutions to management of care which is at the heart of our business, but will act as a conduit to improving the skills and experiences of our care staff and customers and enable the organisation to respond to local service needs in a customer focussed manner.

We have continued this with retaining and winning new contracts. Service quality is key to our success and during the year we strengthened our quality compliance activities. Our range of provision has continued to expand as well as increasing the business that is funded privately or through direct payments.

We are particularly proud this year of being able to expand the provision of Dementia Voice Nurses in 3 more localities. Our dementia expertise in care and health services, coupled with a strong focus on dementia research, makes us uniquely well placed to respond to the government's dementia challenge.

Auditors

The Group follows best practice in the appointment of external auditors and annual review of performance.

All of the current board members have taken all of the steps that they ought to have taken to make themselves aware of any information needed by the Group's auditors for the purpose of their audit and to establish that the auditors are aware of that information. The Board is not aware of any relevant audit information of which the auditors are unaware.

By order of the Board

S Bateman
Secretary
27 August 2013

OPERATING AND FINANCIAL REVIEW

The financial environment continued to be challenging this year. There have been continuing Government spending reductions and policy changes, all of which have impacted on the sector. The Group has also absorbed the exceptional cost of £12.3m as described in the Report of the Board.

Excluding this exceptional cost, the Group's operating surplus this year is £23.1m compared with £22.2m in 2012. The Group has successfully delivered the second year of its 2011-16 corporate plan, which has seen a move to locality operating structures and improved customer responsiveness. Our targets for growth are both ambitious and achievable because we are in a better position to respond to environment changes than last year.

The trends toward personalisation and the integration of care and health services is gathering momentum. Although local authority spending cuts have impacted on the care services market, the Group has maintained a high service volume of 5 million hours and continues to be a market leader in terms of best staff investment. This was reinforced in September with our achievement of the 'Investors in People' standard for staff development and training. Recognising that our people are our most important asset, we have introduced 'Your Voice', a new employee consultation forum and have maintained our considerable investment in training and developing staff.

The Group was successful in securing grant funding in 2012 through the Homes and Communities Agency's Affordable Homes Programme to deliver 1,410 new extra care housing units. The award reinforces Housing 21's position as a leader in extra care housing for older people. The programme will include shared ownership and affordable rents.

Our results are summarised as follows:

	Turnover		Operating Surplus	
	2013	**2012**	**2013**	**2012**
	£m	**£m**	**£m**	**£m**
Social Housing Lettings	102.5	94.2	24.1	20.9
LCHO sales	8.6	13.7	1.4	2.5
Management Services	19.0	18.7	5.2	6.0
Care and Health Services	87.6	89.5	(11.0)	(10.1)
Other	4.3	4.1	3.4	2.9
	222.0	220.2	23.1	22.2
Less exceptional cost			(12.3)	-
Operating surplus			10.8	22.2
Disposals			(0.5)	1.6
Finance costs			(14.5)	(15.4)
Taxation			(0.0)	0.2
Net (deficit) / surplus			**(4.2)**	**8.5**

Group turnover has increased in the year from £220.2m to £222m. The main drivers of the variance in turnover are the additional rentals from new schemes opened in the year plus the impact of inflation offset by lower care income and lower LCHO sales.

The operating surplus (excluding exceptional costs) for the year was £23.1m compared to £22.2m in 2012. Total costs (excluding exceptional and property sales costs) have increased by £5.1m from 2012 of which £3.5m relates to the increase in rental turnover and £1.6m relates to an increase in depreciation. The Group has spent £10.8m on property repairs which reflects the Group's commitment to improving the quality of our customers' homes. However the care business has also seen an increase in agency costs which has impacted the operating margin.
The disposals line predominately reflects the surplus or deficit on sale of our family housing stock. As these properties are held at valuation the current year disposals have not resulted in a significant I&E impact but the disposal of these properties generated cash of £15.4m.

Net interest costs have decreased by £0.9m to £14.5m in the year due to reduced borrowing rates and a reduction in the Group's net debt. The Association's weighted average interest rate was 4.21% at 31st March 2013 *(2012: 4.68%)*.

The net surplus (excluding exceptional costs) was £8,141k compared to £8,512k in 2012.

Balance sheet debt and liquidity

Our balance sheet has remained consistent with the prior year with movements noted in Housing Properties and Borrowings Notes.

The housing properties balance has decreased during the year by £8.5m to £924.2m as a result of capitalised repair spend of £16.2m, spend on new developments of £30.8m, an increase in valuation of £1.1m, other movements of £1.3m offset by depreciation of £15.2m and disposal of properties with a value of £25.7m.

The Group's total borrowings have decreased in the year by £8.9m to £430m due to net repayments in the year. A £42m facility was due for repayment in 2013/14.

As discussions were ongoing with our funders at the balance sheet date, to comply with accounting disclosures, this amount has been moved from creditors due more than one year to creditors due within one year. After the year end, this facilty has been renewed, the availability increased by £25m and the maturity dates extended to 2016 and 2018.

Cash flow

The Group generated cash inflow from operations of £41.3m *(2012: £33.8m)* which has been used to pay net interest on borrowings of £12.3m *(2012: £14.5m)* with the balance re-invested into our housing properties.

The Group's total spend on housing properties was £44.1m *(2012: £67.2m)* which has been partly funded by social housing grants of £10.9m *(2012: £20.5m)* and disposal proceeds, £32.4m of which £4.9m related to Family Housing sales occurring in 2012. The balance of funding came from loans, however, we have managed our cash position and made net repayments in the year of £8.9m *(2012: net draw downs of £22.4m)*.

Our total cash holdings increased in the year by £15.7m *(2012: £8.5m)* with total net debt reducing by £24.6m *(2012: increase of £14.9m)*.

Treasury

The Group's day-to-day operations are funded from ongoing trading activities, with the development programme being funded from retained earnings, bank funding and social housing grants. The Group has a centralised treasury function, charged with managing financing and treasury risks which is overseen by the Group Finance Director. The treasury function operates within the parameters of a treasury policy which is subject to annual Board approval. The policy ensures that the Group has adequate liquidity to meet financial obligations and prevents speculative investments.

The treasury function monitors and reports to the Board compliance with financial covenants of which interest cover and gearing are most sensitive. The Board is satisfied that the Group is in compliance with these covenants.

Debt is managed through the Association with the exception of the PFI contracts which are managed through special purpose vehicles.

	2013	2012
	£m	£m
Cash at bank and in hand	39.5	23.8
Loans	(430.0)	(438.9)
Group Net Debt	**(390.5)**	**(415.1)**

The loans fall due for repayment as follows:

	2013	2012
	£m	£m
Less than 1 year	(51.1)	(7.6)
Due between 1 and 2 years	(8.1)	(53.8)
Due between 2 and 5 years	(38.3)	(22.4)
Due after 5 years	(332.5)	(355.1)
	(430.0)	**(438.9)**

Housing loans less than 1 year includes a banking facility of £65m of which £42m had been drawn at 31 March 2013 and was due for repayment in January 2014. After the year end, this facility has been renewed, the availability increased by £25m and the maturity dates extended to 2016 and 2018.

The Group seeks to reduce its exposure to volatility in interest rates by balancing its loan book over fixed, floating and inflation-linked rates. As at 31st March 2013 the mix within the Group comprised 54.2% fixed *(2012: 53.9%)*, 32.6% floating *(2012: 33.2%)* and 13.2% index linked *(2012: 12.9%)*.

Creditor Payment Policy

The Group agrees payment terms with its suppliers when it enters into binding contracts. It seeks to abide by these terms when it is satisfied that the supplier has provided the goods or services in accordance with agreed terms and conditions.

Going Concern

After making enquiries, the directors of Housing 21 have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the going concern basis has been adopted in these financial statements.

Value for Money

From April 2012 the Regulator introduced a specific requirement into the Framework which requires registered social housing providers to report on Value for Money.

Value for Money is core to Housing 21 and although this requirement has not been explicitly referred to as Value for Money in the past, this principle is embedded in Housing 21s values culture and long term strategy. One of Housing 21s core values is **"investing – we do more for people by investing wisely"** and this value directly translates into what we are seeking to achieve by fully embracing a value for money culture.

The Corporate Plan 2011-2016 sets one of Housing 21 objectives as Financial Strength with the aim to ensure that *"we have an efficient central cost base and that we operate within safe financial parameters. It will reflect an appropriate risk appetite and indicate how we will identify and mitigate the significant risks to our business."*

During the year Housing 21 has brought the **investing** principle to life by developing a specific Value for Money strategy which has been approved by the Board. The strategy goes beyond the aim to have efficient central costs by challenging the organisation to consider value for money in every decision that it makes. The key objectives of the strategy are to:

- Embed a Value for Money and continuous improvement culture across the business;
- Continue & enhance a robust approach to making decisions;

- Understand our costs and outcomes of specific services and factors that influence these;
- Assess on a regular basis how we compare to others and to challenge our internal performance;
- Have a great strong performance management and scrutiny function; and
- Involve our customers and other stakeholders in achieving our objectives.

Although the focus above is on cost Value for Money is also about delivering a high quality service.

One of the key commitments made during the year by the Board is to relocate our central functions, currently based in Beaconsfield and other offices in England, to one location in the Birmingham area in order to rationalise our corporate cost base and service our customers more effectively. The first steps of which have been to recruit a new finance team in our Edgbaston office including a new Group Finance Director.

As the impact of this restructure on the Group was significant, a modest savings target was set at the start of the year of 5% on contracts with a total annual value of £5m. During the year we are pleased to report that savings of £0.5m were achieved on contracts with an annual value of £3.1m.

£m	Annual Contract Value	Annualised Saving	%
Target	5.0	0.2	5%
Achieved	3.1	0.5	17%

Outside of this savings programme we have also reviewed a number of functions to enhance the value for money strategy:

- We have identified a number of properties which did not fit in with our corporate strategy and implemented a plan to dispose of these homes. This has resulted in a cash inflow of £15.4m during the year which we will re-invest in services.
- We are in the process of reviewing all care contracts to focusing on turning around those which are loss making and improving efficiencies on all other contracts.
- We have reviewed the effectiveness of our Investment Committee and have changed the way we appraise projects, challenging value for money at each stage.
- We have formed the National Committee which works in conjunction with Housing 21 to scrutinise services and achieve better value for money by making sure Housing 21 takes account of customers' views at the earliest opportunity in all decisions and in the drive to achieve high quality services.
- We have made a number of changes to the annual service charges process after engagement with our customers which will result in a number of efficiencies to the process.
- We have also generated one off VAT savings of £0.3m following the recruitment of our Tax Team.

During the year we have set the foundations for a Value for Money culture within our organisation and in 2013-14 we will look to continue to strive towards being more economical, efficient and effective. A full 12 month cycle will allow us to fully understand the costs of our services on a like for like basis and benchmark ourselves to the best in the market. We will continue to drive process efficiencies and cost savings in our organisation and with the involvement of our customers through the national, regional and local representative groups a continual challenge of "Value for Money" will be a key theme in our day to day decision making.

The table below provides some key metrics which we will review year on year; we expect the metrics to change as our value for money work plan evolves.

Group – Social Housing Letting activities only

	2013	2012
	£	£
Debt per unit	22,347	23,803
Repair cost per unit	618	637
Service cost per unit	1,753	1,670
Void cost per unit	312	286
Bad debt cost per unit	6	18
Operating cost per unit	4,252	3,987
Board & Executive Team remuneration per unit	54	59

Accounting Policy Changes

In the prior year the Housing 21 Group adopted a new accounting policy from 1 April 2011 relating to component accounting as a result of complying with the Statement of Recommended Practice – Accounting by registered social housing providers (Update 2010). The implementation of this policy was accounted for as a prior period adjustment in 2012. In the current year the policy has been revised to reflect a fairer measurement basis of the components which have been recognised. This has resulted in a change in the number of components recognised and the cost allocated to components and as a consequence the depreciation charged has also been affected. The impact of this change in policy has required the restatement of the 2011/12 numbers.

Charitable and political gifts

During the year Housing 21 has made a payment of £10,000 to Carers UK (a charity registered with the Charities Commission, number 246329) at the request of a Non-Executive Director who waived their director's salary in return for this payment. The Non-Executive Director is also the Chief Executive Officer of Carers UK.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOUSING 21

We have audited the financial statements of Housing 21 for the year ended 31 March 2013 which comprise the consolidated and Association income and expenditure accounts, the consolidated and Association balance sheets, the consolidated statement of total recognised surpluses and deficits, the consolidated note of historical cost surpluses and deficits, the consolidated cash flow statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the board and auditors

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at **www.frc.org.uk/auditscopeukprivate**

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and parent Association's affairs as at 31 March 2013 and of the Group's and parent Association's deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, the Industrial and Provident Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing in England from April 2012.

Matters on which we are required to report by exception

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

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

BDO LLP

BDO LLP, statutory auditor
Gatwick, West Sussex
United Kingdom
27 August 2013

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

Consolidated Income and Expenditure account for the year ended 31 March 2013

	Notes	2013 Pre-exceptional £000	2013 Exceptional items £000	2013 Total £000	2012 (Restated) £000
Turnover	**2**	**222,049**	**-**	**222,049**	**220,193**
Operating costs	2	(198,905)	(12,325)	(211,230)	(197,990)
Operating surplus	**2**	**23,144**	**(12,325)**	**10,819**	**22,203**
(Deficit)/surplus on disposal of housing properties and other assets	4	(466)	-	(466)	1,568
Interest receivable and similar income	7	6,764	-	6,764	6,232
Interest payable and similar charges	8	(21,282)	-	(21,282)	(21,668)
(Deficit)/surplus on ordinary activities before tax	**9**	**8,160**	**(12,325)**	**(4,165)**	**8,335**
Taxation on deficit / surplus on ordinary activities	10	(19)	-	(19)	177
(Deficit)/surplus on ordinary activities after tax	**19**	**8,141**	**(12,325)**	**(4,184)**	**8,512**

All amounts relate to continuing activities.

Association Income and Expenditure account for the year ended 31 March 2013

	Notes	2013 Pre-exceptional £000	2013 Exceptional items £000	2013 Total £000	2012 (Restated) £000
Turnover	**2**	**190,775**	**-**	**190,775**	**188,377**
Operating costs	2	(171,865)	(11,863)	(183,728)	(170,423)
Operating surplus	**2**	**18,910**	**(11,863)**	**7,047**	**17,954**
(Deficit)/surplus on disposal of housing properties and other assets	4	(466)	-	(466)	1,568
Interest receivable and similar income	7	4,481	-	4,481	3,850
Interest payable and similar charges	8	(12,958)	-	(12,958)	(13,316)
(Deficit)/surplus on ordinary activities before tax	**9**	**9,967**	**(11,863)**	**(1,896)**	**10,056**
Taxation on deficit / surplus on ordinary activities	10	-	-	-	-
(Deficit)/surplus on ordinary activities after tax	**19**	**9,967**	**(11,863)**	**(1,896)**	**10,056**

All amounts relate to continuing activities.

The notes on pages 24 to 62 form part of the financial statements

Statement of total recognised surpluses and deficits for the year ended 31 March 2013

	Notes	Group		Association	
		2013	2012 (Restated)	2013	2012 (Restated)
		£000	£000	£000	£000
(Deficit)/surplus on ordinary activities after tax		(4,184)	8,512	(1,896)	10,056
Actuarial loss on pension schemes	28	(4)	(31)	(4)	(31)
Unrealised surplus / (loss) on revaluation	19	1,138	79,420	(683)	74,062
Total recognised gains and losses for the year		(3,050)	87,901	(2,583)	84,087
Prior year adjustment	33	4,076	-	3,143	-
Total surpluses recognised since last annual report		**1,026**	**87,901**	**560**	**84,087**

Note of historical cost surpluses and deficits for the year ended 31 March 2013

	Notes	Group		Association	
		2013	2012 (Restated)	2013	2012 (Restated)
		£000	£000	£000	£000
Reported (deficit)/surplus on ordinary activities before tax		(4,165)	8,512	(1,896)	10,056
Realisation of property revaluation surpluses of previous years	19	8,621	2,990	8,621	2,903
Historical cost surplus for the year on ordinary activities before tax		**4,456**	**11,502**	**6,725**	**12,959**
Taxation	10	(19)	177	-	-
Historical cost surplus for the year on ordinary activities after tax		**4,437**	**11,679**	**6,725**	**12,959**

The notes on pages 24 to 62 form part of the financial statements

Reconciliation of movement in capital and reserves

	Notes	Group		Association	
		2013	**2012 (Restated)**	**2013**	**2012 (Restated)**
		£000	**£000**	**£000**	**£000**
Reported (deficit)/surplus for the year		(4,184)	8,512	(1,896)	10,056
Actuarial loss recognised in statement of realised surpluses and deficits	28	(4)	(31)	(4)	(31)
Other recognised surpluses and deficits relating to the year (net)	19	1,138	79,420	(683)	74,062
Net (decrease) / addition to reserves		**(3,050)**	**87,901**	**(2,583)**	**84,087**
Opening capital and reserves		655,948	568,047	645,015	560,928
Closing capital and reserves		**652,898**	**655,948**	**642,432**	**645,015**

The notes on pages 24 to 62 form part of the financial statements

Balance sheets as at 31 March 2013

Registered number 16791R

	Notes	Group		Association	
		2013	2012 (Restated)	2013	2012 (Restated)
		£000	£000	£000	£000
Intangible assets					
Goodwill	30	25,386	29,090	13,414	15,100
Tangible fixed assets					
Housing properties at valuation	11	924,239	932,693	833,494	842,623
Other fixed assets	12	7,062	5,204	6,922	5,060
Investments	29	-	-	9,851	9,851
		956,687	966,987	863,681	872,634
Current assets					
Housing properties and stock for sale	13	7,997	11,252	7,997	11,252
Debtors: amounts falling due after one year	14	110,342	112,239	25,398	32,756
Debtors: amounts falling due within one year	15	40,826	37,745	59,039	51,427
Cash at bank and in hand	22	39,491	23,826	27,542	10,898
		198,656	185,062	119,976	106,333
Creditors: amounts falling due within one year	16	(121,837)	(64,612)	(100,648)	(46,604)
Net current assets		**76,819**	**120,450**	**19,328**	**59,729**
Total assets less current liabilities		**1,033,506**	**1,087,437**	**883,009**	**932,363**
Creditors: amounts falling due after more than one year	17	380,388	431,252	240,357	287,111
Pension liability	28	220	237	220	237
Unrestricted Capital and Reserves					
Share capital	18	-	-	-	-
Revaluation reserve	19	563,310	570,793	541,948	551,252
General reserve	19	89,588	85,155	100,484	93,763
		652,898	655,948	642,432	645,015
		1,033,506	**1,087,437**	**883,009**	**932,363**

These financial statements were approved and authorised for issue by the Board on 27 August 2013 and are signed on behalf of the Board by:

Lord Ben Stoneham
Chairman

Sanaya Robinson
Director

Stephen Bateman
Secretary

The notes on pages 24 to 62 form part of the financial statements

Consolidated cash flow statement for the year ended 31 March 2013

	Notes	Group		Group (Restated)	
		2013 £000	2013 £000	2012 £000	2012 £000
Net cash inflow from operating activities	20		41,373		33,800
Return on investments and servicing of finance					
Interest received		6,764		6,232	
Interest and other fees paid		(19,001)		(20,745)	
Interest element of finance lease payments		(83)		(85)	
Net cash outflow from return on investments and servicing of finance			(12,320)		(14,598)
Taxation			(29)		148
Capital expenditure and financial investment					
Expenditure on housing properties		(44,095)		(67,178)	
Social Housing Grants received		10,868		20,553	
Purchase of other fixed assets		(3,637)		(999)	
Proceeds from the sale of housing properties		32,372		14,004	
Proceeds from the sale of other fixed assets		99		3	
Net cash outflow from capital expenditure			(4,393)		(33,617)
Cash inflow / (outflow) before use of liquid resources and financing			24,631		(14,267)
Management of liquid resources	21	-			355
Financing					
Loans received		-		37,926	
Loans repaid		(8,923)		(15,446)	
Capital element of finance lease repaid		(43)		(37)	
Net cash (outflow) / inflow from financing			(8,966)		22,443
Increase in cash	22		15,665		8,531

The notes on pages 24 to 62 form part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

The financial statements of the Group and Association have been prepared on a going concern basis and in accordance with Generally Accepted Accounting Practice applicable in the United Kingdom and comply with the Statement of Recommended Practice: Accounting for Registered Social Providers (Update 2010), the Industrial and Provident Societies Acts 1965 to 2002, the Industrial and Provident Societies (Group Accounts) Regulations 1969, The Housing and Regeneration Act 2008 and with the Accounting Direction for Private Registered Providers of Social Housing 2012.

The principal accounting policies applied in preparing these financial statements are set out below and have been consistently applied throughout the year.

Basis of accounting

The financial statements are prepared a going concern basis, under the historical cost basis, as modified by the revaluation of housing properties to Existing Use Value for Social Housing (EUV-SH).

Going concern

After making enquiries, the directors of Housing 21 have a reasonable expectation, after due consideration of all material matters, that adequate resources exist to continue in operational existence for the foreseeable future. For this reason the going concern basis has been adopted in these financial statements.

Consolidation

In accordance with Financial Reporting Standard 2 "Accounting for subsidiary undertakings", the financial statements for the Group are the consolidated position for the year ended 31 March 2013 of Housing 21 Association and its subsidiaries, from the date of their acquisition, as described in Note 29. Intra-Group transactions are eliminated on consolidation.

Turnover

Turnover represents rental and service charge income, net of void losses, Supporting People contract income, management fees, income from provision of care and health services, revenue based grants received from local authorities and from the Homes and Communities Agency (HCA), income from first tranche sales of shared ownership and outright sales property and other income.

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

In respect of the Group's Private Finance Initiative (PFI) and Public Private Partnerships (PPP), turnover is recognised with reference to the stage of completion of the project.

The stage of completion for the project has been determined by reference to the proportion of the total projected costs, including finance costs, incurred to date.

Value Added Tax

The majority of services supplied by the Group are exempt from VAT. However, management contracts and unitary charge income is chargeable to VAT which enables some recovery of input VAT under a basis of calculation agreed with HMRC.

Expenditure is shown inclusive of VAT and input tax recovered is recorded within non-social housing activities, other, as part of turnover.

Goodwill

Goodwill arises on the acquisition of subsidiaries and other business combinations and is calculated as the difference between the fair value of consideration paid and the fair value of net assets acquired.

Positive goodwill is amortised on a straight-line basis over a period in which it is expected to derive economic benefit to the Group. The period is not expected to be more than 20 years, negative goodwill is recognised immediately in reserves.

Impairment reviews are carried out in the first year after acquisition or where there are changes in circumstances which indicate that the carrying value of goodwill is not recoverable.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Housing properties

The Group adopts a policy of revaluing its housing properties. Housing properties are stated on an EUV-SH basis.

At the point of revaluation, the aggregate surplus or deficit arising, calculated as the difference between the cost of properties less Social Housing Grant (SHG) and the revalued amount, is allocated to the land associated with the housing properties and transferred to a revaluation reserve.

Housing properties in the course of construction are stated at cost and are transferred to completed housing properties, if they are rental units, or stock for sale if they are outright sale units. Expenditure incurred on housing properties after practicable completion is only capitalised to the extent that the expenditure enhances rental capacity, extends the useful economic life or reduces future repair and maintenance costs. Any remaining carrying value of the replaced component is charged to the income and expenditure account.

Capitalisation of interest

Interest on borrowings is capitalised as part of the cost of Housing Properties in the course of construction based on the Group's average cost of borrowings applied to the net cost over the period of construction.

Capitalisation of development department costs

Development department costs are capitalised where they are directly attributable to bringing the properties into working condition for their intended use. Directly attributable costs are the labour costs of the Group's employees arising directly from the construction or acquisition of the property and incremental costs that would have been avoided only if individual properties had not been constructed or acquired.

Depreciation - housing properties

Land is considered to have an indefinite life and is not depreciated. Depreciation on other assets is charged on a straight-line basis over the expected useful economic lives of each component as follows:

	Years
Structure	100
Roof	50
Window and Doors	30
Kitchen and Bathrooms	25
Mechanical Services	20
Heating and Plumbing	25
Fit out Costs	25

The land value element (to separate land from buildings) of each property valuation is determined using guidance issued by the National Housing Federation.

On the disposal of a property, a transfer is made from the Revaluation Reserve to the General Reserve of an amount equal to the difference between the profit or loss on a historical cost basis and the actual surplus, which is calculated using the revalued amounts.

Landbank

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

Impairment

Annual impairment reviews are carried out in accordance with Financial Reporting Standard 11 where remaining useful economic life is greater than 50 years. Where there is evidence of impairment, assets are written down to their recoverable amount through a charge to the Income and Expenditure account.

Other assets are reviewed for impairment if there is an indication that impairment may have occurred.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Depreciation - other tangible fixed assets

Depreciation is charged on a straight line basis over the expected useful economic lives at the following rates:

	Years
Leasehold office improvements	Over the remaining period of the lease
Land	Not depreciated
Freehold office buildings	50
Office furniture and equipment	10
Motor vehicles	4
Computer software	5
Computer hardware	3

Low Cost Home Ownership and Staircasing

Under Low Cost Home Ownership (LCHO) arrangements, the Group disposes of a long lease on LCHO units to persons who occupy them at a share equal to between 25% and 75% of value, (the "first tranche"). The occupier has the right to purchase further proportions at the then current valuation up to 75% ("staircasing").

A shared ownership property comprises two assets: that to be disposed of in the first tranche sale, which is recorded as a current asset; and that retained by the Group, which is recorded as a fixed asset.

Proceeds of sale of first tranches are accounted for as turnover in the income and expenditure account, with the associated cost being shown within the operating results as a cost of sale.

Subsequent tranches sold ("staircasing sales") are disclosed in the income and expenditure account after operating results as a surplus or deficit on sale of fixed assets. Such staircasing sales may result in capital grant being deferred or abated and this is credited in the sale account in arriving at the surplus or deficit on disposal.

Social Housing Grant in respect of LCHO properties is allocated against the fixed asset element of the property and is treated as a deduction from fixed assets.

The fixed asset element of LCHO properties is included in housing properties at EUV-SH. These properties are not depreciated on the basis that the expected realisable value at the end of the expected useful life to the Group is at least equal to the carrying value.

Properties developed for sale

Completed properties and properties under construction for sale, either as first tranche LCHO sales or outright sale, are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales prices after allowing for all further costs of completion and disposal.

Until sold these properties are held as current assets.

Social housing grant (SHG) and other grants

Where housing developments have been financed wholly or partly by grants, the amount of grant received is offset against the cost of the development.

SHG due from the HCA or received in advance is included as a current asset or liability.

Where grant is received on items treated as revenue expenditure, it is treated as a revenue grant and credited to the income and expenditure account.

Where, following the sale of the property, SHG becomes repayable, to the extent that it is not subject to abatement, it is reclassified in the Recycled Capital Grant Fund (RCFG) and included as a liability until it is repaid or utilised for future developments.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Sinking funds

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

Donated land

The valuation of land donated by local authorities is accounted for as a cost of development and also treated as a capital grant. It is included within the other grants receivable amounts.

Works to existing properties

Expenditure on day to day and cyclical repairs and maintenance, together with health and safety work and service contract maintenance expenditure, is charged as incurred to the income and expenditure account. Also charged are the apportioned administration costs associated with this work.

Renewals of communal equipment, furniture and furnishings, and the replacement of refrigerators and cookers provided for tenants, are charged to the income and expenditure account on purchase and recovered through service charges.

Work in progress and Finance Debtor

Where the risks of the Group's PFI or PPP contracts lies outside of the Group, costs incurred in the construction and refurbishment of the sheltered housing properties are accounted for under Financial Reporting Standard (FRS) 5, "Reporting the Substance of Transactions" and are carried in the balance sheet as recoverable work in progress in debtors. Work in progress comprises direct payments to the contractor, attributable initial project costs and interest costs incurred over the construction period on borrowings to fund construction.

When a property has been completed or refurbished, the work in progress balance is converted to a finance debtor representing an appropriate proportion of costs incurred in accordance with FRS5 'Reporting the Substance of Transactions'. The debt is recovered via the unitary charge contract income over the remaining life of the contract. Until the debtor is fully recovered, interest income is released to the income and expenditure account which is based upon the value of the financial debt outstanding. This interest is included within interest receivable.

Housing loans and other financial instruments

Loans and other financial instruments are stated in the balance sheet at the amount of the net proceeds.

Finance costs, including incremental issue costs, are deducted from the loan and amortised over the life of the loan.

Where loans and other financial instruments are redeemed, any redemption penalty is recognised in the income and expenditure account in the year in which redemption takes place.

Leased assets

Rentals paid under operating leases are charged to the income and expenditure account on the accruals basis.

The cost of assets held under finance leases is included under tangible assets and depreciation provided in accordance with the policy for the class of asset concerned. The corresponding obligations under these leases are shown as creditors. The finance charge element of rentals is charged to the income and expenditure account to produce, or approximate to, a constant periodic charge on the remaining balance of the outstanding obligations.

Management services to leaseholders and other bodies

In addition to managing housing for rent, the Group also provides management services to leaseholders and other bodies.

The Group provides management services to leaseholders on a cost basis.

Charges which are made to leaseholders for decorations and major works within their schemes are held in sinking funds. These sinking funds are recorded within other creditors and shown in note 16 amounts falling due within one year of these Financial Statements.

The Group also provides property management services to other bodies for which a management fee is charged. Such services are provided primarily on an agency basis. All transactions relating to owned leasehold properties have been brought into the accounts.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Pensions

The Group's and Association's pension arrangements comprise of defined contribution and defined benefits schemes. The annual costs of defined contribution, stakeholder and savings plan pension schemes are charged to the income and expenditure account on an accruals basis.

Where the Group participates in a defined benefits scheme, the accounting treatment is dependent on whether the assets and liabilities of those schemes can be separately identified. Where assets and liabilities can be separately identified the Group recognises in full the schemes' surpluses or deficits on the Balance Sheet. Actuarial gains and losses for these schemes are included in the Statement of Total Recognised Surpluses and Deficits. Current and past service costs, curtailments and settlements are recognised within operating surplus. Expected returns on scheme assets and interest on obligations are recognised as other finance income or expenses.

Where assets and liabilities of a defined benefits scheme cannot be separately identified the Group charges contributions to the income and expenditure account on an accruals basis.

Taxation

The Group is exempt from corporation tax on income and gains to the extent that these are applied to the Group's charitable objectives. The tax charge in the year relates to Group companies that are subject to UK taxation in addition to the non-exempt tax for Housing 21 Association.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the Group has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the Group anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Significant estimation techniques

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

- Carrying value of LCHO sales or outright sales based on previous/ intended sales values.
- Carrying value on housing properties, based on the independent valuations prepared on the basis of EUV-SH using a discounted cash flow making allowances for outgoings against income receivable. No impairment losses are recognised on housing properties where the existing use value is lower than cost up to value of agreed planned internal subsidy.
- Carrying value of goodwill, based on forecast cash flows and a discount rate that reflects an appropriate risk premium on its weighted average interest rate. Growth rates are based on the specific market opportunity, the strength of the customer offer and investment in the business.
- Bad debt provisions based on previous experience, cash collected subsequent to the year end and financial viability of the customer.

2. TURNOVER, COSTS OF SALES, OPERATING COSTS AND OPERATING SURPLUS – GROUP

	2013				2012 (Restated)		
	Turnover	Operating costs & cost of sales	Exceptional costs	Operating surplus	Turnover	Operating costs & cost of sales	Operating surplus
	£000	£000	£000	£000	£000	£000	£000
Social housing lettings (Note 3)	102,485	(78,359)	-	24,126	94,213	(73,268)	20,945
Other social housing activities							
Supporting people	3,014	(1,209)	-	1,805	2,672	(1,194)	1,478
Shared ownership first tranche and outright sales	8,579	(7,113)	-	1,466	13,676	(11,203)	2,473
Other	1,263	-	-	1,263	1,353	-	1,353
Non-social housing activities							
Management services	18,904	(13,711)	(12,325)	(7,132)	18,702	(12,690)	6,012
Care and Health services	87,560	(98,513)	-	(10,953)	89,464	(99,539)	(10,075)
Other	244	-	-	244	113	(96)	17
Total	**222,049**	**(198,905)**	**(12,325)**	**10,819**	**220,193**	**(197,990)**	**22,203**

Total development administration costs capitalised were £976k *(2012: £1,917k)*.

Exceptional costs are items, totalling £12,325k *(2012: £nil)*. being the costs in regard to a PFI contract.

The cost of first tranche shared ownership and outright property sales is £6,869k *(2012: £10,826k)*.

2. TURNOVER, COSTS OF SALES, OPERATING COSTS AND OPERATING SURPLUS – ASSOCIATION

	2013				2012 (Restated)		
	Turnover	Operating costs & cost of sales	Exceptional costs	Operating surplus	Turnover	Operating costs & cost of sales	Operating surplus
	£000	£000	£000	£000	£000	£000	£000
Social housing lettings (Note 3)	101,419	(77,735)	-	23,684	93,292	(72,568)	20,724
Other social housing activities							
Supporting people	2,976	(1,201)	-	1,775	2,672	(1,194)	1,478
Shared ownership first tranche and outright sales	8,579	(7,113)	-	1,466	13,676	(11,203)	2,473
Other	1,263	-	-	1,263	1,353	-	1,353
Non-social housing activities							
Management services	12,310	(11,313)	(11,863)	(10,866)	13,255	(11,712)	1,543
Care and Health services	63,984	(74,503)	-	(10,519)	64,023	(73,746)	(9,723)
Other	244	-	-	244	-	-	-
Gift aid	-	-	-	-	106	-	106
Total	**190,775**	**(171,865)**	**(11,863)**	**7,047**	**188,377**	**(170,423)**	**17,954**

Total development administration costs capitalised were £976k *(2012: £1,917k)*.

Exceptional costs are items, totalling £11,863k *(2012: £nil)*. being the costs in regard to a PFI contract.

The cost of first tranche shared ownership and outright property sales is £6,869k *(2012: £10,826k)*.

3. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS FROM SOCIAL HOUSING LETTINGS

GROUP	Older people & specialist housing	General needs	Total 2013	Total 2012 (Restated)
	£000	£000	£000	£000
Rent receivable net of identifiable service charges	63,853	3,285	67,138	60,996
Service charges receivable	35,205	142	35,347	33,217
Net rental income and turnover from social housing lettings	**99,058**	**3,427**	**102,485**	**94,213**
Services	32,155	147	32,302	30,693
Management	17,149	527	17,676	15,943
Routine maintenance	7,164	431	7,595	7,152
Planned maintenance	1,179	3	1,182	1,458
Major repairs expenditure	2,001	23	2,024	2,499
Leasehold and other contributions	2,178	9	2,187	1,527
Bad debts	80	25	105	309
Depreciation on housing properties	14,963	325	15,288	13,687
Operating costs on social housing lettings	**76,869**	**1,490**	**78,359**	**73,268**
Operating surplus on social housing lettings	**22,189**	**1,937**	**24,126**	**20,945**
Rent losses from voids	(5,403)	(52)	(5,455)	(4,983)

ASSOCIATION	Older people & specialist housing	General needs	Total 2013	Total 2012 (Restated)
	£000	£000	£000	£000
Rent receivable net of identifiable service charges	63,336	3,083	66,419	60,332
Service charges receivable	34,858	142	35,000	32,960
Net rental income and turnover from social housing lettings	**98,194**	**3,225**	**101,419**	**93,292**
Services	31,821	129	31,950	30,325
Management	19,030	484	19,514	17,238
Routine maintenance	6,685	379	7,064	6,679
Planned maintenance	869	3	872	1,189
Major repairs expenditure	1,988	19	2,007	2,429
Leasehold and other contributions	2,090	5	2,095	1,935
Bad debts	93	25	118	309
Depreciation on housing properties	13,821	294	14,115	12,464
Operating costs on social housing lettings	**76,397**	**1,338**	**77,735**	**72,568**
Operating surplus on social housing lettings	**21,797**	**1,887**	**23,684**	**20,724**
Rent losses from voids	(5,396)	(39)	(5,435)	(4,976)

Included within rent losses from voids are new unit voids of £1,393k *(2012: £1,580k)*, for both Group and Association.

4. (DEFICIT) / SURPLUS ON DISPOSAL OF HOUSING PROPERTIES AND OTHER ASSETS

GROUP AND ASSOCIATION

	2013				2012 (Restated)
	Shared Ownership Staircasings	**Other housing properties**	**Other assets**	**Total**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Proceeds of sale	905	16,767	99	17,771	5,264
Costs of sale at carrying value	(683)	(17,381)	(173)	(18,237)	(3,696)
(Deficit)/surplus on disposal	**222**	**(614)**	**(74)**	**(466)**	**1,568**

The disposals of the above housing properties and other assets on a historical cost basis would have resulted in a gain of £8,155k *(2012; £4,558k)*.

5. DIRECTORS' EMOLUMENTS

The directors of Housing 21 are defined as members of the Board and the Executive team. There were 16 *(2012: 16)* directors during the year. The Board members received the following emoluments during the year.

	2013				2012
	Salary	**Benefits in Kind**	**Pensions**	**Total**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
B Stoneham (Chair)	18	-	-	18	12
D Grayson	-	-	-	-	11
H Herklots	-	-	-	-	-
J Owen CBE	10	-	-	10	8
K Jeffries	10	-	-	10	13
M Harker	10	-	-	10	10
MJ Stansfield	10	-	-	10	10
P Raguvaran (Chief Executive)	188	2	15	205	205
R Humphries	10	-	-	10	10
S Robinson	10	-	-	10	10
S Fanshawe OBE	10	-	-	10	7
Total	**276**	**2**	**15**	**293**	**296**

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

One of the directors, Heléna Herklots, has her payments paid directly to a charity for which she is the Chief Executive. These payments were £10,000 in the year *(2012: £10,000)*.

The Executive Directors received the following emoluments during the year (excluding the Chief Executive whose emoluments are disclosed above).

	2013	**2012**
	£000	**£000**
Emoluments	611	725
Benefits in kind	3	2
Pension contributions	53	58
Total	**667**	**785**

The emoluments for the above for Executive Directors includes £63,500 of payments for loss of office *(2012: £80,000)*.

The highest paid director is the Chief Executive, who is also an ordinary member of the SHPS (Defined Benefit) pension scheme as set out in Note 28.

6. EMPLOYEE INFORMATION

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

	Group		Association	
	2013	**2012**	**2013**	**2012**
Management and administration	795	787	699	674
Court managers	403	419	401	415
Care and ancillary	5,468	5,215	4,627	4,317
	6,666	**6,421**	**5,727**	**5,406**

Full time equivalents are calculated based on a standard working week of 35 hours.

Staff costs (for the above persons):

	Group		Association	
	2013	**2012**	**2013**	**2012**
	£000	**£000**	**£000**	**£000**
Wages and salaries	96,927	101,050	79,030	81,807
Social security costs	6,903	7,348	5,369	5,668
Pension costs	1,618	1,241	1,590	1,204
	105,448	**109,639**	**85,989**	**88,679**

Detailed below is full time equivalent number of staff whose remuneration payable in relation to the period was in excess of £60,000:

	Group	Association
	2013	**2013**
£180,000 – £189,999	1	1
£120,000 – £129,999	1	1
£100,000 – £109,999	3	3
£90,000 – £99,999	1	-
£80,000 – £89,999	9	9
£70,000 – £79,999	5	5
£60,000 – £69,999	15	12

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	Group		Association	
	2013	**2012**	**2013**	**2012**
	£000	**£000**	**£000**	**£000**
Interest received on cash deposits	79	21	59	7
Finance asset interest	6,685	6,211	351	390
Interest receivable on intercompany loans	-	-	4,071	3,453
	6,764	**6,232**	**4,481**	**3,850**

8. INTEREST PAYABLE AND SIMILAR CHARGES

	Group		Association	
	2013	2012	2013	2012
	£000	£000	£000	£000
On loans from local authorities:				
Repayable wholly or partly in more than 5 years	26	28	26	28
On loans from other lenders:				
Interest payable on loans	20,557	21,574	12,324	12,806
Less: capitalised interest	(292)	(1,165)	(266)	(563)
Interest payable on finance leases	83	85	83	85
Other financing fees and charges	900	1,136	783	960
Other finance costs				
Other finance costs	8	10	8	-
	21,282	**21,668**	**12,958**	**13,316**

9. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAX

	Group		Association	
	2013	2012 (Restated)	2013	2012 (Restated)
	£000	£000	£000	£000
Surplus on ordinary activities before tax is after charging:				
Depreciation - owned assets	16,832	14,920	15,605	13,662
- leased assets	62	16	62	16
Amortisation of goodwill	3,704	3,737	1,686	1,769
Interest element of finance lease payments	83	85	83	85
Payments under operating leases	1,799	1,729	1,631	1,559
Auditors' remuneration (including VAT and expenses):				
- In their capacity as auditors	120	202	65	172
- In respect of other services	51	89	51	89

10. TAXATION

The Association, Kent Community Partnership Limited, Oldham Retirement Housing Partnership Limited and Gharana Housing Association Limited have charitable status, and therefore are exempt from Corporation Tax on their income and gains to the extent that these are applied to their charitable objectives.

The War Memorial Village Derby is a registered charity and is therefore exempt from Corporation Tax on its income and gains to the extent that these are applied to its charitable objectives.

Housing 21 Guernsey Limited by Guarantee - the Administrator of Income Tax in Guernsey has agreed that the company's profits will not be subject to tax. The Administrator has decided to treat the company as exempt from Guernsey tax due to its charitable activities. The company will be managed in such a way that it will be treated as having UK tax residency and therefore it will be subject to UK tax.

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

- Claimar Care Group Limited
- Surecare Community Services Limited
- Firstcall Community Services Limited
- Complete Care Holdings Limited
- Paediatric Nursing Link Limited

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

	Group		Association	
	2013	**2012**	**2013**	**2012**
Current Taxation	**£000**	**£000**	**£000**	**£000**
UK Corporation Tax	39	21	-	-
Deferred Tax	-	-	-	-
Adjustments in respect of prior years	(20)	(198)	-	-
	19	**(177)**	**-**	**-**

Current tax reconciliation

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

	Group		Association	
	2013	**2012**	**2013**	**2012**
	£000	**£000**	**£000**	**£000**
(Deficit) / surplus on ordinary activities before taxation	(4,165)	8,335	(1,896)	10,056
Tax at the standard rate of tax of 24% *(2012: 26%)*	(1,000)	2,167	(455)	2,615
Effects of:				
Expenses not deductible for tax	627	164	-	-
Capital allowances in excess of depreciation	-	(1,062)	-	(819)
Group relief	-	228	(73)	(88)
Exemption for charitable activities	348	(1,319)	528	(1,708)
Other timing differences	(17)	1	-	-
Dividends from UK Companies	-	(30)	-	-
Gift aid (deduction in prior year)	-	(326)	-	-
Adjustments in respect of prior years	(20)	-	-	-
Tax losses not provided	81	-	-	-
Total current tax charge / (credit)	**19**	**(177)**	**-**	**-**

11. HOUSING PROPERTIES AT VALUATION – GROUP

	Freehold land & buildings			Leasehold buildings		Finance lease buildings	Housing under construction & landbanks		Total
	Older People & Specialist (valuation) £000	General Needs (valuation) £000	Shared ownership (valuation) £000	Older People & Specialist (valuation) £000	Shared ownership (valuation) £000	Older People & Specialist (valuation) £000	Older People & Specialist (cost) £000	Shared ownership (cost) £000	£000
Cost or Valuation									
1 April 2012 as previously stated	1,145,358	52,966	21,787	350,268	13,422	3,453	17,644	11,063	1,615,961
Prior Year Adjustment (Note 33)	(7,112)	(1,111)	(5,838)	(60,923)	(2,179)	(480)	11,114	(9,067)	(75,596)
1 April 2012 (Restated)	1,138,246	51,855	15,949	289,345	11,243	2,973	28,758	1,996	1,540,365
Additions: works to existing properties	13,965	542	-	1,703	-	18	-	-	16,228
Additions: construction	-	-	-	-	-	-	21,534	9,297	30,831
Transfers to current assets	(2,824)	-	(158)	1,106	11	-	685	(5,000)	(6,270)
Property disposals	(2,853)	(22,051)	(354)	-	(329)	-	(173)	-	(25,760)
Component disposals	(1,022)	(57)	-	(498)	-	-	-	-	(1,577)
Completed property transfers	7,861	-	607	27,101	687	-	(34,962)	(1,294)	-
Valuation movement	(1,063)	(4,753)	(72)	7,344	(457)	139	-	-	1,138
31 March 2013	**1,152,310**	**25,536**	**15,972**	**326,011**	**11,155**	**3,130**	**15,842**	**4,999**	**1,554,955**
SHG and other grants									
1 April 2012 as previously stated	(327,692)	(4,060)	(18,629)	(78,655)	(11,894)	(97)	(15,242)	-	(456,269)
Prior Year Adjustment (Note 33)	(8,353)	(652)	5,687	(2,399)	1,981	-	1,470	(527)	(2,793)
1 April 2012 (Restated)	(336,045)	(4,712)	(12,942)	(81,054)	(9,913)	(97)	(13,772)	(527)	(459,062)
Received in the year	-	-	-	-	-	-	(16,129)	(2,272)	(18,401)
Completed property transfers	(4,854)	-	(337)	(11,968)	(190)	-	16,822	527	-
Property disposals	377	2,686	326	-	299	-	-	-	3,688
31 March 2013	**(340,522)**	**(2,026)**	**(12,953)**	**(93,022)**	**(9,804)**	**(97)**	**(13,079)**	**(2,272)**	**(473,775)**
Depreciation									
1 April 2012 as previously stated	(184,792)	(11,531)	(151)	(27,084)	(197)	(1,192)	-	-	(224,947)
Prior Year Adjustment (Note 33)	62,583	2,240	151	10,688	197	478	-	-	76,337
1 April 2012 (Restated)	(122,209)	(9,291)	-	(16,396)	-	(714)	-	-	(148,610)
Charge in the year	(11,521)	(325)	-	(3,381)	-	(62)	-	-	(15,288)
Disposals	1,860	4,600	-	498	-	-	-	-	6,957
31 March 2013	**(131,870)**	**(5,016)**	**-**	**(19,279)**	**-**	**(776)**	**-**	**-**	**(156,941)**
Net book value									
31 March 2013	**679,918**	**18,494**	**3,019**	**213,710**	**1,351**	**2,257**	**2,763**	**2,727**	**924,239**
31 March 2012 (Restated)	*679,992*	*37,852*	*3,007*	*191,895*	*1,330*	*2,162*	*14,986*	*1,469*	*932,693*

Depreciation charge in the year of £15,288k includes £825k of accelerated depreciation on replaced components *(2012: nil)*.

11. HOUSING PROPERTIES AT VALUATION – ASSOCIATION

	Freehold land & buildings			Leasehold buildings		Finance lease buildings	Housing under construction & landbanks		Total
	Older People & Specialist (valuation) £000	General Needs (valuation) £000	Shared ownership (valuation) £000	Older People & Specialist (valuation) £000	Shared ownership (valuation) £000	Older People & Specialist (valuation) £000	Older People & Specialist (cost) £000	Shared ownership (cost) £000	£000
Cost or Valuation									
1 April 2012 as previously stated	1,131,533	50,907	21,787	257,687	13,422	3,453	19,691	11,063	1,509,543
Prior Year Adjustment (Note 33)	(6,929)	(1,007)	(5,838)	(53,994)	(2,179)	(480)	9,067	(9,067)	(70,427)
1 April 2012 (Restated)	1,124,604	49,900	15,949	203,693	11,243	2,973	28,758	1,996	1,439,116
Additions: works to existing properties	13,965	526	-	1,703	-	18	-	-	16,212
Additions: construction	-	-	-	-	-	-	21,534	9,297	30,831
Transfers to current assets	(2,824)	-	(158)	1,016	11	-	685	(5,000)	(6,270)
Property disposals	(2,854)	(22,051)	(354)	-	(329)	-	(173)	-	(25,761)
Component disposals	(1,022)	(57)	-	(498)	-	-	-	-	(1,577)
Completed property transfers	7,861	-	607	27,101	687	-	(34,962)	(1,294)	-
Valuation movement	(1,591)	(4,764)	(72)	6,062	(457)	139	-	-	(683)
31 March 2013	**1,138,139**	**23,554**	**15,972**	**239,077**	**11,155**	**3,130**	**15,842**	**4,999**	**1,451,868**
SHG and other grants									
1 April 2012 as previously stated	(322,030)	(4,055)	(18,629)	(78,655)	(11,894)	(97)	(15,242)	-	(450,602)
Prior Year Adjustment (Note 33)	(6,954)	(652)	5,687	(2,399)	1,981	-	1,470	(527)	(1,394)
1 April 2012 (Restated)	(328,984)	(4,707)	(12,942)	(81,054)	(9,913)	(97)	(13,772)	(527)	(451,996)
Received in the year	-	-	-	-	-	-	(16,129)	(2,272)	(18,401)
Completed property transfers	(4,854)	-	(337)	(11,968)	(190)	-	16,822	527	-
Property disposals	377	2,686	326	-	299	-	-	-	3,688
31 March 2013	**(333,461)**	**(2,021)**	**(12,953)**	**(93,022)**	**(9,804)**	**(97)**	**(13,079)**	**(2,272)**	**(466,709)**
Depreciation									
1 April 2012 as previously stated	(183,703)	(10,947)	(151)	(21,587)	(197)	(1,192)	-	-	(217,777)
Prior Year Adjustment (Note 33)	61,896	2,135	151	8,423	197	478	-	-	73,280
1 April 2012 (Restated)	(121,807)	(8,812)	-	(13,164)	-	(714)	-	-	(144,497)
Charge in the year	(11,440)	(294)	-	(2,319)	-	(62)	-	-	(14,115)
Disposals	1,849	4,600	-	498	-	-	-	-	6,947
31 March 2013	**(131,398)**	**(4,506)**	**-**	**(14,985)**	**-**	**(776)**	**-**	**-**	**(151,665)**
Net book value									
31 March 2013	**673,280**	**17,027**	**3,019**	**131,070**	**1,351**	**2,257**	**2,763**	**2,727**	**833,494**
31 March 2012 (Restated)	*673,813*	*36,381*	*3,007*	*109,475*	*1,330*	*2,162*	*14,986*	*1,469*	*842,623*

Depreciation charge in the year of £14,115k includes £825k of accelerated depreciation on replaced components *(2012: nil)*.

11. HOUSING PROPERTIES AT VALUATION (CONTINUED)

Residential properties were valued by Deloitte Real Estate, Chartered Surveyors, on the basis of Existing Use Value for Social Housing (EUV-SH), as at 31 March 2013. The basis of valuation assumes that the properties will continue to be owned by a Registered Provider of Social Housing, for letting at social rents, and will be managed in accordance with the Performance Standards published by the Homes and Communities Agency.

The valuation was undertaken in accordance with the RICS Valuation – Professional Standards 2012. In determining the valuation, the valuer made use of the discounted cash flow methodology. Assumptions were made concerning the key factors of: the level of future rents, tenant turnover rates, management and maintenance costs, bad debt and void levels, and future discount rates. The spread of discount rates used was from 5.75% to 7% depending on the scheme's location. The assumption applied in respect of rent increases is RPI + 0.5%.

The valuation provided by Deloitte Real Estate for the Group totalled £916,669k for completed properties *(2012 (restated): £916,391k)*.

The values of completed developments moved into housing stock from housing under construction during the year included capitalised interest (rates applied during year: 4.29% on debit balances and 0.5% on credit balances) of £292k *(2012: £1,165k)*.

Works to existing properties

Expenditure on existing properties, other than on routine and planned maintenance, was as follows:

	Group		Association	
	2013	**2012**	**2013**	**2012**
	£000	**£000**	**£000**	**£000**
New components capitalised	5,363	7,748	5,363	7,748
Capitalised improvements	10,865	9,446	10,849	9,318
Major works charged to income and expenditure account (Note 3)	2,024	2,499	2,007	2,429

11. HOUSING PROPERTIES AT VALUATION (CONTINUED)

CAPITAL GRANTS – GROUP

	Completed properties	Properties under construction	Total
	£000	£000	£000
Social Housing Grant			
1 April 2012 (Restated)	356,823	10,487	367,310
Receivable in year	-	16,600	16,600
Disposals	(3,688)	-	(3,688)
Completed property transfers	13,062	(13,062)	-
At 31 March 2013	**366,197**	**14,025**	**380,223**
Other Grants			
1 April 2012 (Restated)	87,940	3,812	91,752
Receivable in year	-	1,801	1,801
Completed schemes	4,287	(4,287)	-
At 31 March 2013	**92,227**	**1,326**	**93,553**
Total			
1 April 2012 (Restated)	444,763	14,299	459,062
Receivable in year	-	18,401	18,401
Disposals	(3,688)	-	(3,688)
Completed schemes	17,349	(17,349)	-
At 31 March 2013	**458,424**	**15,351**	**473,775**

CAPITAL GRANTS – ASSOCIATION

	Completed properties	Properties under construction	Total
	£000	£000	£000
Social Housing Grant			
1 April 2012 (Restated)	355,419	10,487	365,906
Receivable in year	-	16,600	16,600
Disposals	(3,688)	-	(3,688)
Completed schemes	13,062	(13,062)	-
At 31 March 2013	**364,793**	**14,025**	**378,819**
Other Grants			
1 April 2012 (Restated)	82,278	3,812	86,090
Receivable in year	-	1,801	1,801
Completed schemes	4,287	(4,287)	-
At 31 March 2013	**86,565**	**1,326**	**87,891**
Total			
1 April 2012 (Restated)	437,697	14,299	451,996
Receivable in year	-	18,401	18,401
Disposals	(3,688)	-	(3,688)
Completed schemes	17,349	(17,349)	-
At 31 March 2013	**451,358**	**15,351**	**466,709**

The cumulative amount of Social Housing Grant credited to the income and expenditure account is £72k *(2012: £72k)*, for both Group and Association.

12. OTHER FIXED ASSETS

GROUP

	Freehold offices	Leasehold offices & improvements	IT & other equipment	Total
	£000	£000	£000	£000
Cost				
At 1 April 2012	3,565	436	14,621	18,622
Additions	-	-	3,637	3,637
Disposals	(200)	-	(791)	(991)
At 31 March 2013	**3,365**	**436**	**17,467**	**21,268**
Depreciation				
At 1 April 2012	(624)	(263)	(12,531)	(13,418)
Charge for the year	(93)	(14)	(1,499)	(1,606)
Disposals	27	-	791	818
At 31 March 2013	**(690)**	**(277)**	**(13,239)**	**(14,206)**
Net book value at 31 March 2013	**2,675**	**159**	**4,228**	**7,062**
Net book value at 31 March 2012	*2,941*	*173*	*2,090*	*5,204*

ASSOCIATION

	Freehold offices	Leasehold offices & improvements	IT & other equipment	Total
	£000	£000	£000	£000
Cost				
At 1 April 2012	3,565	436	13,767	17,768
Additions	-	-	3,587	3,587
Disposals	(200)	-	(791)	(991)
At 31 March 2013	**3,365**	**436**	**16,563**	**20,364**
Depreciation				
At 1 April 2012	(624)	(263)	(11,821)	(12,708)
Charge for the year	(93)	(14)	(1,445)	(1,552)
Disposals	27	-	791	818
At 31 March 2013	**(690)**	**(277)**	**(12,475)**	**(13,442)**
Net book value at 31 March 2013	**2,675**	**159**	**4,088**	**6,922**
Net book value at 31 March 2012	*2,941*	*173*	*1,946*	*5,060*

13. HOUSING PROPERTIES AND STOCK FOR SALE

	Group and Association	
	2013 £000	2012 £000
Low Cost Home Ownership & Outright Sale properties available for sale	2,997	9,058
Low Cost Home Ownership & Outright Sale properties under construction	5,000	1,509
Landbank	-	685
	7,997	**11,252**

14. DEBTORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	Group		Association	
	2013 £000	2012 £000	2013 £000	2012 £000
Work in progress recoverable	-	941	-	-
Finance debtor	110,342	111,298	6,596	6,776
Amount owing from subsidiaries	-	-	18,802	25,980
	110,342	**112,239**	**25,398**	**32,756**

15. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Association	
	2013 £000	2012 £000	2013 £000	2012 £000
Rental debtors	3,995	3,103	3,974	3,074
Less provision for bad debts	(1,021)	(939)	(1,005)	(936)
	2,974	**2,164**	**2,969**	**2,138**
Trade debtors	11,819	12,470	8,251	10,780
Other debtors	18,398	17,270	12,050	10,217
SHG and other capital debtors	7,635	5,841	7,635	5,841
Amount owing from subsidiaries	-	-	28,134	22,451
	40,826	**37,745**	**59,039**	**51,427**

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Association	
	2013 £000	2012 £000	2013 £000	2012 £000
Housing loans	51,129	7,599	45,271	3,243
Obligations under finance leases	48	43	48	43
Trade creditors	1,855	1,130	1,760	898
SHG and other capital receipts in advance	1,328	-	1,328	-
Other creditors	9,089	12,218	7,430	11,125
Accruals and deferred income	58,388	43,622	35,853	22,476
Amount owing to subsidiaries	-	-	8,958	8,819
	121,837	**64,612**	**100,648**	**46,604**

Housing loans includes a banking facility of £65m of which £42m had been drawn at 31 March 2013 and was due for repayment in January 2014. After the year end, this facility has been renewed, the availability increased by £25m and the maturity dates extended to 2016 and 2018.

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Association	
	2013	**2012**	**2013**	**2012**
	£000	**£000**	**£000**	**£000**
Loans				
Local Authority residual loans	171	172	171	172
Government loans	11,088	11,139	10,892	10,932
Debenture stock	14,000	14,000	14,000	14,000
Bank loans	404,742	413,614	257,338	263,537
Sub total	430,001	438,925	282,401	288,641
Debenture stock – premium on issue	257	271	257	271
Less: funding costs to be amortised	(2,286)	(2,763)	(575)	(976)
Less: amounts falling due within one year (Note 16)	(51,129)	(7,599)	(45,271)	(3,243)
Total loans due after one year	**376,843**	**428,834**	**236,812**	**284,693**
Finance leases				
Finance leases	2,418	2,461	2,418	2,461
Less: amounts falling due within one year (Note 16)	(48)	(43)	(48)	(43)
Total finance leases due after one year	**2,370**	**2,418**	**2,370**	**2,418**
Recycled Capital Grant Fund	**1,175**	**-**	**1,175**	**-**
	380,388	**431,252**	**240,357**	**287,111**

Details of obligations under finance leases can be found in Note 26.

Loans are secured by charges on the assets of the Association including specific charges on certain housing properties, totalling £382,192k *(2012: £290,000k)*. Repayment of loans within the PFI special purpose vehicles are secured through charges on the income of the underlying PFI contracts over their lifetime.

The weighted average interest rate is 4.29% *(2012: 4.68%)*.

The loans are due as follows:

	Group		Association	
	2013	**2012**	**2013**	**2012**
	£000	**£000**	**£000**	**£000**
In one year or less	51,129	7,599	45,271	3,243
In more than one year and less than two years	8,057	53,816	3,954	48,269
In more than two years and less than five years	38,331	22,425	25,905	11,884
In five years or more	332,484	355,085	207,271	225,245
	430,001	**438,925**	**282,401**	**288,641**

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (CONTINUED)

The Recycled Capital Grant Fund balance is made up as follows:

	Group and Association	
	2013	**2012**
	£000	**£000**
At 1 April	-	-
Transferred from creditors	172	-
Grants recycled	1,003	-
Interest accrued	-	-
New build	-	-
At 31 March	**1,175**	**-**
Amount due for repayment to the HCA / GLA	-	-

18. SHARE CAPITAL

	2013	**2012**
	£	**£**
Allotted, issued and fully paid	31	31

Each member of the Association holds a non equity share of £1 in the Association.

The shares carry no right to dividends. The shares are cancelled on the resignation of members from the Association. The shares carry the right to vote at meetings of the Association on the basis of one share one vote. No rights to participate in the net assets of the Association in the event of a winding up are conferred by the shares.

19. RESERVES

	Group		Association	
	General Reserve	**Revaluation Reserve**	**General Reserve**	**Revaluation Reserve**
	£000	**£000**	**£000**	**£000**
At 1 April 2012	5,328	652,672	19,101	624,455
Prior year adjustment (Note 33)	79,827	(81,879)	74,662	(73,203)
At 1 April 2012 (Restated)	85,155	570,793	93,763	551,252
Deficit for the year	(4,184)	-	(1,896)	-
Revaluation of properties	-	1,138	-	(683)
Actuarial loss on pension scheme liabilities	(4)	-	(4)	-
Realisation of property revaluation surpluses of previous years	8,621	(8,621)	8,621	(8,621)
At 31 March 2013	**89,588**	**563,310**	**100,484**	**541,948**

20. RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2013 £000	2012 £000 (Restated)
Operating surplus	10,819	22,203
Depreciation	16,894	14,936
Profit on property sales included in Operating Surplus	(1,466)	(2,473)
Amortisation of goodwill	3,704	3,737
Pension schemes subject to FRS 17	(29)	(694)
Decrease in trading debtors	1,556	1,525
Increase / (decrease) in trading creditors	9,895	(5,434)
Net cash inflow from operating activities	**41,373**	**33,800**

21. ANALYSIS OF THE MANAGEMENT OF LIQUID RESOURCES

	2013 £000	2012 £000
Decrease in short term deposits	-	355

22. ANALYSIS OF THE CHANGES IN NET DEBT

	At 1 April 2012 £000	Cash Flows £000	Non-Cash Items £000	At 31 March 2013 £000
Cash	23,826	15,665	-	39,491
Bank loans	(436,433)	8,923	(462)	(427,972)
Finance leases	(2,461)	43	-	(2,418)
Net debt	**(415,068)**	**24,631**	**(462)**	**(390,899)**

23. RECONCILIATION OF THE MOVEMENT IN NET DEBT

	2013 £000	2012 £000
Increase in cash & deposits in the period	15,665	8,176
Net decrease / (increase) in loans in the period	8,923	(22,480)
Decrease in finance lease liabilities in the period	43	37
Changes in net debt resulting from cash flows	**24,631**	**(14,267)**
Non-cash items affecting net debt	(462)	(655)
Movement in net debt in the year	**24,169**	**(14,922)**
Net debt at 1 April	**(415,068)**	**(400,146)**
Net debt at 31 March	**(390,899)**	**(415,068)**

24. HOUSING ACCOMMODATION

The number of units of accommodation at 31 March 2013 was:

	Group		Association	
	2013	**2012**	**2013**	**2012**
Owned and managed				
Housing for older and specialist needs	14,555	14,383	14,101	13,930
General needs – Social Rent	325	578	283	536
Shared ownership	548	398	548	398
Staff accommodation	286	289	286	289
Owned but managed by others				
Housing for older and specialist needs	249	249	249	249
General needs	81	82	81	82
Managed for Others				
Housing for older and specialist needs	1,447	1,456	471	470
General needs	-	-	42	42
Staff accommodation	1	3	1	3
Leasehold				
Owned by tenants on Association land	935	937	900	902
Total	**18,427**	**18,375**	**16,962**	**16,901**
Units in development				
For rent	822	384	822	384
For shared ownership	292	117	292	117
For outright sale	138	55	138	55
Total	**1,252**	**556**	**1,252**	**556**

25. CAPITAL COMMITMENTS

	Group		Association	
	2013	**2012**	**2013**	**2012**
	£000	**£000**	**£000**	**£000**
Capital expenditure contracted but not provided for	52,741	17,049	52,741	16,742
Capital expenditure approved but not contracted for	116,161	89,468	116,161	89,468

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

The Group has participated in the latest capital bid round with the Homes & Communities Agency for Social Housing Grants for the 2011-15 year period. In addition to this funding, the necessary borrowing facilities are in place to deliver the anticipated programme. The Business Plan also demonstrates the Group's ability to service its debts and repay long term loans as they fall due, which includes anticipated proceeds from LCHO and Outright property sales.

26. FINANCIAL COMMITMENTS

Finance leases:

The Association entered into two finance lease agreements, commencing January 1997, for groups of properties located in Bexhill and Felixstowe. These agreements are 35 years in duration and are full repairing and insuring leases, with an option for reversion during the 35th year.

Under the terms of the lease contract, the Association has an obligation to make rental payments increasing at a compound rate of 3.5% per annum over the 35 year lease duration.

Obligations due under the leases are payable as follows (excluding interest):

	Group and Association	
	2013	**2012**
	£000	**£000**
In one year or less	48	43
Between one and two years	55	48
Between two and five years	205	184
In five years or more	2,110	2,186
	2,418	**2,461**

27. COMMITMENTS UNDER OPERATING LEASES

The Group and Association had annual commitments under operating leases as set out below:

	Group		Association	
	2013	**2012**	**2013**	**2012**
	£000	**£000**	**£000**	**£000**
On land and buildings:				
In one year or less	209	115	209	115
In two – five years	490	601	411	514
In five or more years	279	277	201	199
	978	**993**	**821**	**828**
On other assets:				
In one year or less	36	21	36	21
In two – five years	41	64	30	53
	77	**85**	**66**	**74**

28. PENSIONS

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

	Group and Association	
	2013	2012
	£000	£000
London Borough of Redbridge	(58)	(97)
London Borough of Lewisham	(162)	(140)
	(220)	**(237)**

The movement on the pension scheme liabilities is scheduled below:

	Total 2013 £000	Redbridge 2013 £000	Lewisham 2013 £000	Total 2012 £000
Deficit at the beginning of the year	237	97	140	900
Current service cost, charged to operating surplus	12	-	12	47
Other finance costs, charged to surplus (Note 8)	8	3	5	-
Actuarial loss/(gain), charged to the statement of recognised surpluses and deficits	4	(10)	14	31
Contribution paid	(41)	(32)	(9)	(336)
Settlements and Curtailments	-	-	-	(405)
Deficit at the end of the year	**220**	**58**	**162**	**237**

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

	Total 2013 £000	Redbridge 2013 £000	Lewisham 2013 £000	Total 2012 £000
Actuarial loss / (gain)	4	(10)	14	31
Charged/(released) to the statement of recognised surpluses and deficits	**4**	**(10)**	**14**	**31**

Analysis of projected pension expense for the year to 31 March 2014

	Total 2013 £000	Redbridge 2013 £000	Lewisham 2013 £000	Total 2012 £000
Projected current service cost	13	-	13	47
Interest obligation	41	22	19	119
Expected return on plan assets	(35)	(22)	(13)	(119)
Losses on curtailments and settlements	-	-	-	(405)
Total	**19**	**-**	**19**	**(358)**

28. PENSIONS (CONTINUED)

Disclosures are required in respect of Financial Reporting Standard 17 (Retirement Benefits) including the Association's share of the surplus/ deficit and assets/liabilities (as at the balance sheet date) of any defined benefit scheme to which the Association contributes on behalf of its employees. Details of the Association's significant pension plans are detailed below:-

Social Housing Pension Scheme – Defined Benefit (administered by The Pensions Trust)

The Board decided to close the scheme to new employees at 30 June 2002 and to existing employees at 31 December 2002. From those dates employees have been offered the opportunity to join the group stakeholder pension plan or the SHPS Defined Contribution plan.

Housing 21 accounts for less than 1% of the SHPS total membership.

The following disclosure has been provided by the administrators:

Housing 21 participates in the Social Housing Pension Scheme (SHPS) – Defined Benefit. The Scheme is funded and is contracted-out of the state scheme.

SHPS is a multi-employer defined benefit scheme. Employer participation in the Scheme is subject to adherence with the employer responsibilities and obligations as set out in the "SHPS House Policies and Rules Employer Guide".

The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate until 31 March 2007. From April 2007 three defined benefit structures have been available, namely:

- Final salary with a 1/60th accrual rate.
- Final salary with a 1/70th accrual rate.
- Career average revalued earnings (CARE) with a 1/60th accrual rate.

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

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

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

An employer can elect to operate different benefit structures for their active members and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

Housing 21 has elected to operate the final salary with a 1/60th accrual rate, benefit structure for active members. This does not reflect any benefit structure changes made from April 2010.

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, in respect of each benefit structure, so that the Scheme can meet its pension obligations as they fall due. From April 2007 the split of the total contribution rate between member and employer is set at individual employer level, subject to the employer paying no less than 50% of the total contribution rate. From 1 April 2010 the requirement to pay at least 50% of the total contribution no longer applies.

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

During the accounting period Housing 21 paid contributions at the rate of 17.1%. Members' contributions varied between 6.4% and 8.4% depending on their age.

As at the balance sheet date there were 79 active members of the Scheme employed by Housing 21. Housing 21 has closed the Scheme to new entrants.

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

28. PENSIONS (CONTINUED)

The last formal valuation of the Scheme was performed as at 30 September 2011 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £2,062 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035 million, equivalent to a past service funding level of 67%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2012. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The market value of the Scheme's assets at the date of the Actuarial Report was £2,327 million. The Actuarial Report revealed a shortfall of assets compared with the value of liabilities of £1,241 million, equivalent to a past service funding level of 65%.

The financial assumptions underlying the valuation as at 30 September 2011 were as follows:

	% pa
Valuation discount rates:	
Pre retirement	7.0
Non pensioner post retirement	4.2
Pensioner post retirement	4.2
Pensionable earnings growth	**2.5 per annum for 3 years, then 4.4**
Price inflation	**2.9**
Rate of pension increases	
Pre 88 GMP	0.0
Post 88 GMP	2.0
Excess over GMP	2.4

Expenses for death in service insurance, administration and PPF levy are included in the contribution rate.

The valuation was carried out using the following demographic assumptions:

- Mortality pre retirement – 41% SAPS S1 Male / Female All Pensioners (amounts), Year of Birth, CMI_2009 projections with long term improvement rates of 1.5% p.a. for Males and 1.25% p.a. for Females;
- Mortality post retirement – 97% SAPS S1 Male / Female All Pensioners (amounts), Year of Birth, CMI_2009 projections with long term improvement rates of 1.5% p.a. for Males and 1.25% p.a. for Females.

28. PENSIONS (CONTINUED)

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

Benefit structure	Long-term joint contribution rate (% of pensionable salaries)
Final salary with a 1/60th accrual rate	19.4
Final salary with a 1/70th accrual rate	16.9
Career average revalued earnings (CARE) with a 1/60th accrual rate	18.1
Final salary with a 1/80th accrual rate	14.8
Career average revalued earnings (CARE) with a 1/80th accrual rate	14.0
Career average revalued earnings (CARE) with a 1/120th accrual rate	9.7

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

Following consideration of the results of the actuarial valuation it was agreed that the shortfall of £1,035 million would be dealt with by the payment of deficit contributions as shown in the table below:

From 1 April 2013 to 30 September 2020	A cash amount(*) equivalent to 7.5% of Members' Earnings per annum (payable monthly and increasing by 4.7% per annum each 1 April)
From 1 October 2020 to 30 September 2023	A cash amount(*) equivalent to 3.1% of Members' Earnings per annum (payable monthly and increasing by 4.7% per annum each 1 April)
From 1 April 2013 to 30 September 2026	£30,640,000 per annum (payable monthly and increasing by 3% per annum each 1 April; first increase on 1 April 2014)

(*) The contributions of 7.5% will be expressed in nominal pound terms (for each Employer), increasing each year in line with the Earnings growth assumption used in the 30 September 2008 valuation (i.e. 4.7% per annum). The contributions of 3.1% will be calculated by proportioning the nominal pound payment at the time of the change. Earnings at 30 September 2008 (for each Employer) will be used as the reference point for calculating these contributions.

Housing 21's deficit contributions toward the shortfall have been set at £645k per year from 1 April 2013. These deficit contributions are in addition to the long-term joint contribution rates as set out above.

The Scheme Actuary will provide an approximate update on the funding position of the Scheme as at 30 September 2013. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The results of this approximate update will be available in Spring 2014 and will be included in next year's Disclosure Note.

28. PENSIONS (CONTINUED)

Employers that participate in the Scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate).

Employers that have closed the Scheme to new entrants, including Housing 21, are required to pay an additional employer contribution loading of 2.5% to reflect the higher costs of a closed arrangement.

A small number of employers are required to contribute at a different rate to reflect the amortisation of a surplus or deficit on the transfer of assets and past service liabilities from another pension scheme into the SHPS Scheme.

New employers that do not transfer any past service liabilities to the Scheme pay contributions at the ongoing future service contribution rate. This rate is reviewed at each valuation and new employers joining the Scheme between valuations up until 1 April 2010 do not contribute towards the deficit until two valuations have been completed after their date of joining. New employers joining the Scheme after 1 April 2010 will be liable for past service deficit contributions from the valuation following joining. Contribution rates are changed on the 1 April that falls 18 months after the valuation date.

A copy of the Recovery Plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to The Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or Recovery Plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the Scheme liabilities and hence impact on the Recovery Plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the Recovery Plan). A response regarding the 30 September 2011 valuation is awaited.

As a result of pension scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up

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

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

Housing 21 has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme based on the financial position of the Scheme as at 30 September 2012. As of the date the estimated employer debt for Housing 21 was £41,841k *(2012: £41,892k)*.

Social Housing Pension Scheme – Defined Contribution (administered by The Pensions Trust)

Following the closure of the SHPS Defined Benefit structure to new members, employees have been offered the opportunity to join the SHPS Defined Contribution structure. The pension cost of this scheme for the Association in the year was £248k *(2012: £75k)*. This includes £39k *(2012: £19k)* outstanding contributions at the Balance Sheet date.

Group Stakeholder Plan with Axa Sun Life

Following the closure of the SHPS scheme to new members, employees have been offered the opportunity to join the Group Stakeholder Plan. This is a defined contribution scheme. The pension cost of this scheme for the Association in the year was £485k *(2012: £578k)*. This includes £56k *(2012: £67k)* outstanding contributions at the Balance Sheet date.

28. PENSIONS (CONTINUED)

Group Stakeholder Plan with Scottish Equitable

This is a defined contribution scheme. This scheme is operated by Housing 21 and the pension cost of this scheme for the Company in 2013 was £2k *(2012: £16k)*. This includes £12k *(2012: £13k)* outstanding contributions at the Balance Sheet date.

Prudential Group Savings Plan

This scheme has been closed to new members since 1997.

The Prudential Group Savings Plan is a defined contribution scheme. The pension cost of this scheme for the Association was £31k *(2012: £33k)* with 13 employee members at the year end *(2012: 14)*. This includes £3k *(2012: £3k)* outstanding contributions at the Balance Sheet date.

Local Authority Pension Schemes

Due to the TUPE transfer of staff, the Association participates in the following multi-employer defined benefit pension schemes:

City of Westminster Pension Fund

The City of Westminster scheme is a defined benefit scheme. However Housing 21's liability in relation to its employees is capped at 12% and 17%. The scheme is therefore accounted for as a defined contribution scheme in accordance with FRS 17 as the charge in the income and expenditure account represents the employer contribution payable.

During the accounting period Housing 21 paid contributions at 12% and 17% totalling £16k *(2012: £66k)*. There were 13 employee members at the year end *(2012: 15 employees)*. Employee contributions were between 5.8 % and 6.5 % *(2012: 5.5% - 7.5%)*.

Oldham Metropolitan Borough Council Pension Fund

Oldham Metropolitan Borough Council scheme is a defined benefit scheme. However Housing 21's liability in relation to its employees is capped at 20%. The scheme is therefore accounted for as a defined contribution scheme in accordance with FRS 17 as the charge in the income and expenditure account represents the employer contribution payable.

During the accounting period Housing 21 paid contributions at 16.6% totalling £40k *(2012: £45k)*. There were 13 employee members at the year end *(2012: 13)*. Employee contributions were between 5.9% and 6.5% *(2012: 5.5% - 7.5%)*.

Walsall Metropolitan Borough Council Pension Fund

Walsall Metropolitan Borough Council scheme is a defined benefit scheme. However Housing 21's liability in relation to its employees is capped at 14.7%. The scheme is therefore accounted for as a defined contribution scheme in accordance with FRS 17 as the charge in the income and expenditure account represents the employer contribution payable.

During the accounting period Housing 21 paid contributions at 15.3% totalling £401k *(2012: £448k)*. There were 188 employee members at the year end *(2012: 186)*. Employee contributions were between 5.5% and 6.8% *(2012: 5.5% - 7.5%)*.

London Borough of Sutton Pension Scheme

London Borough of Sutton pension scheme is a defined benefit scheme. However Housing 21's liability in relation to its employees is capped at 20%. The scheme is therefore accounted for as a defined contribution scheme in accordance with FRS 17 as the charge in the income and expenditure account represents the employer contribution payable.

During the accounting period Housing 21 paid contributions at 20% totalling £4k *(2012: £9k)*. There was 1 employee members at the year end *(2012: 1)*. Employee contributions were 6.5% *(2012: 5.5% - 7.5%)*.

London Borough of Camden Pension Scheme

London Borough of Camden scheme is a defined benefit scheme. However Housing 21's liability in relation to its employees is capped at 22%. The scheme is therefore accounted for as a defined contribution scheme in accordance with FRS 17 as the charge in the income and expenditure account represents the employer contribution payable.

During the accounting period Housing 21 paid contributions at 21.0% totalling £47k *(2012: £102k)*. There were 25 *(2012: 25)* employee members at the year end. Employee contributions were between 5.9% and 6.5% *(2012: 5.5% - 7.5%)*.

28. PENSIONS (CONTINUED)

Suffolk County Council Pension Scheme

The Association is an admitted body to the Suffolk County Council Pension Scheme (the fund) which is administered by Suffolk County Council. Suffolk County Council Scheme is a defined benefit scheme. However Housing 21's liability in relation to its employees is capped at 20.8%. The scheme is therefore accounted for as a defined contribution scheme in accordance with FRS 17 as the charge in the income and expenditure account represents the employer contribution payable.

During the accounting period Housing 21 paid contributions at 19.5% totalling £24k *(2012: £29k)*. There were 13 *(2012: 14)* employee members at the year end. Employee contributions were between 5.5% and 5.9% *(2012: 5.5% - 7.5%)*.

London Borough of Barnet Pension Scheme

The Association is an admitted body to the London Borough of Barnet Pension Scheme (the fund) which is administered by the London Borough

of Barnet. The London Borough of Barnet pension scheme is a defined benefit scheme. However Housing 21's liability in relation to its employees is capped at 9%. The scheme is therefore accounted for as a defined contribution scheme in accordance with FRS 17 as the charge in the income and expenditure account represents the employer contribution payable.

During the accounting period Housing 21 paid contributions at 19.8% totalling £126k *(2012: £163k)*. There were 56 *(2012: 50)* employee members at the year end. Employee contributions were between 5.5% and 6.5% *(2012: 5.5% - 7.5%)*.

London Borough of Redbridge and Lewisham Pension Schemes

The Association is an admitted body to the London Borough of Redbridge and Lewisham Pension Schemes (the Funds) which is administered by the London Boroughs of Redbridge and Lewisham (respectively) under the regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme.

The last formal valuation of the Funds was at 31 March 2010 with the next formal valuation due as at 31 March 2013. Actuarial valuations have been prepared as at 31 March 2013 on behalf of Housing 21 (the Employer). For this purpose the value of the Funds as at 31 March 2013 have been estimated based upon the latest split of investments by category which was at 28 February 2013. The value of the Funds' liabilities as at 31 March 2013 were assessed by rolling forward the value of the Employer's liabilities reported as at the latest valuation.

28. PENSIONS (CONTINUED)

The main financial assumptions underlying the Redbridge and Lewisham valuations at 31 March are as follows (an average is disclosed across both Funds):

	%pa 2013	%pa 2012	%pa 2011	% pa 2010	% pa 2009	% pa 2008
Inflation rate	5.0	2.5	3.3	3.8	3.1	3.6
Discount rate	4.5	4.8	5.5	5.5	6.9	6.9
Expected rate of salary increases	4.8	4.6	4.9	5.3	4.6	5.1
Rate of pension increases	2.8	2.5	3.3	3.8	3.4	3.6

Mortality

The life expectancy is based on the SAPS year of birth tables, with improvements from 2007 in line with the medium cohort and a 1% p.a. underpin. Based on these assumptions, the average future life expectancies age 65 are summarised below:

	Males	Females
Current pensioners	21.5 years	24.3 years
Future pensioners	23.4 years	26.1 years

Investment Returns

The average return on the Funds in market value terms for the year to 31 March 2013 are estimated based on actual Fund returns as provided by the Administering Authorities and index returns where necessary. Details are given below:

Average actual return for period from 1 April 2012 to 31 December 2012	4.4%
Average estimated return for period from 1 April 2012 to 31 March 2013	13.1%

The average expected rates of return of each category of assets held by the Funds for the ensuing year as at 31 March were as follows:

	%pa 2013	%pa 2012	%pa 2011	% pa 2010	% pa 2009	% pa 2008
Equities	5.7	6.2	7.5	7.8	7.0	7.7
Bonds	3.3	3.9	4.9	5.0	5.5	5.7
Property	3.9	4.4	5.5	5.8	4.9	5.7
Cash	3.0	3.5	4.6	4.8	4.0	4.8

28. PENSIONS (CONTINUED)

The combined values for each main category of assets held on behalf of Housing 21 within the Funds as at 31 March were as follows (NB The 2008 to 2011 disclosures include the London Borough of Barnet Pension Scheme. This ceased in being treated as a defined benefit scheme in 2012 when a liability cap was put in place. It is now treated as a defined contribution scheme):

	2013	2012	2011	2010	2009	2008
	£000	£000	£000	£000	£000	£000
Equities	443	381	4,564	4,648	3,171	4,224
Bonds	178	175	2,775	1,664	1,375	1,103
Property	56	45	334	304	283	403
Cash	26	21	390	834	745	567
	703	**622**	**8,063**	**7,450**	**5,574**	**6,297**

	2013	2012	2011	2010	2009	2008
	£000	£000	£000	£000	£000	£000
Estimated employer assets	703	622	8,063	7,450	5,574	6,297
The present value of scheme liabilities	(923)	(859)	(8,963)	(10,596)	(6,292)	(6,206)
Deficit related to Housing 21	**(220)**	**(237)**	**(900)**	**(3,146)**	**(718)**	**91**

Reconciliation of defined benefit contributions

	31 March 2013	31 March 2012
	£000	£000
Opening defined benefit obligation	859	8,963
Current service costs	12	47
Interest cost	41	119
Contributions by members	3	13
Actuarial losses / (gains)	54	(7,795)
Losses on curtailments / (settlement)	-	(405)
Estimated benefits paid	(46)	(83)
Closing defined benefit obligation	**923**	**859**

Reconciliation of fair value of assets employed

	31 March 2013	31 March 2012
	£000	£000
Opening fair value of assets employed	622	8,063
Expected return on assets	33	119
Contributions by members	3	13
Contributions by employers	41	336
Actuarial gains / (losses)	50	(7,826)
Benefits paid	(46)	(83)
Closing fair value of assets employed	**703**	**622**

28. PENSIONS (CONTINUED)

Combined amounts for current and previous accounting periods

	2013	2012	2011	2010	2009	2008
	£000	£000	£000	£000	£000	£000
Fair value of assets employed	703	622	8,063	7,450	5,574	6,297
Present value of defined benefit obligations	(923)	(859)	(8,963)	(10,596)	(6,292)	(6,206)
Deficit	(220)	(237)	(900)	(3,146)	(718)	91
Experience gains/(losses) on assets	50	(12)	(6)	1,326	(1,401)	(544)
Experience gains/(losses) on liabilities	1	(14)	1,145	0	0	103
Cumulative actuarial gains/(losses)	(61)	(57)	(586)	(2,192)	239	1,097

The pension costs of these two schemes to the Association for the year was £9k *(2012: £11k)*. There were 4 employee members at the end of the year *(2012: 3)*. The average contribution rate of the Association for the year ended 31 March 2013 was 18.5% *(2012: 18.5%)* and for employees 5.8% to 6.5%.

The estimated employer's contributions for the year to 31 March 2014 are £41,000.

29. INVESTMENTS AND SUBSIDIARY UNDERTAKINGS

	Group	Association
	£000	£000
Cost		
At 1 April 2012 and 31 March 2013	-	9,851

The following comprise the subsidiary undertakings for incorporation into the consolidated accounts for the Group in accordance with the Industrial and Provident Societies Acts and Financial Reporting Standards.

Name and principal activity	Country of registration	Status	Basis of control
The War Memorial Village Derby (Management of social housing)	England and Wales	Private company limited by guarantee	Housing 21 is a member and controls the composition of the Board
Kent Community Partnership Limited (Building and managing stock in Kent)	England and Wales	Industrial and provident society	Housing 21 is a member and controls the composition of the Board
Housing 21 Guernsey LBG (Development and management of housing properties and the provision of care services)	Guernsey	Private company limited by guarantee	Housing 21 Guernsey LBG is wholly under the control of Housing 21
Oldham Retirement Housing Partnership Limited (Management of sheltered housing stock in Oldham)	England and Wales	Industrial and provident society	Housing 21 is a member and controls the composition of the Board

29. INVESTMENTS AND SUBSIDIARY UNDERTAKINGS (CONTINUED)

Name and principal activity	Country of registration	Status	Basis of control
Housing 21 Property Services Limited (Building stock in Walsall)	England and Wales	Private limited company	Ownership of two £1 shares being 100% of the issued share capital
Claimar Care Group Limited (Holding company providing Management Services to its Subsidiary undertakings)	England and Wales	Private limited company	Housing 21 is a member and controls the composition of the Board
Surecare Community Services Limited (Supply and sale of franchises within the domiciliary care sector)	England and Wales	Private limited company	Housing 21 is a member and controls the composition of the Board
First Call Community Systems Limited (Provision of domiciliary care)	England and Wales	Private limited company	Housing 21 is a member and controls the composition of the Board
Complete Care Holdings Limited (Provision of health care packages to severely disabled individuals)	England and Wales	Private limited company	Housing 21 is a member and controls the composition of the Board
Paediatric Nursing Link Limited (Provider of agency nurses)	England and Wales	Private limited company	Housing 21 is a member and controls the composition of the Board
Gharana Housing Association Limited (Provision of sheltered accommodation for the elderly)	England and Wales	Industrial and provident society	Housing 21 is a member and controls the composition of the Board

29. INVESTMENTS AND SUBSIDIARY UNDERTAKINGS (CONTINUED)

The following Companies are dormant:

Name and principal activity	Country of registration	Status	Basis of control
Housing 21 Development Services Limited	England and Wales	Private limited company	Housing 21 is a member and controls the composition of the Board
Claimar Care Limited	England and Wales	Private limited company	Housing 21 is a member and controls the composition of the Board
Primary Care Services Limited	England and Wales	Private limited company	Housing 21 is a member and controls the composition of the Board
Easley Health Limited	England and Wales	Private limited company	Housing 21 is a member and controls the composition of the Board
Housing 21 Care Options Limited	England and Wales	Private limited company	Ownership of 1,000 £1 shares being 100% of the issued share capital
Dementia Voice	England and Wales	Private limited company by guarantee	Dementia Voice is wholly under the control of Housing 21
Practicare Limited	England and Wales	Private limited company	Ownership of 100 £1 shares being 100% of the issued share capital
Ravenscroft One Limited	England and Wales	Private limited company	Ownership of 6 £1 shares being 100% of the issued share capital
Ravenscroft Homelink Limited	England and Wales	Private limited company	Ownership of 100 £1 shares being 100% of the issued share capital

29. INVESTMENTS AND SUBSIDIARY UNDERTAKINGS (CONTINUED)

Housing 21 Group consists of Housing 21, a registered provider of social housing, and the subsidiary companies listed above. Housing 21 provides a number of services to its subsidiaries. The services are recharged based on the actual or estimated use of Housing 21's resources.

These services are apportioned as follows:

	2013				2012
	Turnover	Operating costs	Interest payable	Total	Total
	£000	£000	£000	£000	£000
War Memorial Village Derby	-	(39)	-	(39)	(46)
Kent Community Partnership	1,903	(420)	(835)	648	589
Housing 21 Guernsey LBG	-	(220)	-	(220)	(213)
Oldham Retirement Housing Partnership	7,520	(2,966)	(1,183)	3,371	(1,607)
Claimar Care Group	-	-	(2,035)	(2,035)	(1,731)
Gharana Housing Association	-	(48)	(18)	(66)	(64)
Total	**9,423**	**(3,693)**	**(4,071)**	**(1,659)**	**(3,072)**

30. GOODWILL

On 28 February 2007 the Association acquired the leasehold management business of 17 housing schemes from James Butcher Housing Association for £3m. An intangible asset, goodwill, has arisen on the difference between the price paid for the business and the fair value of the net assets and is being amortised over 20 years in accordance with FRS 10. The goodwill amortised in the year was £153k *(2012: £153k)*.

On 18 July 2007 the Association acquired JBK Social Care Limited, a specialist care company based in Westminster for £400k. An intangible asset, goodwill, has arisen on the difference between the price paid for the business and the fair value of the net assets and is being amortised over 5 years. The goodwill was fully amortised in the prior year.

On 28 September 2009 the Association acquired Claimar Care Group PLC for £20,624k. An intangible asset, goodwill, has arisen on the difference between the price paid for the business and the fair value of the net assets and is being amortised over 10 years. The goodwill amortised in the year for the Group was £3,531k *(2012: £3,480k)*, and for the Association £1,533k *(2012: £1,532k)*. The amortisation charge within the Association has arisen following the hive-up of Claimar Care Limited on 31 March 2011.

On 30 September 2010 Surecare Community Services Limited acquired Easley Health Limited for £758k. An intangible asset, goodwill, has arisen on the difference between the price paid for the business and the fair value of the net assets and is being amortised over 20 years. The goodwill amortised in the year was £20k *(2012: £20k)*.

On 31 March 2011 the Group acquired Gharana Housing Association Limited for nil consideration. The £1.1m negative goodwill that arose was taken to the General Reserve.

30. GOODWILL (CONTINUED)

	Group		Association	
	2013 £000	2012 £000	2013 £000	2012 £000
Cost				
At 1 April	39,169	39,169	17,967	17,967
Purchased in the year	-	-	-	-
At 31 March	39,169	39,169	17,967	17,967
Amortisation				
At 1 April	(10,079)	(6,342)	(2,867)	(1,098)
Amortised during the year	(3,704)	(3,737)	(1,686)	(1,769)
At 31 March	(13,783)	(10,079)	(4,553)	(2,867)
Total 31 March	**25,386**	**29,090**	**13,414**	**15,100**

31. LEGISLATIVE PROVISIONS

The Association is incorporated under the Industrial and Provident Societies Act 1965 (Registered number 16791R) and is registered under the Housing and Regeneration Act 2008 (Number L0055).

32. RELATED PARTY TRANSACTIONS

One of the Group's directors is also a director of HACO, an organisation which provides some of the Group's funding. All transactions between the Group and HACO are on an arm's length basis and on normal terms. The funding provision commenced in the year to 31 March 2004 and is due for settlement in 2017. Interest only is paid during the year in the sum of £1,455k *(2012: £1,488k)* at a rate of 10.625%. The balance at the year end was £14m *(2012: £14m)*

No related party transactions have been entered into during the year, other than those disclosed in the Financial Statements, which might reasonably affect any decision made by the users of these Consolidated Financial Statements.

33. PRIOR YEAR ADJUSTMENT

In the prior year the Housing 21 Group adopted a new accounting policy from 1 April 2011 relating to component accounting as a result of complying with the Statement of Recommended Practice – Accounting by registered social housing providers Update 2010. The implementation of this policy was accounted for as a prior period adjustment in 2012. In the current year the policy has been revised to reflect a fairer measurement basis of the components which have been recognised. This has resulted in a change in the number of components recognised and a change to the allocation of costs attributed to those components. As a consequence, the depreciation charged on housing properties has also been affected. These changes have been implemented retrospectively as a change in accounting policy.

The comparative figures for the year ended 31 March 2012 have been adjusted as follows:

GROUP	Surplus for the year £000	Net Assets £000
As previously reported	4,436	1,089,489
Effect of component accounting	6,979	-
Effect of other adjustments	(2,903)	(2,052)
As restated	**8,512**	**1,087,437**

33. PRIOR YEAR ADJUSTMENT (CONTINUED)

Further analysis is provided as:

	Housing Property Valuation (incl SHG)	Housing Property Depreciation	Revaluation	General Reserves
	£000	£000	£000	£000
Balance at 31 March 2012 – as previously stated	1,159,692	(224,947)	652,672	5,328
Prior period adjustments:				
Effect of component accounting	(76,337)	76,337	-	81,879
Effect of other adjustments	(2,052)	-	-	(2,052)
Revaluation adjustments for the above	-	-	(81,879)	-
Balance at 31 March 2012 – As restated	**1,081,303**	**(148,610)**	**570,793**	**85,155**

In addition to the above, Turnover has been re-stated in order to reclassify income that was previously netted off within operating costs. The impact is an increase in Turnover by £7,463k in 2011/12. There is no impact on Operating Surplus from this adjustment.

ASSOCIATION

	Surplus for the year	Net Assets
	£000	£000
As previously reported	6,913	930,904
Effect of component accounting	6,046	-
Effect of other adjustments	(2,903)	1,459
As restated	**10,056**	**932,363**

Further analysis is provided as:

	Housing Property Valuation (inc SHG)	Housing Property Depreciation	Revaluation	General Reserves
	£000	£000	£000	£000
Balance at 31 March 2012 – as previously stated	1,058,941	(217,777)	624,455	19,101
Prior period adjustments:				
Effect of component accounting	(73,280)	73,280	-	73,203
Effect of other adjustments	1,459	-	-	1,459
Revaluation adjustments for the above	-	-	(73,203)	-
Balance at 31 March 2012 – As restated	**987,120**	**(144,497)**	**551,252**	**93,763**

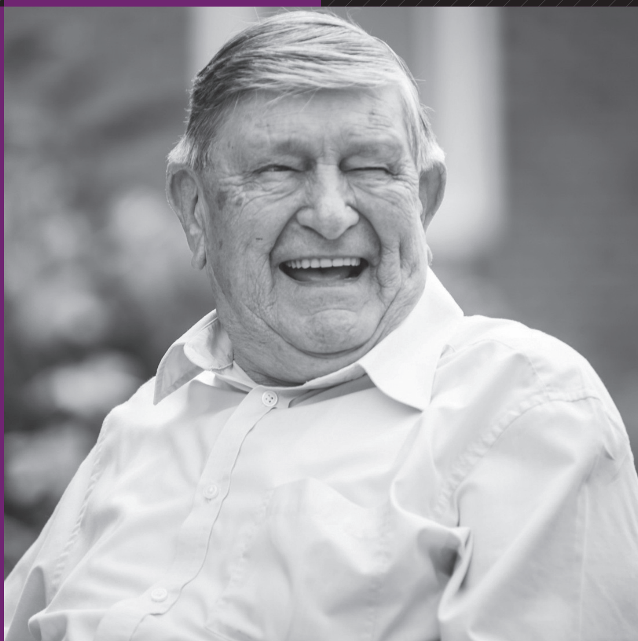
In addition to the above, Turnover has been re-stated in order to reclassify income that was previously netted off within operating costs. The impact is an increase in Turnover by £6,762k in 2011/12. There is no impact on Operating Surplus from this adjustment.

34. POST-BALANCE SHEET EVENTS

On 6 May 2013, Housing 21 relinquished control of War Memorial Village Derby (WMDV) at which point WMDV ceased to be a subsidiary undertaking. There is no impact on the Association 2012/13 income and expenditure account or balance sheet.

At the year end, a banking facility of £65m was due for repayment in January 2014, of which £42m had been drawn at 31 March 2013 and disclosed within Note 16 Creditors: amounts falling due within one year. After the year end, this facility has been renewed, the availability increased by £25m and the maturity dates extended to 2016 and 2018.

After the year end an agreement was reached with Oldham MBC in respect of a material PFI contract which will require the Association to make additional investments of £20m in Oldham Retirement Housing Partnership (ORHP) over the next 3 years. The project is still forecast to make a positive return to the Association.



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