REGENDA LIMITED

Report and Financial Statements

Year ended 31 March 2010

REGISTERED WITH
THE TENANT SERVICES AUTHORITY
NO L4328

REGISTERED WITH
THE REGISTRAR OF COMPANIES
NO 4334057

Contents

Report of the Board

The Board of Regenda Limited presents its report, together with the audited financial statements of Regenda Limited and The Regenda Group, for the year ended 31 March 2010

Group structure and principal activities

Regenda Limited ("Company") is a not-for-profit registered provider administered by a voluntary board The Company's principal activities are the provision of specialist support services to the Regenda Group The Regenda Group (the "Group") consists of Regenda Limited, a holding company which does not own property assets, and four asset owning direct subsidiaries, Maritime Housing Association, Templar Housing Association, West Pennine Housing Association and Wyre Housing Association Each of these direct subsidiaries is a not for profit registered provider, with West Pennine and Wyre Housing Associations also having charitable status In addition, Maritime Housing Association has a subsidiary, M&Y Joinery and Building Maintenance Ltd, which is a company

The Group's principal activities are the development and management of social housing

Business review

Details of the Group's performance for the year and future plans are set out in the Operating and Financial Review that follows this Report of the Board

Housing property assets

Details of changes to the Group's housing property assets are shown in note 12 to the financial statements

Reserves

After transfer of the surplus for the year of £1 4 million (2009 £53,000), at the year-end Group reserves amounted to £25 0 million (2009 £24 3 million)

Donations

The Group made no charitable donations (2009 £nil) and made no political donations (2009 £nil) during the year

Post balance sheet events

There have been no events since the year-end that have had a significant effect on the Group's financial position

Payment of creditors

In line with government guidance, the Group's policy is to pay purchase invoices within 30 days of receipt, or earlier if agreed with the supplier

Employees

The Group is committed to developing a culture in which equality and diversity is integral to all of our activities, including the recruitment and development of staff The Group aims to achieve an inclusive culture that respects and values differences and eliminates discrimination in all areas

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring their views are taken into account when decisions are made that are likely to affect their interests

The Group shares information on its objectives, progress and activities through team meetings and the circulation of regular bulletins

Report of the Board

Health and safety

The Board is aware of its responsibilities on all matters relating to health and safety The Group has prepared detailed health and safety policies and provides staff with training and education on health and safety matters

Board members and executive directors

Board members are drawn from a wide background bringing together professional and local experience The Board members who served during the year ended 31 March 2010 and subsequently were as follows

M Brown	Chair
S Conquer	Deputy Chair
R Burman	
B Gallagher	Appointed 1 April 2009
D Hancock	Appointed 1 April 2009
S Howse	Appointed 1 April 2009
C Lynagh	Appointed 1 April 2009
J Thomson	Resigned 1 December 2009

Regenda Limited employs a team of executive directors who provide Group wide executive level management support to all Group members

Regenda Limited's executive directors who served during the year were as follows

B Gallagher	Group Chief Executive	
P Curphey	Executive Director Strategy	to 31 January 2010
T Heyes	Executive Director Operations	
C Lynagh	Executive Director Finance	
W Taylor	Executive Director Social Enterprise	to 30 June 2009
T Wilson	Executive Director Corporate Services	

Other than the Group Chief Executive and Executive Director Finance, who each hold one share in the Company and each of its direct subsidiaries, executive directors hold no interest in the Company's shares or in the shares of any Group member They act as executives within the authority delegated by the Board Group insurance policies indemnify Board members and officers against liability when acting for the Group

Further details of executive directors' remuneration are disclosed under note 10

Report of the Board

Code of Governance

The Group complies with the principal recommendations of the National Housing Federation's code of governance "Excellence in Governance – Code for Members" (revised 2010 except in the following areas

- D7 and G4 – The Group adopts the reporting requirements as prescribed under the Companies Act 2006
- I2 – The Group is currently developing a comprehensive communication strategy

The Group also complies with the National Housing Federation's "Excellence in Standards of Conduct – Code for Members" (2010) except in the following areas

- B2 – The Group feels the collection of this information would contravene Principle 2 and 3 of the Data Protection Act 1996
- C4, C5 and D8 – The Group adopts the reporting requirements as prescribed under the Companies Act 2006

Resident involvement

The Group actively encourages residents' involvement in decision-making by promoting mechanisms of resident involvement Regenda Limited and each of its direct subsidiaries has a resident Board member and clear reporting arrangements between resident groups and the Group's Boards exist

Complaints

The Group captures formal complaints and service failures (informal complaints) with customers being able to make a complaint to any officer by any means of contact This system enables trends in service failures and formal complaints to be captured which supports improvements to services

During 2009/10 the Group received 1,162 (2009 1,671) service failures (informal complaints) and 648 formal complaints (2009 597) The Group has a target of 80% in relation to responding to and resolving complaints at stage one The Group has seen an improvement in 2009/10 with 88% of all complaints being resolved at stage one (2009 59%)

Internal controls assurance

The Board acknowledges its overall responsibility for establishing and maintaining the Group's system of internal control and for reviewing its effectiveness

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, and not absolute, assurance against material misstatement or loss

The process for identifying, evaluating and managing the significant risks faced by the Group and the Company is ongoing and has been in place throughout the period commencing 1 April 2009 up to the date of approval of the annual report and financial statements

Key elements of the control framework include

- Board approved terms of reference and delegated authorities for Group Committees,

Report of the Board

Internal controls assurance (continued)

- responsibilities of the Nominations and Remuneration Committee, New Business Committee, Risk and Audit Committee, Finance Committee and Housing Services Committee as Committees of the Board, for dealing with all relevant issues in relation to the Company and its direct subsidiaries,
- clearly defined management responsibilities for the identification, evaluation and control of significant risks,
- robust strategic and business planning processes, with detailed financial budgets and forecasts,
- formal recruitment, retention, training and development policies for all staff,
- established authorisation and appraisal procedures for all significant new initiatives and commitments,
- a sophisticated approach to treasury management which is subject to external review at a Group level on an annual basis,
- regular reporting to the Group's Boards on key business objectives, targets and outcomes, and
- Board approved whistle-blowing and fraud policies

The Board cannot delegate ultimate responsibility for the system of internal control, but the Group's Risk and Audit Committee regularly reviews the effectiveness of the system of internal control across the Group, including the Company The Board receives minutes of the Group's Risk and Audit Committee meetings

The Group's Risk and Audit Committee has received the Group Chief Executive's annual review of the effectiveness of the system of internal control for the Group, which includes the Company, and the annual report of the internal auditor and has reported its findings to the Company's Board

Going concern

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

Annual general meeting

The annual general meeting will be held on 31 August 2010 at Regenda House, Horwich, Bolton

Disclosure of information to auditors

At the date of making this report each of the Company's Board members, as set out above, confirm the following

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

Report of the Board

External auditors

A resolution to re-appoint Grant Thornton UK LLP as auditors of the Company and the Group will be proposed at the forthcoming annual general meeting

The Report of the Board was approved by the Board on 31 August 2010 and signed on its behalf by

Michael Brown

M Brown

Chair

Regenda House
Enterprise Business Park
Northgate Close
Horwich
Bolton BL6 6PQ

Operating and Financial Review

Background

Vision and values

Our vision is to make the North West a better place to live by being a leading independent regeneration group

At Regenda, we have always known that how we work influences our ability to do what we want to as effectively as possible Therefore, we will ensure that our ways of working and relationships with others reflect a number of key principles set out below

- We will be open, accountable and respectful in our relationships and dealings with others, working in a spirit of co-operation and partnership
- We will continue to create a good place to work with an innovative, "can do" culture where people understand their roles, have the knowledge and skills they need and work well together
- We will be responsive to the diverse needs of the people and communities we work with and for – and those of our own staff and Board members We will work in ways that include and empower them
- We will be environmentally responsible in the way we work and the resources we use
- We will continue to increase our productivity and deliver the best value we can

The Group measures how well it reflects these values in practice by consulting with its own staff, its customers and other stakeholders enabling them to exert influence on its policies and procedures

Activities

The Group is primarily a landlord to people unable to adequately meet their housing needs in the open market The Group owns or manages 12,319 properties in the North West of England

The Group provides supported and sheltered housing for residents who require not only good quality accommodation but also some degree of support or care to enable them to sustain their accommodation and improve their quality of life Client groups that the Group works with include elderly residents, people with mental health needs, homeless people, young people, drug or alcohol users and teenage parents

The Group is a major developer of new affordable housing and is one of the organisations selected by the Homes and Communities Agency as a development partner

The Group also undertakes community regeneration activity in partnership with various agencies across the North West, notably in the two Housing Market Pathfinder areas of Oldham/Rochdale and Merseyside

External influences

The Group's plans are affected by wider socio-economic developments and political responses to them The most important of these developments currently taking place, and their implications for the Group, are covered overleaf

Operating and Financial Review

External influences (continued)

Housing and Politics A change in government in May 2010 has seen the new Housing Minister continue to be critical of the way in which the previous administration had funded, regulated and delivered social housing According to the Conservative Party's housing manifesto, albeit now delivered through a coalition government, they will aim at *"Helping the housing market to thrive, extend mobility and ownership in social housing, encourage home building and local growth, increase democratic accountability in planning, and protect privacy and liberty"*

Policy from the coalition government has already started to formulate and take effect in July 2010 with the Minister for Communities and Local Government stating publicly that the three priorities for his Ministry would be, "Localism, localism and localism"

The Housing Minister has stated how this might affect registered housing providers through local planning decisions, local complaints panels and local scrutiny panels focusing upon, amongst other things, housing performance

Housing and Regulation The new housing regulatory framework was launched by the Tenant Services Authority (TSA) on April 2010 This was the result of 18 months of consultation with residents (through a process called the "National Conversation"), social landlords and other stakeholders It contains six regulatory standards covering areas of activity including Tenant Involvement and Empowerment, Home, Tenure, Neighbourhood and Community, Financial Viability / Governance, and Value for Money

It also includes expectations from registered providers that they will share with their tenants how they plan to achieve and monitor these standards through co-regulation (regulation undertaken jointly by landlords and tenants) and local offers by April 2011

Whilst the new Housing Minister has publicly declared his desire to remove the TSA because he believes they are a costly and unnecessary 'quango', he is openly supportive of the regulatory framework and the empowerment it gives to residents

The 2010 Decentralisation and Localism Bill is set to contain the legislation required for the new government to undertake the removal of the TSA, in addition to setting out where economic and financial regulation will be placed in future

However, during this time the TSA continue to stand by the new framework and recently confirmed that registered providers are still expected to continue to meet deadlines and obligations, as originally set out, otherwise the same range of interventions may apply

The Group will continue to monitor the political landscape to establish what effect this will have on regulation and therefore the Group's plans

Housing and the Economy. The emergency budget outlined the scale of cuts facing the public sector with minimum spending cuts of 20% likely to be required across most government departments

Although not public sector bodies, registered providers will face challenges in sustaining services and growth in light of these cuts and in particular in the Pathfinder areas were £50million is being cut from the programme and Supporting People where a further £30million cut is planned

Operating and Financial Review

External influences (continued)

Both of these cuts are on top of efficiency savings already planned for services delivered through these budgets which include a range of regeneration projects, sheltered housing schemes and supported housing partnerships delivered by the Group

The other headlines from the budget were the increase in VAT from 17 5% to 20% from January 2011 which will affect future spending plans, and the planned reduction of Housing Benefit for tenants who have been out of work for longer than twelve months

The Homes and Communities Agency (HCA) are responsible for managing Government investment in the sector and they have stated that further to the £220million of cuts announced earlier in the year, an additional £230million of grant funding will be cut from the current programme This is in addition to a review of those schemes which have been approved, but have not yet received funding The HCA have been told to maximise the delivery of affordable housing from its remaining budget as the Treasury continues to reduce the national deficit

This cut in funding takes place whilst demand continues to outstrip supply for social housing, a situation that is likely to widen as cuts in public sector funding leads to public sector job cuts, a slow down in growth and an impact on the supply shortfall According to the Joseph Rowntree Foundation, the need for additional social housing averages 100,000 new homes a year to keep pace with demand

Such cuts will be reviewed and incorporated into the Group's financial plans and budgets Likely scenarios have been assessed from a financial planning perspective and the Group has sufficient financial capacity to deal with such changes

Objectives and strategy

The Group launched its Group Corporate Plan for the period from 2008/09 to 2010/11 following an extensive review involving both Board members and staff The Group Corporate Plan sets out the Group's aims and ambitions Performance against the key indicators and targets set out in this plan are monitored by the Group's Boards on a quarterly and annual basis

The Group's four key objectives relevant to the year ended 31 March 2010 are as follows

1 We will place at our heart the provision of top class services that are tailored to our diverse customers' individual needs and that enable them to live as safely and independently as possible in their own homes ("Objective 1 - Customer Services")

2 In partnership with others, we will invest in the diverse neighbourhoods where our existing customers live to make them sustainable places in which people can and want to stay In doing so, and where necessary, we will develop and deliver innovative products and services and act as an advocate for our customers ("Objective 2 - Neighbourhoods and Places")

3 We shall build and maintain quality homes that meet people's needs and aspirations in places where they want to live ("Objective 3 - Homes")

4 We will grow in other ways and other places where doing so can improve people's quality of life and also benefit our existing customers ("Objective 4 - Growth")

Operating and Financial Review

Performance in the year

The Group's executive team and Boards use a wide range of indicators to monitor achievement of the Group's objectives An overview of the Group's performance in the year is given below

Customer services

We believe that the most effective way of measuring whether we are delivering the level of customer service our residents expect is to ask their opinion During the year, over 93% of those surveyed told us they were satisfied or very satisfied with the repairs and maintenance service they had experienced, which was marginally below our very challenging target of 95% Over 89% (target 90%) of residents surveyed declared themselves to be satisfied or very satisfied with the overall landlord service the Group delivers and 83% (target 75%) that their views are being taken into account Equally stringent targets have been set for 2010/11 and this will continue in future years with the increasing focus on reducing the number of customers who express dissatisfaction with the services offered by the Group

Despite the challenging economic environment, we have had continued success in driving down rent arrears and managing vacant homes Rent losses (measured as voids and bad debts as a percentage of rent and service charges receivable) fell to 1 5% (2009 1 7%) and overall rent arrears at the year-end (measured as gross arrears as a percentage of rent and service charges receivable) has fallen to 5 9% (2009 6 6%), including former tenant arrears

In relation to letting the Group's properties, the percentage of our homes that are vacant but available to let is well below the target of 1% at 0 7% (2009 1 3%), and the average time it takes to re-let them once they become empty has reduced considerably to 23 days (2009 39 days)

Neighbourhoods and places

In order to assess the sustainability of the neighbourhoods where our residents live we have devised a scoring mechanism, known as the Neighbourhood Sustainability Index, which takes into account factors such as tenancy turnover, repair costs, arrears and anti social behaviour This has shown a year-on-year improvement from 53 6% in 2008/09 to 72 3% in 2009/10 This marked improvement is a result of bespoke action plans being in place to address individual neighbourhood issues

Tenancy turnover is a key measure of sustainability and we have experienced a reduction from 10 9% to 9 9% in 2009/10 which was easily within our target of 10 5%

The reasons why residents leave our properties are varied As such performance in this area can be difficult to predict as it can often be driven by the individual resident's changing needs However we are focussing on turnover "hotspots", such as some types of flatted accommodation, and have put in place appropriate support for people who need help sustaining their tenancy

We will continue to focus our investment, whether it is on repairs and maintenance or gift aid funding for community projects, in order to address issues of neighbourhood sustainability wherever possible

Homes

A key priority for the Group during the year has been its progress towards achieving sector wide targets for the proportion of our homes that meet the "Decent Homes Standard" By the end of the year over 98% of our homes met the Decent Homes Standard which was in excess of our 95% target and well on the way to meeting the required 100% level by the end of 2010

Operating and Financial Review

Homes (continued)

Despite difficult economic conditions we also exceeded out target of building new homes by completing 154 units The vast majority of these have been rented, which represents a change from our original plans which assumed a considerable proportion would have been available for sale on a shared ownership or outright sale basis This change reflects the continuation of challenging market conditions whereby mortgage finance has been generally unavailable to people for whom our housing for sale is usually targeted The switch to rental tenure has however proved extremely successful as the properties are in popular areas and have been built to designs that appeal to local residents The Homes and Communities Agency and relevant Local Authorities have continued to support all such changes of tenure

Growth

The targets related to our growth objective have been the most challenging to achieve as external economic conditions have worsened External funding sources that we have traditionally accessed have significantly reduced, especially those focussed on regeneration activity Our focus has therefore been on completing projects that were already underway and ensuring that limited new sources of funds are targeted on the key neighbourhoods in which we work

Despite this, we successfully negotiated the acquisition of 191 good quality properties in central Liverpool from Servite Houses, which will complement our existing stock in the area Following extensive in-year due diligence this acquisition completed on 13 July 2009

On 31 December 2009 Maritime Housing Association acquired M&Y Joinery and Building Maintenance Limited This acquisition enhances the Group's in-house maintenance services and secures continued high quality customer service provision

Governance

During the year the Group has been operating under new governance arrangements that were developed during 2008/09

Governance changes delivered in 2009/10 include

- A reduction in the number of legal entities within the Group with more of our operations being properly identified as charitable in nature and hence not subject to corporation tax
- A significant reduction in the number of Board members with high levels of common membership across all Group Boards and a focus on the range of skills that Board members bring
- An expanded remit for existing Group Committees to be responsible for the relevant activity of the Company and all its direct subsidiaries
- An additional Committee, known as the Housing Services Committee, focused on operational performance
- An enhanced resident engagement framework with at least one resident Board member on each Group Board and clearer links between resident groups and the Group's Boards

Operating and Financial Review

Governance (continued)

Ensuring good governance will continue to be a focus for the Group

Effective 1 April 2009, Wyre Housing Association became a charitable registered provider and the transfer of Limehurst Village Trust's engagements to its then parent West Pennine Housing Association was also completed in April 2009 These changes give the Group a simpler more cost effective structure with no impact on the service delivered to its customers

Risks and uncertainties

Strategic risks are those that present the greatest threats to the Group Directly linked to the Group's corporate objectives and performance management framework, the Group's strategic risks are considered and reviewed at least annually by the Risk and Audit Committee as part of the corporate planning process The risks are recorded and assessed in terms of their likelihood and impact Risk reports include assessments of key controls in place and action taken to manage them

The Group's strategic risks are considered below

Key risk	Comment
Financial	Due to the pressure on our lenders own profitability the Group's very favourable borrowing terms continue to be under increased scrutiny We have always and will continue to ensure compliance with covenants and other borrowing conditions to ensure our terms are maintained Lack of liquidity in the market has meant that mortgages are increasingly difficult to obtain, especially for low cost home ownership As a result, many of our homes developed for sale will instead be rented and the timing and degree of return to this market is under carefully consideration
Regulatory and legislative	The changes made to the Group's governance arrangements have ensured that it is ready to respond to the challenges that "co-regulation" with the TSA will bring The regulatory standards that have been developed will also be actively considered as the Group develops its next Corporate Plan Our selective use of expert third party advisors and commitment to training staff ensure that the Group is prepared when regulatory and legislative changes occur
Economic	The Group took sensible and timely steps to cut its cost base in response to the "credit crunch", whilst continuing to focus on performance As a result financial performance has improved and issues such as uncertainty regarding future rental income levels and increasing pension liabilities have been planned for and can be managed if required
Political	The change in ruling party in 2010 will bring significant changes to the sector The Group's governance arrangements and planning process will allow us to respond flexibly and quickly as required
Environmental	The Group has a Business Continuity Plan that supports a response to a range of potential external issues that may affect the business As yet, the way in which the sector will be required to respond to a future "green" agenda is unclear but we continue to review low carbon technology to position ourselves for likely future change

Operating and Financial Review

Risks and uncertainties (continued)

Key risk	Comment
Supply chain	In these challenging economic times the Group continues to focus on the importance of close working relationships with its supply chain to ensure that the risk of disruption is minimised This is emphasised by the acquisition of M&Y Joinery and Building Maintenance Ltd, following which the Group has three-quarters of its responsive repairs service being delivered in-house

Financial position

The Group's income and expenditure account and balance sheet are shown on pages 19 and 21 respectively The following paragraphs highlight key features of the Group's financial position at 31 March 2010

Accounting policies

The Group's principal accounting policies are set out on pages 23 to 27 of the financial statements
The policies that are most critical to the financial results relate to accounting for housing properties and include capitalisation of interest and development administration costs, deduction of capital grant from the cost of assets, housing property depreciation, and treatment of shared ownership properties Each of these policies has remained unchanged during the period under review

Housing properties

At 31 March 2010 the Group owned 12,129 housing properties (2009 11,819) The properties were carried in the balance sheet at cost (after depreciation and capital grant) of £175 million (2009 £166 million) Investment in housing properties during the year was funded through a mixture of social housing grant, loan finance and working capital

Pension costs

The Group participates in two pension schemes, the Social Housing Pension Scheme and the Lancashire County Council Pension Fund Both are defined benefit schemes, offering good benefits for staff Details of the Group's contribution to and performance of these schemes is detailed in note 9 to the financial statements

Capital structure and treasury policy

Details of the Group's borrowings and the related maturity profile are shown in note 19 to the financial statements The Group borrows, principally from banks and building societies, at both fixed and floating rates of interest Interest rate hedging is used to generate the desired interest profile and to manage the Group's exposure to interest rate fluctuations The Group's target is to keep at least 70% of its borrowings at fixed rates of interest At the year-end, 89 3% (2009 94 8%) of the Group's borrowings were at fixed rates

The fixed rates of interest range from 1 83% to 11 55%, although the vast majority of amounts borrowed are at the lower end of this range In the current market, where long term fixed rates have fallen below 5%, this means that the Group is paying relatively competitive rates of interest
The Group borrows and lends only in sterling and so is not exposed to currency risk

Operating and Financial Review

Cash flows

Cash inflows and outflows during the year are shown in the consolidated cash flow statement (page 22) The cash inflow from operating activities was £12 6 million (2009 £11 8 million)

Future developments

A key influence on the timing of borrowings is the rate at which development and sales activity takes place The Board has approved plans to spend £22 2 million during the next financial year on development activity A further £11 8m is approved for completion of the programme thereafter This will be partly funded through sales income and social housing grant, with the balance through the Group's loan facilities Loan facilities of £25 million are available under existing arrangements

Statement of compliance

In preparing this Operating and Financial Review, the Board has followed the principles set out in Part 3 of the Statement of Recommended Practice 'Accounting by Registered Social Landlords' (2008)

Statement of Responsibilities of the Board

Statement of the Responsibilities of the Board for the report and financial statements

The Board is responsible for preparing the report and financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company Law and housing legislation in the United Kingdom require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and Company at the end of the year and of the surplus or deficit of the Group and Company for the year then ended

In preparing those financial statements the Board is required to

- select suitable accounting policies and apply them consistently,
- make judgements and estimates that are reasonable and prudent, and
- follow applicable United Kingdom Accounting Standards and the Statement of Recommended Practice "Accounting by Registered Social Landlords" (2008), subject to any material departures disclosed and explained in the financial statements

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Company and enable it to ensure that the financial statements comply with the Companies Act 2006, the Housing Act 1996 (to 31 March 2010), the Housing and Regeneration Act 2008 (from 1 April 2010) and the Accounting Requirements for Registered Social Landlords General Determination 2006 It is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The Board is responsible for ensuring that the Report of the Board is prepared in accordance with the Statement of Recommended Practice "Accounting by Registered Social Landlords" (2008)

The Board is responsible for the maintenance and integrity of the corporate and financial information on the Group's website Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions

Independent Auditors' Report to the Members of Regenda Limited

We have audited the financial statements of Regenda Limited for the year ended 31 March 2010 which comprise the consolidated and company income and expenditure accounts, the consolidated and company statements of total recognised surpluses and deficits, the reconciliation of movements in Group's and company's funds, the consolidated and company balance sheets, the consolidated cash flow statement and notes 1 to 30 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 company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company'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 company and the company'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 Responsibilities of the Board set out on page 16, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the board, and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the company's affairs as at 31 March 2010 and of the group's and the company's surplus for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice,
- have been prepared in accordance with the requirements of the Companies Act 2006, and
- are in compliance with the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination 2006

Independent Auditors' Report to the Members of Regenda Limited

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Board for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us, or
- the company's financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Grant Thornton UK LLP.

Tobias Wilson
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP,
Statutory Auditor, Chartered Accountants
Manchester

13 September 2010

Consolidated and Company Income and Expenditure Accounts
Year ended 31 March 2010

		Group		Company	
		2010	2009	2010	2009
	notes	£000	£000	£000	£000
Turnover . continuing activities	3	47,760	45,030	9,705	10,685
Operating costs	3	(37,955)	(35,691)	(9,590)	(10,492)
Operating surplus : continuing activities	3	9,805	9,339	115	193
Surplus / (deficit) on sale of housing properties	6	249	(35)	-	-
Interest receivable	7	1	112	5,909	5,309
Interest payable	8	(8,162)	(8,728)	(5,911)	(5,305)
Other finance costs	9	(154)	(88)	-	-
Surplus on ordinary activities before taxation		1,739	600	113	197
Tax on surplus on ordinary activities	11	(384)	(547)	(42)	(60)
Surplus for the year	23	1,355	53	71	137

The notes on pages 23 to 52 form part of these financial statements

Statement of Total Recognised Surpluses and Deficits
Year ended 31 March 2010

	Group		Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
Surplus for the year	1,355	53	71	137
Actuarial (loss) / gain relating to pension scheme	(691)	84	-	-
Total recognised surplus for the year	664	137	71	137

Reconciliation of movements in Group's and Company's funds
Year ended 31 March 2010

	Group		Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
Opening funds	24,329	24,192	153	16
Total recognised surplus for the year	664	137	71	137
Closing total funds	24,993	24,329	224	153

Consolidated and Company Balance Sheets
At 31 March 2010

		Group		Company	
		2010	2009	2010	2009
	notes	£000	£000	£000	£000
Tangible fixed assets					
Social housing and non-social housing properties	12	432,464	412,157	-	-
Social housing grant	12	(257,100)	(246,397)	-	-
	12	175,364	165,760	-	-
Other tangible fixed assets	13	5,511	4,919	2,042	2,425
Goodwill	14	979	-	-	-
		181,854	170,679	2,042	2,425
Current assets					
Properties for sale	15	2,967	5,891	-	-
Debtors	16	3,915	3,512	140,522	128,314
Investments	17	1,033	1,116	-	-
Cash at bank and in hand		1,100	2,932	19	18
		9,015	13,451	140,541	128,332
Creditors amounts falling due within one year	18	(14,207)	(16,671)	(17,359)	(15,123)
Net current (liabilities) / assets		(5,192)	(3,220)	123,182	113,209
Total assets less current liabilities		176,662	167,459	125,224	115,634
Creditors : amounts falling due after more than one year	18	149,066	141,294	125,000	115,481
Net pension liability	9	2,603	1,836	-	-
		151,669	143,130	125,000	115,481
Capital and reserves					
Non-equity share capital	22	-	-	-	-
Designated reserves	23	2,775	2,625	-	-
Restricted reserve	23	641	505	-	-
Revenue reserve	23	21,577	21,199	224	153
Group's / Company's funds	23	24,993	24,329	224	153
		176,662	167,459	125,224	115,634

The financial statements were approved by the Board on 31 August 2010 and signed on its behalf by

M Brown
Chair

S Conquer
Deputy Chair

J Vincent
Secretary

Company number 4334057

Consolidated Cash Flow Statement
Year ended 31 March 2010

	notes	2010 £000	2009 £000
Net cash inflow from operating activities	25	12,589	11,831
Returns on investments and servicing of finance			
Interest received		1	112
Interest paid		(8,180)	(8,926)
		(8,179)	(8,814)
Taxation			
Corporation Tax paid		(608)	(157)
Capital expenditure			
Acquisition and construction of properties		(17,863)	(15,389)
Sales of housing properties		1,494	4,451
Social housing grants received		3,704	6,378
Purchase of other tangible fixed assets		(947)	(620)
		(13,612)	(5,180)
Management of liquid resources			
Cash withdrawn from money market deposit accounts		83	139
Financing			
Housing loans received		23,647	60,000
Housing loans repaid		(15,751)	(58,491)
Financing		7,896	1,509
Decrease in cash	27	(1,831)	(672)

Notes to the Financial Statements

Year ended 31 March 2010

1 Legal status

The Company is a company limited by guarantee under the Companies Act, and is registered with the Tenant Services Authority as a registered provider

2. Accounting policies

Basis of accounting

The financial statements of the Group and Company are prepared in accordance with UK Generally Accepted Accounting Principles, (UK GAAP) and the Statement of Recommended Practice 'Accounting by Registered Social Landlords' (SORP 2008), and comply with the Accounting Requirements for Registered Social Landlords General Determination 2006

Basis of consolidation

The Group accounts consolidate the accounts of the Company and all its subsidiaries at 31 March

The Group acquired 100% of the share capital of M&Y Joinery and Building Maintenance Limited on 31 December 2009, which has been consolidated under acquisition accounting All of the other subsidiaries are consolidated under merger accounting

Goodwill

The goodwill arising upon the acquisition of M&Y Joinery and Building Maintenance Limited on 31 December 2009 has been capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life which is considered to be 3 years Goodwill is reviewed for impairment at the end of its first full financial year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable

Turnover

Turnover comprises rental income receivable in the year, income from property sales, other services included at the invoiced value (excluding VAT) of goods and services supplied in the year and revenue grants receivable in the year

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting

Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale

Deferred taxation

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

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

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

Accounting policies (continued)

Value added tax

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

Interest payable

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

a) interest on borrowings specifically financing the development programme after deduction of interest on social housing grant (SHG) in advance, or

b) interest on borrowings of the Group as a whole after deduction of interest on SHG in advance to the extent that they can be deemed to be financing the development programme

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

Derivatives

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

Pensions

The Group participates in two funded multi-employer defined benefit schemes, the Social Housing Pension Scheme ('SHPS') and the Lancashire County Council Pension Fund ('LCCPF')

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

For the LCCPF, the operating costs of providing retirement benefits to participating employees are recognised in the accounting periods in which the benefits are earned The related finance costs, expected return on assets and any other changes in fair value of the assets and liabilities, are recognised in the accounting period in which they arise The operating costs, finance costs and expected return on assets are recognised in the income and expenditure account with any other changes in fair value of assets and liabilities being recognised in the statement of total recognised surpluses and deficits

Supported housing managed by agencies

Social housing capital grants are claimed by the Group as developer and owner of the property and included in the balance sheet of the Group The treatment of other income and expenditure in respect of supported housing projects depends on the nature of the partnership arrangements between the Group and its managing agents and on whether the Group carries the financial risk

Notes to the Financial Statements

Year ended 31 March 2010

Accounting policies (continued)

Supported housing managed by agencies (continued)

Where the Group holds the support contract with the Supporting People Administering Authority and carries the financial risk, all of the project's income and expenditure is included in the Group's income and expenditure account

Where the agency holds the support contract with the Supporting People Administering Authority and carries the financial risk, the income and expenditure account includes only that income and expenditure which relates solely to the Group

Social housing and non social housing properties

Social housing and non social properties are principally properties available for rent and are stated at cost less depreciation and social housing and other grants Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements

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

Shared ownership properties are split proportionally between current and fixed assets based on the element relating to expected first tranche sales The first tranche proportion is classed as a current asset and related sales proceeds included in turnover and the remaining element is classed as fixed asset and included in housing properties at cost less any provisions needed for depreciation or impairment

Social housing grant

Social housing grant (SHG) is receivable from the Homes and Communities Agency and is utilised to reduce the capital costs of housing properties, including land costs SHG due or received in advance is included as a current asset or liability SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates

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

Other grants

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

Notes to the Financial Statements

Year ended 31 March 2010

Accounting policies (continued)

True and Fair Override

Under the requirements of the Statement of Recommended Practice "Accounting by Registered Social Landlords" (SORP 2008), capital grants are shown as a deduction from the cost of housing properties on the balance sheet (see note 12) This is a departure from the rules under Schedule 4 of the Companies Act 2006 but in the opinion of the Board is a relevant accounting policy, comparable to that adopted by other registered providers and has been adopted in order to present a true and fair view

Depreciation of social housing and non social housing properties

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

Social housing and non social housing properties	100 years

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

Housing properties in the course of construction are stated at cost and not depreciated

Impairment

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

Where there is evidence of impairment, fixed assets are written down to their recoverable amount

Other tangible fixed assets

Tangible fixed assets, other than social housing and non social housing properties are stated at cost less accumulated depreciation

Depreciation is provided evenly on the cost of other tangible fixed assets over their expected useful lives No depreciation is provided on freehold land The principal annual rates used for other assets are

Freehold buildings	100 years
Scheme equipment	4 to 20 years
Furniture, fixtures and fittings	10 years
Computer software	8 years
Computers hardware and office equipment	4 to 8 years
Motor vehicles	4 years

Accounting policies (continued)

Leased assets

Rentals payable under operatıng leases are charged to the ıncome and expendıture account on a straıght-lıne basıs over the lease term

Properties for sale

Shared ownershıp first tranche sales and other propertıes under constructıon are valued at the lower of cost and net realısable value Cost comprıses materıals, dırect labour and dırect development overheads Net realısable value ıs based on estımated sales prıce after allowıng for all further costs of completıon and dısposal

The proceeds from the sale of the first tranche are ıncluded wıthın turnover

Properties for sale

Sales of subsequent tranches are treated as dısposals and are shown ın the ıncome and expendıture account wıthın surplus/(deficıt) on sale of housıng propertıes

Current asset investments

Investments are stated at market value

Deferred ıncome

Where debt has been ıssued at a premıum, the premıum ıs treated as deferred ıncome and ıs released to the ıncome and expendıture account over the term of the loan

Lıquid resources

Lıquıd resources are readıly dısposable current asset ınvestments They ınclude some money market deposıts, held for more than 24 hours that can only be wıthdrawn wıthout penalty on maturıty or by gıvıng notıce of more than one workıng day

Reserves

The Group establıshes restrıcted reserves for specıfic purposes where theır use ıs subject to external restrıctıons and desıgnated reserves where reserves are earmarked for a partıcular purpose

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

	2010				2009			
	Turnover	Cost of sales	Operating costs	Operating surplus / (deficit)	Turnover	Cost of sales	Operating costs	Operating surplus / (deficit)
Group	£000	£000	£000	£000	£000	£000	£000	£000
Income and expenditure from social housing activities								
Housing accommodation	33,433	-	(24,827)	8,606	31,318	-	(21,612)	9,706
Supported housing	8,020	-	(5,602)	2,418	6,794	-	(6,036)	758
Low cost home ownership	2,090	-	(2,262)	(172)	1,851	-	(1,647)	204
Social housing lettings	43,543	-	(32,691)	10,852	39,963	-	(29,295)	10,668
Other social housing activities								
Supporting people contract income	171	-	(113)	58	184	-	(156)	28
Development costs not capitalised	-	-	(96)	(96)	-	-	(94)	(94)
Management services	73	-	(84)	(11)	128	-	(47)	81
Community regeneration	1,240	-	(2,198)	(958)	1,785	-	(3,102)	(1,317)
First Tranche Property Sales	1,912	(2,107)	-	(195)	2,379	(2,744)	-	(365)
Other	86	-	(136)	(50)	177	-	(72)	105
	3,482	(2,107)	(2,627)	(1,252)	4,653	(2,744)	(3,471)	(1,562)
Non-social housing activities								
Lettings	322	-	(28)	294	404	-	(97)	307
Other	38	-	(129)	(91)	10	-	(5)	5
Development for sale	375	(373)	-	2	-	-	(79)	(79)
	735	(373)	(157)	205	414	-	(181)	233
Total	47,760	(2,480)	(35,475)	9,805	45,030	(2,744)	(32,947)	9,339
Regenda Limited								
Other social housing activities								
Management services	9,705	-	(9,590)	115	10,685	-	(10,487)	198
Non-social housing activities	-	-	-	-	-	-	(5)	-
	9,705	-	(9,590)	115	10,685	-	(10,492)	198

3. Turnover, cost of sales, operating costs and operating surplus (continued)

Particulars of income and expenditure from social housing lettings

Group	2010				2009
	General needs	Supported housing and housing for older people	Low cost home ownership	Total	Total
Turnover from social housing lettings	£000	£000	£000	£000	£000
Rent receivable net of identifiable service charges	32,111	6,089	1,267	39,467	36,431
Charges for support services	35	498	33	566	424
Service charges receivable	1,174	1,429	790	3,393	2,885
Net rental income	33,320	8,016	2,090	43,426	39,740
Other income	49	4	-	53	-
Other revenue grants	64	-	-	64	223
Turnover from social housing lettings	33,433	8,020	2,090	43,543	39,963
Expenditure on social housing lettings					
Management	(6,161)	(1,029)	(652)	(7,842)	(8,870)
Services	(1,012)	(1,962)	(761)	(3,735)	(3,475)
Routine maintenance	(6,278)	(1,121)	(42)	(7,441)	(7,467)
Planned maintenance	(5,482)	(808)	(11)	(6,301)	(4,818)
Major repairs expenditure	(3,851)	(296)	-	(4,147)	(2,413)
Bad debts	(256)	(21)	(8)	(285)	(171)
Depreciation of social housing properties	(1,087)	(191)	(164)	(1,442)	(1,538)
Impairment of social housing properties *	(330)	-	(212)	(542)	-
Other costs	(370)	(174)	(412)	(956)	(543)
Operating costs on social housing lettings	(24,827)	(5,602)	(2,262)	(32,691)	(29,295)
Operating surplus on social housing letting activities	8,606	2,418	(172)	10,852	10,668
Void losses	(287)	(72)	(4)	(363)	(520)

* Impairment of social housing properties has occurred as a result of a fall in the market value of land retained for development and properties developed for home ownership, beneath their previous carrying value and have been assessed by reference to formal valuations

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

Particulars of turnover from non - social housing lettings

	Group	
	2010	2009
	£000	£000
Office and Retail Units	176	244
Market Rented	146	160
	322	404

4 **Accommodation in management and development**

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

	Group	
	2010	2009 restated
	number	number
Social housing		
General housing	8,806	8,675
Supported housing and housing for older people	1,995	1,817
Low cost home ownership	1,279	1,278
Leasehold for the elderly	49	49
Total owned	12,129	11,819
Accomodation managed for others	132	144
Total owned or managed	12,261	11,963
Non-social housing		
Market rented	41	41
Office and retail units owned by the Group	17	17
	58	58
Total owned and managed	12,319	12,021
Accomodation in development at the year end	43	180

Regenda Limited does not own or manage housing accommodation (2009 nil)

2009 figures have been restated to reflect a correction of properties managed for others which were previously reported as 326

5. Surplus on ordinary activities

Surplus on ordinary activities before taxation is stated after charging

	Group		Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
Depreciation of social housing properties	1,442	1,524	-	-
Depreciation of non social housing properties	24	23	-	-
Impairment of social housing properties	542	-	-	-
Depreciation of other tangible fixed assets	806	629	489	482
Deficit on disposal of other fixed assets	-	451	-	-
Operating lease rentals				
- land & buildings	324	1,015	-	-
- office equipment, cars and computers	73	73	68	67
Auditors remuneration (including VAT)				
- for the audit of the financial statements	59	57	9	6
- other services in respect of taxation	46	25	41	20
- for the audit of service charge accounts	17	15	-	-

6. Sales of housing properties

	Group	
	2010	2009
	£000	£000
Disposal Proceeds	1,023	4,173
Carrying value of fixed assets	(137)	(2,854)
	886	1,319
Capital grant recycled (note 20)	(434)	(341)
Disposal proceeds fund (note 21)	(203)	(1,013)
Surplus / (deficit) for the year	249	(35)

Regenda Limited does not own or manage housing properties (2009 nil)

7 Interest receivable and other income

	Group		Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
Interest receivable and similar income	1	112	-	-
From subsidiaries relating to syndicated housing loans	-	-	5,909	5,309
	1	112	5,909	5,309

8 Interest payable and similar charges

	Group		Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
Bank loans and overdrafts	8,299	8,975	5,911	5,305
Interest payable capitalised on housing properties under construction	(137)	(247)	-	-
	8,162	8,728	5,911	5,305

The capitalisation rates applied to determine the finance costs during the period were 4 5% for all direct subsidiaries of the Company (2009 4 5%)

9 Employees

Average monthly number of employees expressed in full time equivalents

	Group		Company	
	2010	2009	2010	2009
	Number	Number	Number	Number
Administration	59	66	57	61
Development	13	17	13	17
Housing, support and care	205	209	112	119
Maintenance Operatives	31	23	-	-
Community regeneration	35	50	2	7
	343	365	184	204

Employee costs	Group		Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
Wages and salaries	8,955	9,057	5,311	5,635
Social security costs	753	771	466	499
Other pension costs	806	843	502	582
Accomodation for on-site staff	16	15	13	11
	10,530	10,686	6,292	6,727

9. Employees (continued)

The Group participates in the Social Housing Pension Scheme and the Lancashire County Council Pension Fund

Social Housing Pension Scheme (Group and Company)

Regenda Limited and all Group members participate in the Social Housing Pension Scheme (SHPS) SHPS is funded and is contracted out of the state scheme SHPS is a multi-employer defined benefit scheme Employer participation in SHPS is subject to adherence with the employer responsibilities and obligations as set out in the "SHPS House Policies and Rules Employer Guide"

SHPS operated a single benefit structure, final salary with a 1/60th accrual rate until 31 March 2007 From April 2007 there are three benefit structures available, namely

- 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 will be 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

The Group has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 31 March 2007 and the career average revalued earnings (CARE) with a 1/60th accrual rate benefit structure for new entrants from 1 April 2007 This does not reflect any benefit structure changes made from April 2010

The Trustee commissions an actuarial valuation of SHPS every 3 years The main purpose of the valuation is to determine the financial position of SHPS in order to determine the level of future contributions required, in respect of each benefit structure, so that the SHPS 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 the 1 April 2010, the requirement for employers to pay at least 50% of the total contribution rate no longer applies

The actuarial valuation assesses whether the SHPS'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

9 Employees (continued)

Social Housing Pension Scheme (Group and Company) (continued)

During the accounting period the Group paid contributions at rates which varied between 12 3% and 15 4% per individual member Member contributions varied between 4 1% and 7 1% depending on their age

As at the balance sheet date there were 157 active members of SHPS employed by the Group The annual pensionable payroll in respect of these members was £4 8m The Group continues to offer membership of SHPS to its employees

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers Accordingly, the accounting charge for the period under FRS17 represents the employer contribution payable

The last formal valuation of SHPS was performed as at 30 September 2008 by a professionally qualified actuary using the Projected Unit Method The market value of the SHPS's assets at the valuation date was £1,527 million The valuation revealed a shortfall of assets compared with the value of liabilities of £663 million, equivalent to a past service funding level of 70%

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

	%
Valuation discount rates	
Pre retirement	7 8
Non Pensioner Post retirement	6 2
Pensioner Post retirement	5 6
Pensionable earnings growth	4 7
Price inflation	3 2
Pension increases	
Pre 88 GMP	0 0
Post 88 GMP	2 8
Excess over GMP	3 0

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

The valuation was carried out using the following demographic assumptions

Mortality pre retirement – PA92 Year of birth, long cohert projection, minimum improvement 1% pa

Mortality post retirement – 90% S1PA Year of birth, long cohort projection, minimum improvement 1% pa

9 Employees (continued)

Social Housing Pension Scheme (Group and Company) (continued)

The long-term joint contribution rates required from employers and members to meet the cost of future benefit accrual were assessed at

Benefit structure	Long-term joint contribution rate (% of pensionable salaries)
Final salary with a 1/60th accrual rate	17 8
Final salary with a 1/70th accrual rate	15 4
Career average revalued earnings with a 1/60th accrual rate	14 9

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

Following consideration of the results of the actuarial valuation it was agreed that the shortfall of £663 million would be dealt with by the payment of deficit contributions of 7 5% of pensionable salaries, increasing each year in line with salary growth assumptions from 1 April 2010 to 30 September 2020, dropping to 3 1% from 1 October 2020 to 30 September 2023 Pensionable earnings at 30 September 2008 are used as the reference point for calculating these deficit contributions These deficit contributions are in addition to the long term contribution rates set out in the table above

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

Employers that have closed SHPS to new entrants are required to pay an additional employer contribution loading of 3 0% to reflect the higher costs of a closed arrangement

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

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

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

9. **Employees (continued)**

Social Housing Pension Scheme (Group and Company) (continued)

The SHPS Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of SHPS as at 30 September 2009 Such a report is required by legislation for years in which a full actuarial valuation is not carried out The funding update revealed an increase in the assets of SHPS to £1,723 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £738 million, equivalent to a past service funding level of 70 0%

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

The debt for SHPS as a whole is calculated by comparing the liabilities for SHPS (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 SHPS 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 SHPS's liability attributable to employment with the leaving employer compared to the total amount of SHPS'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 SHPS liabilities, SHPS investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market The amounts of debt can therefore be volatile over time

The Group and Company has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the SHPS based on the financial position of the scheme as at 30 September 2008 As at this date the estimated employer debt of the Group was £32 1 million

Lancashire County Council Pension Fund (Group)

The Lancashire County Council Pension Fund (LCCPF) is a multi-employer fund, administered by Lancashire County Council under the regulations governing the Local Government Pension Scheme, a defined benefit scheme

The date of the last full actuarial valuation was 31 March 2007 The pension cost charged has been assessed in accordance with the advice of a qualified actuary, using the Projected Unit method of valuation in a review of the LCCPF as at 31 March 2010 The employers' contributions to the LCCPF by the Group for the year ended 31 March 2010 were £116k (2009 £115k) at a contribution rate of 48% The employers' contribution rate for the year ended 31 March 2011 is 48%

9. **Employees (continued)**

Lancashire County Council Pension Fund (Group) (continued)

Financial Assumptions

In calculating the LCCPF's assets and liabilities, the fund's actuary had to make a number of assumptions about events and circumstances in the future These assumptions represent the best estimate of the expected outcomes but it is possible that actual outcomes will differ from those indicated in the accounts Any differences between expected and actual outcomes are reported through experience gains and losses

The main financial assumptions were as follows

(% per annum)	2010	2009
Inflation assumption	3 30%	3 30%
Rate of increase in salaries	5 05%	5 05%
Rate of increase in pensions	3 30%	3 30%
Discount rate	5 60%	7 10%
Expected return on assets		
Equities	7 50%	7 80%
Government bonds	4 50%	4 00%
Other bonds	5 20%	6 00%
Property	6 50%	6 50%
Cash	0 50%	0 50%

Mortality assumptions

	2010 No of Years	2009 No of Years
Retiring today		
Males	21 2	21 2
Females	24 1	24 0
Retiring in 20 years		
Males	22 2	22 2
Females	25 0	25 0

Amounts recognised in the balance sheet:	2010 £000	2009 £000
Present value of funded obligations	(7,115)	(5,365)
Fair value of plan assets	4,512	3,529
Net liability	(2,603)	(1,836)

9. Employees (continued)

Lancashire County Council Pension Fund (Group) (continued)

Analysis of the amount charged to the income and expenditure account

	2010	2009
	£000	£000
Current service costs	31	55
Expected return on pension scheme assets	(219)	(297)
Interest on pension scheme liabilities	373	385
Total operating charge	185	143

£31k (2009 £55k) was charged to the operating surplus and £154k (2009 £88k) was charged to other finance costs

Changes in present value of scheme liabilities	2010	2009
	£000	£000
Opening present value of scheme liabilities	(5,365)	(6,350)
Current service cost	(31)	(55)
Interest cost	(373)	(385)
Member contributions	(16)	(21)
Actuarial (losses) / gains	(1,611)	1,295
Benefits paid	281	151
Closing present value of scheme liabilities	(7,115)	(5,365)

Changes in fair value of scheme assets	2010	2009
	£000	£000
Opening fair value of scheme assets	3,529	4,457
Expected return on plan assets	219	297
Actuarial gains / (losses)	913	(1,211)
Employer contributions	116	116
Members contributions	16	21
Benefits paid	(281)	(151)
Closing fair value of scheme assets	4,512	3,529

Major catergories of plan assets as a percentage of total plan assets:

	2010	2009
Equities	66%	61%
Bonds	19%	20%
Property	5%	7%
Cash & other	10%	12%

Analysis of amount recognised in the Statement of Total Surpluses and Deficits

	2010	2009
	£000	£000
Actuarial (losses) / gains	(698)	84
Cumulative actuarial losses	(1,259)	(561)

9. Employees (continued)

Lancashire County Council Pension Fund (Group) (continued)

Actual return on plan assets	2010	2009
	£000	£000
Actual return on plan assets	1,139	(913)

Amounts for the current and previous four periods are as follows

	2010	2009	2008	2007	2006
	£000	£000	£000	£000	£000
Present value of defined benefit obligation	(7,115)	(5,365)	(6,350)	(6,115)	(6,224)
Fair value of scheme assets	4,512	3,529	4,457	4,611	4,394
Deficit on scheme	(2,603)	(1,836)	(1,893)	(1,504)	(1,830)

10. Board members and executive directors

	2010	2009
Board Members	£000	£000
Aggregate board members' remuneration		
Emoluments	64	54
Highest paid board member		
Emoluments, excluding pension contributions	11	10
Executive Directors		
Aggregate executive directors' remuneration		
Emoluments	605	606
Compensation in respect of loss of office	96	-
	701	606
Highest paid executive director		
Emoluments, excluding pension contributions	163	148

The executive directors are employed on the same terms as other staff The executive directors are members of either the Social Housing Pension Scheme or the Lancashire County Council Pension Fund, both defined benefit final salary pension schemes They participate in the schemes on the same terms as all other eligible staff and the Group contributes to the schemes on behalf of its employees As detailed in the Report of the Board two executive directors (including the highest paid executive director) are members of the Company's board Their remuneration is included above under the heading of executive directors

11 Tax on surplus on ordinary activities

	Group		Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
Current tax				
United Kingdom corporation tax on surplus	269	566	-	-
Adjustments in respect of prior years	(8)	(16)	-	-
	261	550	-	-
Deferred taxation				
Net origination of timing differences	123	(3)	42	60
	384	547	42	60

11. Tax on surplus on ordinary activities (continued)

Current tax reconciliation	Group		Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
Surplus for the period before taxation	1,739	600	113	197
Theoretical tax at UK Corporation Tax rate 28% (2008:30%)	487	168	31	55
Expenses not deductible for tax purposes	282	468	7	5
Accelerated capital allowances	(18)	(34)	21	12
Utilisation of losses	(64)	(72)	(63)	(72)
Losses	1	1	-	(1)
Ineligible depreciation	-	-	4	-
Capitalised interest	-	(25)	-	-
Short term timing differences	-	(14)	-	1
Charitable Association (profits)	(419)	(33)	-	-
Adjustments in respect of capital gains	-	107	-	-
Adjustments in respect of prior years	(8)	(16)	-	-
Corporation tax charge	261	550	-	-

Deferred Tax	Group		Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
Accelerated capital allowances	311	276	155	174
Short term timing differences	(59)	(99)	(39)	-
Losses	(35)	(83)	-	(100)
	217	94	116	74

	Group £000	Company £000
Balance at 1 April 2009	94	74
Amount charged to income and expenditure account	123	42
Balance at 31 March 2010	217	116

Notes to the Financial Statements

Year ended 31 March 2010

12 Tangible fixed assets - housing and commercial properties

Group	Social housing properties Held for letting		Low cost home ownership		Total	Non social housing		Total	Total
	Completed	Under Construction	Completed	Under Construction	Housing Properties	Completed	Under Construction	Non Social Housing Properties	All Properties
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Property cost									
At 1 April 2009	373,720	9,872	35,204	878	419,674	3,413	-	3,413	423,087
Schemes completed	16,491	(16,491)	-	-	-	-	-	-	-
Additions - works to existing properties	499	8,372	11	1,203	10,085	-	-	-	10,085
Additions - properties purchased	12,728	-	-	-	12,728	-	-	-	12,728
Disposals	(553)	(359)	(525)	(65)	(1,502)	-	-	-	(1,502)
Change of tenure	646	-	(646)	-	-	-	-	-	-
Transfer to other fixed assets	(886)	-	-	-	(886)	-	-	-	(886)
Transfer from current assets	-	-	1,612	-	1,612	-	-	-	1,612
At 31 March 2010	402,645	1,394	35,656	2,016	441,711	3,413	-	3,413	445,124
Social Housing Grant									
At 1 April 2009	217,762	5,491	22,523	370	246,146	251	-	251	246,397
Schemes completed in the year	9,403	(9,403)	-	-	-	-	-	-	-
Additions	357	4,668	-	578	5,603	-	-	-	5,603
Additions - properties purchased	5,698	-	-	-	5,698	-	-	-	5,698
Disposals	(310)	-	(288)	-	(598)	-	-	-	(598)
Change of tenure	148	-	(148)	-	-	-	-	-	-
At 31 March 2010	233,058	756	22,087	948	256,849	251	-	251	257,100
Depreciation & impairment									
At 1 April 2009	10,195	-	619	-	10,814	116	-	116	10,930
Charge for the year (note 3)	1,646	166	148	-	1,960	24	-	24	1,984
Transfer to Other Fixed Assets	(113)	-	-	-	(113)	-	-	-	(113)
Eliminated in respect of disposals	(133)	-	(7)	-	(140)	(1)	-	(1)	(141)
At 31 March 2010	11,595	166	760	-	12,521	139	-	139	12,660
Net book value at 31 March 2010	157,992	472	12,809	1,068	172,341	3,023	-	3,023	175,364
Net book value at 31 March 2009	145,763	4,381	12,062	508	162,714	3,046	-	3,046	165,760

12. Tangible fixed assets – Properties (continued)

The change of tenure relates to the conversion of 10 units initially built for low cost home ownership, to rent or intermediate rented units The conversions took place in Maritime Housing Association (7 units), Templar Housing Association (2 units), and West Pennine Housing Association (1unit)

	Group	
	2010	2009
	£000	£000
Expenditure to works on existing properties		
Amounts capitalised	499	795
Amounts charged to the income and expenditure account	4,145	2,413
	4,644	3,208
Social Housing Grant (SHG)		
Total accumulated SHG receivable at 31 March was		
Capital Grants	257,100	246,397
Revenue grants	782	562
	257,882	246,959
Housing and non-social housing properties net book value		
Freehold land and buildings	150,399	139,787
Long leasehold land and buildings	26,341	25,503
Short leasehold land and buildings	415	470
	177,155	165,760

13. Tangible fixed assets - other

	Group					
	Freehold/ leasehold premises	Motor vehicles	Computer costs	Fixtures & fittings	Scheme assets	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 April 2009 - (net of grant receipts) *	1,941	202	3,012	1,647	125	6,927
Additions	-	160	80	7	700	947
Disposals	-	(18)	(97)	-	-	(115)
Transfer from property fixed assets	-	-	-	-	539	539
At 31 March 2010	1,941	344	2,995	1,654	1,364	8,298
Depreciation						
At 1 April 2009	134	163	1,358	253	100	2,008
Charge for the year	16	73	420	151	146	806
Eliminated in respect of disposals	-	(7)	(96)	-	-	(103)
Transfer from property fixed assets	-	-	-	-	76	76
At 31 March 2010	150	229	1,682	404	322	2,787
Net book value at 31 March 2010	1,791	115	1,313	1,250	1,042	5,511
Net book value at 31 March 2009	1,807	39	1,654	1,394	25	4,919

*The cost of freehold / leasehold offices is reflected net of grant receipts (£2 2 million)

	Company			
	Motor vehicles	Computer costs	Fixtures & fittings	Total
	£000	£000	£000	£000
Cost				
At 1 April 2009	22	2,916	895	3,833
Additions	42	76	-	118
Disposals	(12)	(96)	-	(108)
At 31 March 2010	52	2,896	895	3,843
Depreciation				
At 1 April 2009	10	1,267	131	1,408
Charge for the year	11	419	59	489
Eliminated in respect of disposals	-	(96)	-	(96)
At 31 March 2010	21	1,590	190	1,801
Net book value at 31 March 2010	31	1,306	705	2,042
Net book value at 31 March 2009	12	1,649	764	2,425

14. Goodwill

	£000
Cost	
Acquired	1,068
At 31 March 2010	1,068
Amortisation	
Charge for the period	(89)
At 31 March 2010	(89)
Net book value	
At 31 March 2010	979

Maritime Housing Association, a wholly owned subsidiary of the Company, acquired 100% share capital of M&Y Joinery and Building Maintenance Limited, a company incorporated in the United Kingdom on 31 December 2009 for a cash consideration of £1 1 million

The business combination has been accounted for using acquisition accounting The book values of the acquired assets and liabilities (which are considered by the board to also be equivalent to the fair values) are as follows

	Book value as at 31 Dec 2009
	£000
Tangible Fixed Assets	73
Stock and WIP	25
Debtors	237
Cash at bank	93
Creditors due within one year	(355)
Deferred Tax	(7)
Fair value of net assets acquired	66
Fair Value of consideration paid	1,134
Goodwill arising	1,068

15 Properties for sale

	Group	
	2010	2009
	£000	£000
Shared Ownership properties	1,114	3,271
Properties under construction	17	441
Properties held for outright sale	1,836	2,179
	2,967	5,891

16. Debtors

	Group		Company	
	2010	2009	2010	2009
Amounts falling due within one year	£000	£000	£000	£000
Rent and service charges receivable	2,582	2,623	-	-
Less provision for bad and doubtful debts	(1,236)	(1,209)	-	-
Net rent arrears	1,346	1,414	-	-
Grants and sales proceeds receivable	472	529	-	-
Amounts owed by Group undertakings	-	-	15,238	11,515
Other debtors	636	441	21	39
Prepayments and accrued income	1,461	1,080	263	256
Deferred tax	-	48	-	-
	3,915	3,512	15,522	11,810
Amounts falling due after more than one year				
Intra-group syndicated loans (note 19)	-	-	125,000	116,504
	3,915	3,512	140,522	128,314

17. Current asset investments

	Group		Company	
	2010	2009	2010	2009
Bank deposits	£000	£000	£000	£000
Money market deposits	1,033	1,116	-	-

18. Creditors

	Group		Company	
	2010	2009	2010	2009
Amounts falling due within one year	£000	£000	£000	£000
Debt (note 19)	2,520	2,446	-	-
Bank overdraft (note 19)	42	43	-	-
Trade creditors	1,765	2,660	174	205
Rent and service charges received in advance	1,174	1,227	-	-
Social Housing Grant received in advance	59	1,311	-	-
Amounts owed to group undertakings	-	-	15,532	13,149
Recycled capital grant fund (note 20)	1,323	1,126	-	-
Disposal proceeds fund (note 21)	12	190	-	-
Corporation tax	248	530	8	-
Deferred tax	217	142	117	75
Other taxation and social security	180	438	82	236
Other creditors	523	450	-	-
Accruals and deferred income	4,994	4,810	1,446	1,458
Leaseholders funds	1,150	1,298	-	-
	14,207	16,671	17,359	15,123

Social Housing Grant and other grants received in advance will be utilised against capital expenditure in 2010/11 At 31 March 2010 Maritime had a short term loan totalling £15 5m (2009 £9 6m) from West Pennine, Wyre and the Company administered through the Company The Group debt of £2 5m (2009 £2 4m), falling due within one year, will be replaced by loans from the existing Group wide loan facilities At 31 March 2010 the Group had undrawn loan facilities of £25m (2009 £33 5m) Further details of the loan facilities are included in note 19

	Group		Company	
	2010	2009	2010	2009
Amounts falling due after more than one year	£000	£000	£000	£000
Recycled capital grant fund (note 20)	1,322	1,772	-	-
Disposal proceeds fund (note 21)	936	805	-	-
Deferred income - premium on debenture issue	365	405	-	-
Other creditors	325	16	-	-
Debt (note 19)	146,118	138,296	125,000	115,481
	149,066	141,294	125,000	115,481

19 Debt Analysis

	Group		Company	
	2010	2009	2010	2009
Due within one year	£000	£000	£000	£000
Bank loans and overdrafts (note 18)	2,562	2,489	-	-

	Group		Company	
	2010	2009	2010	2009
Due after more than one year	£000	£000	£000	£000
Bank loans (note 18)	146,118	138,296	125,000	115,481

	Group		Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
In one year or less (note 18)	2,562	2,489	-	-
Between one and two years	520	485	-	-
Between two and five years	9,760	9,550	-	-
In five years or more	128,338	120,761	125,000	115,481
	141,180	133,285	125,000	115,481
HACO 10 625% Sterling debenture repayable 2017	7,500	7,500	-	-
	148,680	140,785	125,000	115,481

The loans (other than the HACO debenture) are repayable by instalments due up to 40 years, and are at fixed and variable interest rates between 1 96% and 11 55% The balance within the Company represents parent indebtedness (net of capitalised loan set-up costs of £1m) under Group wide loan facilities This loan funding has been on-lent to the direct subsidiaries at terms that match the principal agreement The bank loans shown above, as repayable in less than 5 years, will be replaced with similar loans out of the existing facilities available At 31 March 2010 the Group had undrawn loan facilities of £25 0m (2009 £33 5m)

The Group uses its housing properties as security for all its existing loan facilities

20 Recycled capital grant fund

	Group		Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
At 1 April	2,898	4,076	-	-
Grants recycled	434	341	-	-
Interest accrued	10	111	-	-
Major repairs and works to existing stock	(64)	(165)	-	-
Purchase/development of properties	(633)	(1,465)	-	-
At 31 March	2,645	2,898	-	-

21 Disposals proceeds fund

	Group		Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
At 1 April	995	1,449	-	-
Net sale proceeds recycled	203	1,013	-	-
Interest accrued	2	62	-	-
Acquisition of dwellings for letting	(252)	(1,529)	-	-
At 31 March	948	995	-	-

22. Non-equity share capital

Allotted, issued and fully paid shares at £1 each	Company	
	2010	2009
	Number	Number
At 1 April	8	3
Issued during the year	-	6
Surrendered during the year	(1)	(1)
At 31 March	7	8

The shares provide members with the right to vote at general meetings, but do not provide any right to dividends or distribution on winding up

23 Movement on reserves

	Group			
	Designated Reserves	Restricted Reserves	Revenue Reserve	Total
	£000	£000	£000	£000
At 1 April 2009	2,625	505	21,199	24,329
Transfers (to) / from revenue reserves	-	(198)	198	-
Transfers from / (to) revenue reserves	150	334	(484)	-
	2,775	641	20,913	24,329
Surplus for the year	-	-	1,355	1,355
Actuarial loss relating to pension scheme	-	-	(691)	(691)
At 31 March 2010	2,775	641	21,577	24,993

	Company	
	Revenue Reserve	Total
	£000	£000
At 1 April 2009	153	153
Surplus for the year	71	71
At 31 March 2010	224	224

24. Capital commitments

	Group		Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	3,189	18,952	-	-
Capital expenditure that has been authorised but has not yet been contracted for	14,341	19,292	-	-
	17,530	38,244	-	-

Capital commitments include £14 1m of bids approved by the Homes and Communities Agency for the development of schemes from 2009 to 2011 Of the above £8 7m will be financed by Social Housing Grant with the balance financed through operating cashflows, borrowings which are available for draw down under existing loan arrangements and the Group's reserves

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

Group	2010	2009
	£000	£000
Operating surplus	9,805	9,339
Depreciation and impairment of tangible fixed assets	2,812	2,176
Pensions operating charge (FRS 17)	31	88
Pension contributions paid (FRS 17)	(116)	(117)
	12,532	11,486
Working capital movements		
Decrease / (increase) in stock	2,924	(396)
(Increase) / decrease in debtors	(403)	2,504
(Decrease) in creditors	(2,464)	(1,763)
Net cash inflow from operating activities	12,589	11,831

26 Reconciliation of net cash flow to movement in net debt

Group	2010	2009
	£000	£000
Decrease in cash	(1,831)	(672)
Cash flow from decrease in liquid resources	(83)	(139)
Cash flow from increase in debt	(7,896)	(1,509)
Loan set-up costs	-	370
Increase in net debt from cash flows	(9,810)	(1,950)
Net debt at 1 April	(136,737)	(134,787)
Net debt at 31 March	(146,547)	(136,737)

27. Analysis of net debt

Group	1 April 2009	Cash Flow	31 March 2010
	£000	£000	£000
Cash at bank and in hand	2,932	(1,832)	1,100
Bank overdraft	(43)	1	(42)
Changes in cash	2,889	(1,831)	1,058
Current asset investment	1,116	(83)	1,033
Loans	(140,742)	(7,896)	(148,638)
Changes in net debt	(136,737)	(9,810)	(146,547)

28. Operating leases

	Group		Company	
	2010	2009	2010	2009
Payments due in the year on agreements ending	£000	£000	£000	£000
Land and Buildings				
In one year or less	26	21	-	-
Between one and five years	35	34	-	-
	61	55	-	-
Office equipment and fittings, computer hardware and software and motor vehicles				
In one year or less	38	38	38	38
Between one and five years	195	196	190	190
	233	234	228	228

29 Contingent Liabilities

The Group had no contingent liabilities at 31 March 2010 (2009 nil)

30. Related parties

The following are subsidiaries whose results have been incorporated into the consolidated accounts on the basis of common control

Organisation	Status	Country of origin	Principal activity	Basis of control
Maritime Housing Association Limited	Industrial and Provident Society Act	England	Registered Provider	Control over Board membership
M&Y Joinery and Building Maintenance Limited	Companies Act	England	Repairs Contractor	Ownership of share capital and control over Board membership
Templar Housing Association Limited	Industrial and Provident Society Act	England	Registered Provider	Control over Board membership
West Pennine Housing Association Limited	Industrial and Provident Society Act	England	Registered Provider	Control over Board membership
Wyre Housing Association Limited	Industrial and Provident Society Act	England	Registered Provider	Control over Board membership
Wyre Developments Limited	Companies Act	England	Developments Agent	Control over Board membership

Under Financial Reporting Standard 8 disclosure is not required of transactions within the Group as the results of the subsidiaries are included within these financial statements

M&Y Joinery and Building Maintenance Limited is a subsidiary of Maritime Housing Association Limited Wyre Developments Limited is a subsidiary of Wyre Housing Association Limited The direct subsidiary Boards have tenant members who hold tenancy agreements on normal terms and cannot use this position to their advantage