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Assettrust Housing Limited

Report and Financial Statements

31 December 2010

Directors

Executive directors
G P C Mackay
F James
D Orchin

Non-executive directors
Sir Brian Unwin (Chairman)
P S Chapman

Auditors

Ernst & Young LLP
400 Capability Green
Luton LU1 3LU

Bankers

The Royal Bank of Scotland plc
135 Bishopsgate
London EC2M 3UR

Registered office

400 Capability Green
Luton
Beds LU1 3AE

Directors' report

The directors present their report and financial statements for the period ended 31 December 2010

Results and dividends

The consolidated loss for the period after taxation amounted to £5,516,165 (year ended 30 June 2009 – loss £5,128,498) The directors do not recommend the payment of a dividend (year ended 30 June 2009 – £nil).

Principal activities and review of the business

The principal activity of the Company and its subsidiaries ("the Group") is the acquisition of new build residential property in England and Wales that, on completion, is rented or made available for sale on an affordable basis via a shared ownership scheme Tenants and Owners are drawn from Local Authority nominations, referrals from zone agents and the private sector The Group is privately financed and does not use Government grant

The Company also provides management and administration services to other members of the Group The properties that the Group owns are managed under long term contracts by Registered Providers ("RP's") or Housing Associations However the Company has overall responsibility for

- acquisition of units
- sales and marketing of the shared ownership units
- management of any subsequent sales of the units or purchase of an additional share ('staircasing')
- overseeing the collection of rent and service charges; and
- management of the finances and banking facilities for the portfolio and subsequent portfolio sales

We sold the initial tranche of our last Shared Ownership property in December 2010 and so have a fully occupied portfolio of 580 Shared Ownership and 185 Social Rented properties The 2010 rent collection on the Shared Ownership portfolio was 98% and 96% for the Social Rented portfolio The board are very pleased with the management and operation of the portfolio during this time and we consider our achievement in selling 245 Shared Ownership properties over the 18 month period to be commendable given the state of the UK housing market over the period

The consolidated net loss of £5.52 million for the 18 month period is an improvement over the previous reporting period (£5 12 million for the year ended 30 June 2009) With the portfolio now fully occupied, the rental income covers the annual interest bill while subsequent staircasing will lead to surpluses being released to the profit and loss account from the embedded value in the residual portfolio.

Future outlook

During the period, we implemented our new strategy – moving from developing and selling initial tranches to acquiring existing occupied properties, with a specific focus on Shared Ownership There are over 120,000 Shared Ownership properties in the UK, owned by Housing Associations and we have engaged with over 80 of these to purchase part or all of their portfolio and are in contract for a number of such transactions

There is currently significant demand from institutional investors for long dated RPI linked cashflows and the Group is building on the skills and expertise developed in acquiring, funding and managing its existing Shared Ownership portfolio to structure investment opportunities to meet this demand

Directors' report

Principal risks and uncertainties

The Group will no longer be undertaking development and therefore will have no associated sales risk The income streams for the Group will be twofold

i) rent and staircasing from properties it acquires itself and

ii) management fees from portfolios it acquires and manages on behalf of other investors

We continue to pursue a number of options to extend the funding for the existing portfolio now that it is fully occupied and income generating and believe, specially following a corporate simplification, it forms an attractive investment opportunity

Post balance sheet events

The Group terminated a number of interest rate and inflation hedges at a total cost of £20 3m and this amount has been added to the existing loan facilities

Going concern

The Group's business activities, together with the factors likely to affect its future development, its performance and position are set out in the directors' report Details of the bank loans and borrowings are given in note 11 and 12 to the financial statements and whilst certain of the Group's facilities expired in October 2011 the principal bank have indicated they have no current intention to demand repayment within a 12 month period and they continue to support the business in its aims of achieving a refinance or repayment of those facilities within such a timeframe. The directors are confident that the facilities in place are sufficient to meet the Group's needs for the foreseeable future (see note 1 to the financial statements). Accordingly the directors continue to adopt the going concern basis in preparing these financial statements

Directors of the company

The directors who served the company during the period were as follows

Sir Brian Unwin	(Chairman)
P S Chapman	
G P C Mackay	
F Newell	(resigned 31 March 2011)
F James	
D Orchin	

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting

On behalf of the Board

Sir Brian Unwin
Director

18 July 2012

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company 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 group and company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent auditor's report

to the members of Assettrust Housing Limited

We have audited the financial statements of Assettrust Housing Limited for the period ended 31 December 2010 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group and Parent Company Balance Sheets, the Group Statement of Cash Flows and the related notes 1 to 20 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 directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors 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

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 group's and parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

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 company's affairs as at 31 December 2010 and of the group's loss for the period 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 Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements

Independent auditor's report

to the members of Assettrust Housing Limited (continued)

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 parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent 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

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the group's and the company's ability to continue as a going concern The conditions described in note 1 indicate the existence of a material uncertainty which may cast significant doubt about the group's and the company's ability to continue as a going concern The financial statements do not include the adjustments that would result if the group or the company was unable to continue as a going concern

A Clewer (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Luton

15/7/12

Group profit and loss account

for the period ended 31 December 2010

	Notes	*18 months ended 31 December 2010* £	*Year ended 30 June 2009* £
Turnover	2	18,373,311	9,934,303
Cost of sales		18,852,926	10,194,479
Gross loss		(479,615)	(260,176)
Administrative expenses		(5,751,815)	(4,994,273)
Other operating income		4,204,532	2,072,339
Operating loss	3	(2,026,898)	(3,182,110)
Bank interest receivable		20,580	72,812
Bank interest payable and similar charges		(7,230,693)	(5,289,334)
Loss on ordinary activities before taxation		(9,237,011)	(8,398,632)
Tax	6	-	2,904
Loss on ordinary activities after taxation		(9,237,011)	(8,395,728)
Minority interests		3,720,846	3,267,230
Loss for the financial period		(5,516,165)	(5,128,498)

There were no differences between the reported loss and the historical cost loss for the financial period

Statement of total recognised gains and losses

for the period ended 31 December 2010

	Notes	*18 months ended 31 December 2010* £	*Year ended 30 June 2009* £
Loss for the financial period		(5,516,165)	(5,128,498)
Surplus on revaluation of investment properties	16	20,754,207	–
Total recognised gains and losses relating to the period		15,238,042	(5,128,498)

Group balance sheet
at 31 December 2010

	Notes	*31 December 2010* £	*30 June 2009* £
Fixed assets			
Tangible assets	8	41,382,825	15,998,612
Current assets			
Properties held for sale		72,970,102	84,301,123
Debtors	10	601,099	1,358,056
Cash at bank		1,471,601	4,020,003
		75,042,802	89,679,182
Creditors: amounts falling due within one year	11	121,728,291	19,035,678
Net current (liabilities)/assets		(46,685,489)	70,643,504
Total assets less current liabilities		(5,302,664)	86,642,116
Creditors: amounts falling due after more than one year	12	7,117,314	110,579,290
Net liabilities		(12,419,978)	(23,937,174)
Capital and reserves			
Called up share capital	15	505	505
Profit and loss account	16	(21,409,677)	(15,893,512)
Revaluation reserve	16	20,754,207	–
	16	(654,965)	(15,893,007)
Minority interests		(11,765,013)	(8,044,167)
		(12,419,978)	(23,937,174)

The financial statements were approved by the Board of Directors on and were signed on its behalf by

18 July 2012

Sir Brian Unwin
Director

Company balance sheet
at 31 December 2010

	Notes	31 December 2010 £	30 June 2009 £
Fixed assets			
Investments	9	255	255
Tangible assets	8	–	–
		255	255
Current assets			
Debtors	10	1,898,959	1,567,246
Cash at bank		14,059	41,194
		1,913,018	1,608,440
Creditors: amounts falling due within one year	11	11,076,968	9,128,943
Net current liabilities		(9,163,950)	(7,520,503)
Total assets less current liabilities		(9,163,695)	(7,520,248)
Capital and reserves			
Called up share capital	15	505	505
Profit and loss account	16	(9,164,200)	(7,520,753)
Shareholders' deficit		(9,163,695)	(7,520,248)

The financial statements were approved by the Board of Directors on 18 July 2012 and were signed on its behalf by

Sir Brian Unwin
Director

Group cash flow statement

for the period ended 31 December 2010

	Notes	*18 months ended 31 December 2010* £	*Year ended 30 June 2009* £
Net cash inflow/(outflow) from operating activities	17(a)	6,546,675	(46,478,278)
Returns on investments and servicing of finance			
Interest received		20,580	72,812
Interest paid		(7,089,478)	(5,141,582)
		(7,068,898)	(5,068,770)
Financing			
Net movement in borrowings	17(b)	(1,742,697)	52,844,303
(Decrease)/increase in cash		(2,264,920)	1,297,255

Reconciliation of net cash flow to movement in net debt

for the period ended 31 December 2010

	Notes	*18 months ended 31 December 2010* £	*Year ended 30 June 2009* £
(Decrease)/increase in cash		(2,264,920)	1,297,255
Cash outflow/(inflow) from net decrease/(increase) in loans	17(b)	1,742,697	(52,844,303)
Movement in net debt in the period		(522,223)	(51,547,048)
Net debt at 1 July	17(b)	(106,842,779)	(55,295,731)
At 31 December / 30 June	17(b)	(107,365,002)	(106,842,779)

Notes to the financial statements

at 31 December 2010

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention

Fundamental accounting concept

The financial statements have been prepared on the going concern basis, notwithstanding the net current liabilities of £46 7m and net liabilities of £12 4m

The Group and the Company rely primarily on the support of principal shareholder for operating costs and their banks for debt facilities

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern

A letter of support has been issued by the principal shareholder to Assettrust Housing Limited confirming his continued support to the company to meet its operating cash flows

Bank debt is secured against the group's property investments which the Directors consider have a market value in excess of the carrying value in the financial statements Details of the maturity of the Group's financial liabilities are set out in note 11 and 12

The Board has prepared a working capital forecast which shows that the peak borrowing requirement of the Group remains within the headroom of these facilities at all times throughout the 12 months and whilst certain of the Group's facilities expired in October 2011 the principal bank have indicated, subject to the current on demand nature of their facility and assuming that the business continues to perform in line with expectations, they have no current intention to demand repayment within a 12 month period and they continue to support the business in its aims of achieving a refinance or repayment of those facilities within such a timeframe The Directors consider that this will enable the Company and the Group to continue to meet their liabilities as they fall due for payment

Over this period the principal sensitivities considered in the forecasts relate to the interest rate relative to LIBOR and the ability of the group to generate cash from realising property investments via staircasing The Board also review regularly the various repayment and refinancing options currently being pursued.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements However, the financial statements do not contain the adjustments that would result if the Company and the Group were unable to continue as a going concern and, therefore, that they may be unable to realise their assets and discharge their liabilities in the normal course of business

Basis of consolidation

The group financial statements consolidate the financial statements of Assettrust Housing Limited and all its subsidiary undertakings drawn up for each period. No profit and loss account is presented for Assettrust Housing Limited as permitted by section 408 of the Companies Act 2006

Revenue recognition

Turnover comprises revenue recognised by the group in respect of sales of development properties and rental income from investment properties exclusive of VAT Sales of properties are recognised on exchange of contracts provided that completion has taken place prior to the finalisation of the financial statements Rental income is recognised on an accruals basis

Notes to the financial statements

at 31 December 2010

1. Accounting policies (continued)

Other operating income

Other operating income comprises incidental rental income from properties held for sale, which is recognised on an accruals basis

Properties held for sale

Properties held for sale are valued at the lower of cost, including incidental expenses, and net realisable value

Fixed assets

All fixed assets are initially recorded at cost

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life as follows

Equipment	– over 3 years
Investment properties	– nil, see below

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Investment properties

Certain of the group's properties are held for long-term investment. Investment properties are accounted for in accordance with SSAP 19, as follows

(i) Investment properties are revalued at the end of each accounting period The surplus or deficit on revaluation is transferred to the revaluation reserve unless a deficit below original cost, or its reversal, on an individual investment property is expected to be permanent, in which case it is recognised on the profit and loss account for the period, and

(ii) No depreciation is provided in respect of leasehold investment properties where the lease has over 20 years to run.

Although the Companies Act would normally require the systematic periodic depreciation of fixed assets, the directors believe that the policy of not providing depreciation is necessary in order for the financial statements to give a true and fair view, since the current value of investment properties, and changes to that current value, are of prime importance rather than a calculation of systematic depreciation Depreciation is only one of the many factors reflected in the periodic valuation, and periodic amount which might otherwise have been included cannot be separately identified or quantified

Investments

Investments are accounted for at the lower of cost and net realisable value

Convertible loans

Convertible loans are classified as financial liabilities until the conversion right is exercised under the terms described in note 12 'Creditors amounts falling due after more than one year'

Notes to the financial statements

at 31 December 2010

1. Accounting policies (continued)

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with following exceptions

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings are initially recognised at net proceeds After initial recognition debt is increased by the finance cost in respect of the reporting period and reduced by payments made in the period

Finance costs of debt are allocated over the term of the debt at a constant rate on the carrying amount.

Pensions

Defined contributions have been made to certain employees' personal pension plans The assets of these plans are held separately from those of the group The pension cost charge represents contributions payable by the group to the plans There were no amounts prepaid or accrued at the period end.

2. Turnover

Turnover comprises revenue recognised by the group in respect of sales of development properties and rental income from investment properties exclusive of VAT All turnover is derived from activities in the UK

	Period ended 31 December 2010	*Year ended 30 June 2009*
	£	*£*
Sale of development properties	16,961,259	9,343,451
Rental income	1,412,052	590,852
	18,373,311	9,934,303

In addition, revenue of £4,205,169 (year ended 30 June 2009 – £2,072,339) in respect of incidental rental of available for sale units has been included in other operating income.

Notes to the financial statements

at 31 December 2010

3. Group operating loss

This is stated after charging.

		Period ended 31 December 2010 £	Year ended 30 June 2009 £
Auditors' remuneration	- audit *	157,100	168,700
	- taxation	37,700	37,150
	- other	43,200	10,000

* - £11,700 (year ended 30 June 2009 – £11,700) of this relates to the company

4. Directors' remuneration

	Period ended 31 December 2010 £	Year ended 30 June 2009 £
Aggregate remuneration in respect of qualifying services	443,582	387,125
Contributions paid to money purchase pension schemes	15,000	15,000

	Period ended 31 December 2010 No	Year ended 30 June 2009 No
Number of directors accruing benefits under money purchase schemes	1	1

	Period ended 31 December 2010 £	Year ended 30 June 2009 £
In respect of the highest paid director:		
Aggregate remuneration	207,734	125,160

Notes to the financial statements
at 31 December 2010

5. Staff costs

	Period ended 31 December 2010	*Year ended 30 June 2009*
	£	*£*
Wages and salaries	924,829	974,910
Social security costs	102,344	111,076
Other pensions costs	2,969	5,833
	1,030,142	1,091,819

The average monthly number of employees during the year was made up as follows

	Period ended 31 December 2010	*Year ended 30 June 2009*
	No	*No*
Administration	4	10
Management	5	6
	9	16

6. Tax

(a) Tax on loss on ordinary activities

The tax credit is made up as follows:

	Period ended 31 December 2010	*Year ended 30 June 2009*
	£	*£*
Current tax		
UK corporation tax	–	–
Tax overprovided in prior years	–	(2,904)
Total current tax (note 6(b))	–	(2,904)

Notes to the financial statements

at 31 December 2010

6. Tax (continued)

(b) Factors affecting current tax credit

The differences are reconciled below

	Period ended 31 December 2010 £	*Year ended 30 June 2009* £
Loss on ordinary activities before tax	(9,237,011)	(8,398,632)
Loss on ordinary activities multiplied by standard rate of corporation tax of 28% (30 June 2009 – 28%)	(2,586,363)	(2,351,617)
Expenses not deductible for tax purposes	5,329	11,970
Short term timing differences	1,119,998	7,765
Utilisation of brought forward tax losses	(194,720)	(136,620)
Tax overprovided in prior years	–	(2,904)
Tax losses not utilised carried forward	1,655,756	2,468,502
Total current tax (note 6(a))	–	(2,904)

(c) The deferred taxation asset not recognised in the financial statements is as follows

	31 December 2010 £	*30 June 2009* £
Tax losses available	7,335,432	6,157,194
Depreciation in advance of capital allowances	1,296	1,344
Short term timing differences	31,246	32,404
Total unrecognised deferred tax	7,367,974	6,190,942

No provision has been made for deferred tax on gains recognised on revaluing property to its market value Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided for the period is £5,603,636 (2009 – £nil) At present it is not envisaged that any tax will become payable in the foreseeable future

(d) Factors affecting future tax charge

The Finance Act 2010 included legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011 The reported deferred tax asset has therefore been reduced to reflect the reduction in rate to 27%.

The Finance Bill 2011 includes legislation to reduce the main rate of corporation tax to 26% from 1 April 2011 and 25% from 1 April 2012. As this had not been substantively enacted at the balance sheet date, the reported deferred tax asset has not been reduced The impact of the rate reductions will be reported in the next reporting period following substantive enactment of the relevant legislation.

The Government has also indicated that it intends to enact future reductions in the main tax rate to 24% from 1 April 2013 and 23% from 1 April 2014

Notes to the financial statements

at 31 December 2010

7. Loss attributable to members of the parent company

The loss dealt within the financial statements of the parent company is £1,643,447 (30 June 2009 – £1,727,912)

8. Tangible fixed assets

Group

	Equipment	*Investment properties*	*Total*
	£	*£*	*£*
Cost			
At 1 July 2009	6,992	15,998,612	16,005,604
Reclassification from properties held for sale	–	4,630,006	4,630,006
Surplus on revaluation	–	20,754,207	20,754,207
At 31 December 2010	6,992	41,382,825	41,389,817
Depreciation			
At 1 July 2009 and 31 December 2010	6,992	–	6,992
Net book value			
At 31 December 2010	–	41,382,825	41,382,825
At 1 July 2009	–	15,998,612	15,998,612

No depreciation is provided on investment properties The directors considered the market value of the properties to be in line with the above valuation The investment properties were valued by CB Richard Ellis Limited as at 10 December 2010, on the basis of open market value in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors. The historical cost of investment properties included at valuation is £20,628,618

Company

	Equipment
	£
Cost	
At 1 July 2009 and 31 December 2010	6,992
Depreciation	
At 1 July 2009 and 31 December 2010	6,992
Net book value.	
At 1 July 2009 and 31 December 2010	–

Notes to the financial statements

at 31 December 2010

9. Investments

	Shares in subsidiary undertakings
	£
Cost and net book value	
At 1 July 2009 and 31 December 2010	255

The company owns 100% of the 'B' ordinary shares in Assettrust Housing Investments Limited, an intermediate holding company. These shares carry 51% of the voting rights of all shares in issue

Assettrust Housing Investments Limited owns 100% of the ordinary share capital of Assettrust Housing Projects Limited, an investment holding company Assettrust Housing Projects Limited owns 100% of the ordinary share capital of the companies listed below The shares are held through subsidiary undertakings.

Funding company

The principal activity of this company is the arrangement and provision of group financing

AHL Shared Ownership Borrower Limited

Holding companies

The principal activity of these companies is to be the holding companies for investment and trading companies.

AHL C&A Holdings Limited
AHL City Quarter Holdings Limited
AHL The Forge Holdings Limited
AHL Hunton Bridge Wharf Holdings Limited
AHL Langley Holdings Limited
AHL Southfields Holdings Limited

The principal activity of these companies is engagement in investment opportunities in the UK affordable housing market

AHL C&A Investments Limited
AHL City Quarter Investments Limited
AHL The Forge Investments Limited
AHL Hunton Bridge Wharf Investment Limited
AHL Langley Investments limited
AHL Southfields Investments Limited

Notes to the financial statements

at 31 December 2010

9. Investments (continued)

Trading companies

The principal activity of these companies is engagement in development opportunities in the UK affordable housing market

AHL C&A Trading Limited
AHL City Quarter Trading Limited
AHL The Forge Trading Limited
AHL Garratt Lane Trading Limited
AHL Hunton Bridge Wharf Trading Limited
AHL Langley Trading Limited
AHL Pall Mall Trading Limited
AHL Pan Peninsula Trading Limited
AHL Point Pleasant Trading Limited
AHL Riverside Court Trading Limited
AHL Southfields Trading Limited
AHL Woodlands Village Trading Limited
AHL Woolwich Arsenal Trading Limited
AHL Worcester Waterside Trading Limited

10. Debtors

		Group		*Company*
	31 December 2010	*30 June 2009*	*31 December 2010*	*30 June 2009*
	£	*£*	*£*	*£*
Amounts owed by group undertakings	–	–	1,888,887	1,539,103
Other debtors	601,099	1,358,056	10,072	28,143
	601,099	1,358,056	1,898,959	1,567,246

11. Creditors: amounts falling due within one year

		Group		*Company*
	31 December 2010	*30 June 2009*	*31 December 2010*	*30 June 2009*
	£	*£*	*£*	*£*
Bank loans	101,719,279	–	–	–
Bank overdrafts	10	283,492	–	128,957
Trade creditors	2,564,174	2,848,815	1,854,896	2,293,270
Amounts owed to group undertakings	–	–	1,777,070	720,259
Other taxes and social security	70,512	53,371	69,081	44,299
Other creditors	15,828,579	13,647,120	7,240,028	5,822,805
Accruals and deferred income	1,545,737	2,202,880	135,893	119,353
	121,728,291	19,035,678	11,076,968	9,128,943

Notes to the financial statements

at 31 December 2010

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

	Group		Company	
	31 December 2010	*30 June 2009*	*31 December 2010*	*30 June 2009*
	£	*£*	*£*	*£*
Bank loans	5,409,348	109,833,945	–	–
Convertible loans	1,707,966	745,345	–	–
	7,117,314	110,579,290	–	–

Included within bank loans are balances of £5,409,348 (30 June 2009 – £5,333,040) which are repayable in July 2017 and are secured by a charge over the group's assets Interest is payable as follows

On facility A 0 75% above LIBOR plus mandatory cost

On facility B 1 25% above LIBOR plus mandatory cost

The convertible loans do not carry any right to interest but carry a right of conversion into 75% of the equity in Assettrust Housing Projects Limited The conversion right may be exercised at any time by the lenders of more than 50% of the loans, in which case the whole amount will convert and all investors will receive their proportionate share of 75% of the equity in the company

13. Contingent liabilities

There is a group VAT registration in place which includes the parent company, funding company, holding companies and trading companies. Under this arrangement the group has joint and several liability for amounts due to H M Revenue and Customs.

There are fixed and floating charges over the assets of certain companies in the group to secure amounts actually or contingently owed in respect of a facility and facility fee in the name of Assettrust Housing Investments Limited Assetrust Housing Investments Limited is a subsidiary of Assettrust Housing Limited At 31 December 2010 the total amount owed under the facility was £75,546,328 (30 June 2009 – £78,530,495)

There are fixed and floating charges over the assets of certain companies in the group to secure amounts actually or contingently owed in respect of a facility and facility fee in the name of AHL Shared Ownership Borrower Limited Assettrust Housing Limited is the ultimate parent undertaking of AHL Shared Ownership Borrower Limited At 31 December 2010 the total amount owed under the facility was £26,497,559 (30 June 2009 – £26,791,928)

There is a fixed charge over the company's investment in AHL Southfields Investment Limited to secure amounts owed in respect of a facility in the name of both AHL Langley Investment Limited and AHL Southfields Investment Limited At 31 December 2010 the total amount owed under the facility was £5,478,101 (30 June 2009 – £5,417,547)

Notes to the financial statements

at 31 December 2010

14. Transactions with the directors

	(Payable)/ receivable at 1 July 2009	*Recharge-able expenses*	*Loan*	*Payments*	*Fees*	*(Payable)/ receivable at 31 December 2010*
	£	*£*	*£*	*£*	*£*	*£*
G P C Mackay	(3,640,120)	(428,846)	(1,924,125)	562,855	–	(5,430,236)
P S Chapman	(20,119)	–	–	50,314	(40,457)	(10,262)
D Orchın	(621)	(8,412)	–	9,033	–	–
F Newell	(886)	(2,785)	–	3,671	–	–
S J Hussey	(72,643)	–	(11,446)	–	–	(84,089)
R J Millıken	(78,843)	–	(15,422)	–	–	(94,265)

S J Hussey and R J Mıllıken are dırectors of Assettrust Housıng Investments Lımıted and Assettrust Housıng Projects Limıted

15. Issued share capital

Group and parent company		*31 December 2010*		*30 June 2009*
Allotted, called up and fully paıd	*No*	*£*	*No*	*£*
'A' ordınary shares of £0 01 each	49,500	495	49,500	495
'B' ordınary shares of £0 01 each	1,000	10	1,000	10
		505		505

The 'A' ordınary shares and the 'B' ordınary shares rank parı passu in all respects other than that the 'B' ordınary shares do not carry votıng rıghts.

16. Reconciliation of shareholders' funds and movement on reserves

Group	*Share capıtal*	*Profit and loss account*	*Revaluatıon reserve*	*Total share-holders' funds*
	£	*£*	*£*	*£*
At 1 July 2008	505	(10,765,014)	–	(10,764,509)
Loss for the year	–	(5,128,498)	–	(5,128,498)
At 1 July 2009	505	(15,893,512)	–	(15,893,007)
Loss for the perıod	–	(5,516,165)	–	(5,516,165)
Surplus on revaluatıon of ınvestment propertıes	–	–	20,754,207	20,754,207
At 31 December 2010	505	(21,409,677)	20,754,207	(654,965)

Notes to the financial statements

at 31 December 2010

16. Reconciliation of shareholders' funds and movement on reserves (continued)

Company	*Share capital* £	*Profit and loss account* £	*Total share-holders' funds* £
At 1 July 2008	505	(5,792,841)	(5,792,336)
Loss for the year	–	(1,727,912)	(1,727,912)
At 1 July 2009	505	(7,520,753)	(7,520,248)
Loss for the period	–	(1,643,447)	(1,643,447)
At 31 December 2010	505	(9,164,200)	(9,163,695)

17. Notes to the statement of cash flows

(a) Reconciliation of group operating loss to net cash inflow/(outflow) from operating activities

	Period ended 31 December 2010 £	*Year ended 30 June 2009* £
Group operating loss	(2,026,898)	(3,182,110)
Transfer of properties from stock to fixed assets	(4,630,006)	(8,505,787)
Decrease/(increase) in properties held for resale	11,331,021	(36,170,788)
Decrease/(increase) in debtors	756,958	(169,923)
Increase in creditors	1,115,600	1,550,330
Net cash inflow/(outflow) from operating activities	6,546,675	(46,478,278)

(b) Analysis of net debt

	At 1 July 2009 £	*Cash flow* £	*At 31 December 2010* £
Cash at bank and in hand	4,020,003	(2,548,402)	1,471,601
Bank overdrafts	(283,492)	283,482	(10)
	3,736,511	(2,264,920)	1,471,591
Bank loans	(110,579,290)	1,742,697	(108,836,593)
	(106,842,779)	(522,223)	(107,365,002)

Notes to the financial statements

at 31 December 2010

18. Related party transactions

	(Payable)/ receivable at 1 July 2009 £	Rechargeable expenses £	Loan £	Payments £	(Payable)/ receivable at 31 December 2010 £
Bivar Limited	(797,517)	(172,285)	(6,000)	97,818	(877,984)
Hometrack Data Systems Limited	(592,065)	(200,726)	(605,766)	1,184,158	(214,399)
PXS Limited	(4,290,289)	1,293	(34,233)	6,024	(4,317,205)
Part Management Limited	–	3,760	–	–	3,760
Statuslist Limited	(540,000)	–	(3,000)	7,967	(535,033)
Hometrack Co UK Limited	(1,054,858)	–	–	–	(1,054,858)
Touchdown Relocation Limited	(41,870)	–	–	–	(41,870)

G P C Mackay is a director and shareholder of the above companies and of Assettrust Housing Limited

19. Controlling party

In the opinion of the directors the ultimate controlling party is G P C Mackay

20. Post balance sheet events

The Group terminated a number of interest rate and inflation hedges at a total cost of £20 3m and this amount has been added to the existing loan facilities