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Board Members, Executive Directors, Advisors and Bankers as at 31 March 2010

Board Members

Chair Baroness Julia Neuberger

Vice Chairs Paul Hendrick *(resigned November 2009)*
Hugh Lake

Ordinary members Ozay Ali
Nigel Duerdoth
Tunji Faleyeh
Jatinder Saini *(resigned March 2010)*
Alan Winter
Mick Sweeney
Terry Stacy
Ann Lucas *(appointed June 2009)*

Chief Executive Mick Sweeney

Group Finance Director Barry Aspland *(resigned October 2009)*
Martin Heys *(appointed October 2009)*

Company Secretary Fiona Markey

Solicitors	Devonshires Solicitors	Lewis Silkin LLP	Trowers & Hamblins LLP
	Salisbury House London Wall London EC2M 5QY	5 Chancery Lane Clifford's Inn London EC4A 1BC	Sceptre Court 40 Tower Hill London EC3N 4DX

Bankers Barclays Bank plc
1 Churchill Place
London E14 5HP

Auditors BDO LLP
Emerald House
East Street
Epsom KT17 1HS

Registered Office 100 Chalk Farm Road
London NW1 8EH
Tel: 020 8821 5100

Tenant Services Authority
Registration No. L4492

Charitable Industrial &
Provident Society No. 30236R

Operating and financial review for the year ended 31 March 2010

Activities

One Housing Group (OHG) is a non charitable, non housing property holding parent Registered Provider of Social Housing that brings together three housing associations and their subsidiaries under a group structure (the Group): Community Housing Association Limited (CHA), Toynbee Housing Association Limited (THA) and Island Homes Housing Association Limited (IH). The Group currently owns more than 10,000 homes, and has sustainable growth plans for the future. Together the Group operates in 26 local authorities across London and adjacent counties.

OHG also trades through a number of entities, including One Support, the Group's care and support arm; Community Action Limited (CA), a registered charity; and Citystyle Living Limited (CSL), which manages the Group's market rented properties.

OHG's main purpose is to provide central, strategic and corporate management services to its three subsidiaries with each retaining the role of providing local neighbourhood management services. OHG is responsible for the strategic planning and direction of the Group and ensuring that the corporate services such as IT, finance, personnel and development functions meet the members needs. The Group is diverse and operates in the following key business streams:

- General needs housing for rent, primarily for families who are unable to rent or buy at open market rates. General needs properties include newly built homes as well as housing transferred from Local Authorities;
- Supported housing and care and support for people who need additional housing related support or additional care;
- Developing and delivering new high quality, affordable homes to meet the urgent housing need that still exists across London and adjacent counties;
- Low cost home ownership, primarily shared ownership, whereby residents purchase a share in the equity of their homes and pay rent to the housing association on the remainder;
- Temporary social housing (the Homeless Families Initiative) helping local authorities address homelessness by providing good quality temporary accommodation as an alternative to bed and breakfast;
- Resident involvement framework and community investment programme that involves residents through a combination of consultation and participatory mechanisms;
- Community investment strategy, which promotes social inclusion, and a range of employment and training initiatives;
- Commercial property let to commercial users which contribute to the social and economic regeneration of the communities where the Group works.

Group Structure

The Group consists of the following organisations:

- **OHG**, the parent company is a non-charitable non-housing property holding parent Registered Provider of Social Housing responsible for the strategic planning and direction of the Group and ensuring that the corporate services such as IT, finance, personnel and development functions meet the members' needs;
- **CHA** was formed in 1972 and registered with the Tenant Services Authority (formerly the Housing Corporation) in 1975. CHA is a leading developer of social housing in the UK and a housing provider that delivers a range of affordable housing and related services across a number of London Boroughs. CHA owns about 5,600 homes and also holds a 50% share in a Joint Arrangement Not an Entity (JANE) called Canalside Housing Partnership. Since the formation of the Group in August 2007 CHA has been registered as a subsidiary of OHG;
- **THA** was formed in 1962 in association with Toynbee Hall and is one of the leading providers of social housing and related services operating across ten local authorities including the City of London, Tower Hamlets, Newham, Waltham Forest and a further six authorities in Berkshire. THA owns about 3,600 homes. Since the formation of the Group in August 2007 THA has been registered as a subsidiary of OHG;
- **IH** was formed in December 2005 to take the stock transfer of 1,984 homes on the Isle of Dogs from the London Borough of Tower Hamlets. Since the formation of the Group in August 2007 IH has been registered as a subsidiary of OHG;
- **CSL** is a company limited by shares which owns and manages the Group's market rented properties. On formation of the Group it remained a subsidiary of CHA;
- **CHA Ventures Limited (CV)** is a company limited by shares and a commercial subsidiary which lets all development contracts on behalf of the Group;
- **CA**, a registered charity, was formed in 2002 and undertakes fundraising activities on behalf of the Group. On formation of the Group in August 2007 CA remained a subsidiary of CHA.
- **Toynbee Partnership Housing Association (TPHA)** was formed in 1988 to manage low cost home ownership and the sale of outright units. It is a non-charitable housing association and remained a subsidiary of THA.
- **Toynbee Keyside Housing Association Limited** was formed to enable the Group to diversify its activities and is registered under the Industrial and Provident Societies Act 1965. It is a subsidiary of THA and to date has remained dormant;
- **Central Street LLP** is a 50% joint venture between CV and Mount Anvil Group Limited. The LLP was formed in 2008 to develop property.

Operating and financial review

for the year ended 31 March 2010

Business Objectives, Strategies and Performance Indicators

The Group shares a commitment to providing excellent services to residents and to contributing to the social and economic regeneration of the communities where the Group operates.

The Group's key objectives are as follows:

- Improve the quality of people's lives through the provision of well-designed, affordable homes and services that benefit diverse communities;
- Deliver first class quality services to residents and service users with excellent customer care;

- Contribute to the social and economic regeneration of the communities in which we work to create diverse, sustainable communities;
- Deliver support and care services that bring real life improvements and independence for vulnerable in our communities;
- Create a growing organisation where staff and residents feel both valued and involved;
- Be responsive to the needs of our residents and partners and develop effective solutions to improve our homes and services and our communities.

Service Delivery	Business Strategy	Plan	Performance Indicators
Services to residents	Work with residents to deliver quality services with investment in our properties, neighbourhoods and communities	<ul style="list-style-type: none"> • Further develop flexible resident involvement mechanisms • Raise quality of day to day repairs • Significant investment to exceed Decent Homes Standard • CA to deliver sustainable community investment projects 	<ul style="list-style-type: none"> • Rent arrears • Repairs response time • Average re-let time • Rent loss from voids and bad debts • Customer satisfaction
Development	Aim to be a quality developer that specialises in affordable housing	<ul style="list-style-type: none"> • Achieve Homes and Communities Agency allocation for 2008-11 • Develop an outright sales programme using joint venture models to cross-subsidise housing for rent • Become a regional South East developer with local service delivery 	<ul style="list-style-type: none"> • New units into management by stock type • Development cost per unit • Development cost to grant ratio
Care & support	To use choice, innovation and technology to provide top class accommodation, support and care that delivers real life improvements and independence to customers	<ul style="list-style-type: none"> • Provide real choice to the most vulnerable people • Use technology and IT to help vulnerable and older people to live independently • Deliver extra care retirement housing for sale • Provide complex needs, supported housing, for mental health vulnerable young people 	<ul style="list-style-type: none"> • Customer satisfaction • Income and cost per client • Maximise the return on the support scheme • Value for money to local authority client

Service Delivery	Business Strategy	Plan	Performance Indicators
Regeneration of neighbourhoods	To work with residents in diverse communities to change neighbourhoods and to build sustainable communities	<ul style="list-style-type: none"> • Complete 5,000 homes by way of refurbishment and regeneration programme by 2012 • Participate in future major regeneration projects • Build a long-term strategy for our £60m commercial portfolio to help regenerate communities through shops, offices and business spaces 	<ul style="list-style-type: none"> • Customer satisfaction • Bidding success in regeneration schemes
Finance	To responsibly deploy the Group's financial strength to build more homes and deliver quality services to residents and communities	<ul style="list-style-type: none"> • To improve operational efficiency including treasury management and re-financing gains • Employ a robust risk management policy and practice at main board level to secure sustainable, managed growth • Raise competitive private finance • Re-invest in existing homes, improve front line services and social inclusion initiative • Generate cross-subsidy for affordable homes through a new housing for sale programme over the next three years • Integrate financial and business systems regularly reviewing their effectiveness ensuring efficiencies are being delivered • To deliver value for money services to our residents 	<ul style="list-style-type: none"> • Measure actual performance against budget and forecast targets • Raise the private finance required to meet the Group's financing requirements • To regularly review the effectiveness of our systems and processes • Benchmark costs and services against other top performing organisations
Human Resources	To build a motivated, skilled, responsive staff team committed to the delivery of Group business plans and social objectives.	<ul style="list-style-type: none"> • Make the Group an attractive place to work with clear performance targets • Invest in and develop staff, rewarding good performance. Be a dynamic, innovative, flexible and efficient employer • Focus on recruitment and retention of quality staff with training and development programmes helping staff to achieve their potential • To be clear in our purpose, focussing on customers, delivery and quality. • Promote clear positive communication with staff and other stakeholders 	<ul style="list-style-type: none"> • Staff turnover • Staff absence • Investment in training and development • Staff satisfaction • Staff appraisals

Operating and financial review

for the year ended 31 March 2010

Operating Review

The Group is a major provider of affordable rented, shared equity and supported housing located in London and Berkshire. The Group also provides other accommodation ranging from private rented accommodation to commercial property.

During the year the Tenant Services Authority (TSA) assessment of compliance of OHG against the regulatory code did not change. OHG is compliant in all three areas of evaluation being governance, viability and management.

During the year, OHG secured £88m of grant funding of which £65m was received in the year. In addition to the initial £38m grants allocated as part of the 2008-11 National Affordable Housing Programme (NAHP), OHG secured a further £50m through the Regular Market Engagements (RME) process.

Operational Performance Indicators

	CHA		THA		IH	
	Target	Actual	Target	Actual	Target	Actual
General needs rent collected	98.0%	101.7%	98.0%	99.1%	101.0%	100.9%
General needs rent arrears	5.3%	4.39%	5.3%	5.37%	5.3%	7.12%
General needs re-let times (days)	28	31.7	28	29.3	28	32.1
Rent loss through general needs voids	1.0%	0.96%	1.0%	0.93%	1.0%	0.62%
Emergency repairs completion within target	97.0%	95.8%	97.0%	97.8%	97.0%	95.2%
Urgent repairs completion within target	92.0%	93.1%	92.0%	92.8%	92.0%	92.5%
Routine repairs completion within target	95.0%	95.1%	95.0%	95.8%	95.0%	96.0%
Tenant satisfaction with repairs service	96.0%	95.2%	96.0%	95.0%	96.0%	93.5%
Tenant satisfaction with Customer Care Centre	90.0%	95.6%	90.0%	96.4%	90.0%	93.7
Tenant satisfaction with new handovers	98.0%	92.3%	98.0%	95.2%	98.0%	n/a

n/a = not applicable

In many areas of the Group's operational performance, a consistently high level of service has been achieved compared to last year. The improvement to services since the opening of the Customer Care Centre in January 2009 has now been fully recognised in the above annualised KPIs.

The progress of the development programme is regularly monitored against the following performance indicators:

- Capital expenditure against the budget
- Grant receipts by type
- Homes completed against the target

To monitor and control the diverse operating activities of the Group, the Board is provided with a series of performance indicators. Performance against selected key indicators for the period is presented below:

The standard of governance across the new Group since inception has been good. OHG endeavours to comply with the National Housing Federation (NHF) guidelines. For the year ending 31 March 2010, OHG did not comply with the NHF guideline on the length of service of Board Members but action has been taken to rectify this. Board membership continues to comply with the Group's rules.

Financial Review

The Group recognises that its primary business objective is to provide homes and services to people in need while at the same time ensuring that sufficient income is generated from its activities to meet operating costs, loan interest payments, support investment in new and existing homes and meets its loan covenants. The Group reinvests surpluses to provide services and new homes to deliver sustainable communities.

The Group made a surplus for the year of £7.3m compared to a surplus of £5.6m for the previous year. The Group turnover decreased by 3.5%, cost of sales decreased by 37.3% and operating costs increased by 9.9% which lead to an overall increase in the operating surplus of 4% to £23.6m. The favourable impact on the operating surplus has been increased due to a decrease in net interest costs reflecting the Group's higher proportion of variable rate debt funding at a time of historically low interest rates, offset by a decrease in the surplus on sales of housing properties due to a reduction in volumes and values. This has led to an overall increase in the surplus for the year by 31.3% to £7.3m.

OHG performance summary

	2009/10	2008/09
	£'000	£'000
Turnover	102,637	106,362
Cost of sales	(17,127)	(27,303)
Operating costs	(61,890)	(56,336)
Operating surplus	23,620	22,723
Net interest	(20,504)	(23,609)
Surplus on sale of housing properties	4,179	6,441
Surplus for the year	7,295	5,555
Gross margin (%)	23.01%	21.36%
Net margin (%)	7.11%	5.22%

The table above summarises the overall performance in the year. A key aspect of the asset management strategy of the Group is to continue its programme of spend on major repairs and improvements to its older properties. During the remaining 9 months the Group will continue to finalise and deliver on its planned maintenance programme, the objective of which is for the Group to meet the Decent Homes Standard by December 2010. The Group has designated £5.2m over the next 9 months to meet this target, the funding of which is to be met from operating surpluses and, where appropriate, by realising surpluses through the Group's policy of selling properties that are uneconomical to maintain as they become void.

The Board reviews the financial performance of the Group on a regular basis and in light of this assesses the risks facing the Group through a structured risk management process for the Group. In addition to standard risks facing any parent RP, such as managing income within a regulated rental regime and maintaining homes in a good condition, the Group has to manage the risks related to delivering a significant development programme.

The financial turmoil experienced through 2008-09 has lessened and whilst the UK technically emerged from recession in Q4 2009, political, economic, and social factors remain which will affect the housing market and the availability of corporate and residential mortgage lending. Within this environment the key risks most likely to influence the performance of the Group with reference to factors arising during 2010/11 are:

Securing capital grant to facilitate development

The Group retained its status as a preferred development partner with the Homes and Communities Agency (HCA) in 2009/10 and submitted successful bids which secured £88m in grant funding during the financial year. Following the general election and the appointment of a new coalition government, additional grant funding has been suspended at the present time however £19.4m of 2008-11 NAHP grant is still to be received in 2010/11. The policies, strategies and aims of the new government are likely to impinge on this sector in terms of grant availability, and subsequent funding of existing and new developments, and the Group will leverage on its preferred partner status so as not to be disadvantaged in this area.

Operating and financial review

for the year ended 31 March 2010

Financial review (continued)

Securing private finance to facilitate development

The availability of private finance to the social housing sector remains a risk. The Group takes this issue seriously and has embarked on a process of engaging with its existing and new lenders to achieve its long term financing requirements in a timely manner. The Group secured £45m of new lending in September 2009 and additional committed facilities of £10m in June 2009.

Cost of borrowing

The effects of the credit crunch continue to impact on the cost of finance. Whilst Bank of England base rate (Base) has remained at the historic low of 0.5% through this financial year, the Group's borrowing (where it is variable rate) is tied to LIBOR. Immediate term (one month / three month) LIBOR on which the Group funds its variable rate lending has been more stable through the year although there have been indications lately that markets expect these rates to move higher through late 2010.

Recent economic turbulence in the eurozone markets, notably the need for a US\$1 trillion package to support Eurozone members (mainly, but not limited to, Greece) and continued pressure on the sovereign ratings of Spain, Portugal, and Italy, coupled with concerns over global growth and UK inflation levels has caused UK government gilt and LIBOR volatility. Whilst the Group has benefitted from lower rates through this financial year, the level of variable rate funding does leave the Group open to interest rate risk. Consequently, the Group's Treasury Management policy is being implemented which includes continuing to manage the interest rate risks in a proactive manner, reviewing existing funding, and optimising the mix between variable and fixed rate lending over defined terms.

Group Borrowing	CHA £'000	CSL £'000	THA £'000	TPHA £'000	IH £'000	Group £'000	
Fixed rate borrowing	118,255	-	164,551	1,420	18,554	302,780	45%
Variable rate borrowing	252,996	11,803	77,701	13,559	5,859	361,918	55%
Total drawdown facility	371,251	11,803	242,252	14,979	24,413	664,698	
Undrawn facility	35,295	-	17,852	22,007	15,000	90,154	
Total available facility	406,546	11,803	260,104	36,986	39,413	754,852	

Achieving sales

The Group is not reliant on cash flow derived from first tranche or outright sales but it does derive a goodly proportion of income and cash flow from such. We continue to proactively manage market risks by, where necessary, moving sales based tenure programmes into rent (intermediate, Rent to HomeBuy) tenures with the intention of realising sales at a more opportune time. The Group continues to monitor the market closely and has developed strategies to mitigate the risks to cash flow from further variations in sales values and volume.

Asset management

The Board continues to express its strategic intention to provide investment to achieve Decent Homes "plus" Standards and this decision has been costed into short and long term financial plans. The funding of this is met by operating surpluses and realising surpluses through the Group's policy of selling properties that are uneconomical to maintain as they become void.

Supporting People (SP) contracts

These contracts now comprise a significant proportion of income for the Group. These tend to be high volume, low margin business with funding from local councils. There have been policy changes in SP contracts at that level and we continue to regularly monitor and review the risks and our controls associated with the SP programme in specific regard to our contract portfolios.

Capital Structure and Treasury

The Group is financed by a combination of retained reserves, long-term loan facilities and Social Housing Grant (SHG) funding. The treasury team operates within strict policies and procedures, approved by the Group Board, designed to maintain an efficient capital structure while minimising the Group's liquidity and interest rate risk. Borrowings are shown in Note 14 in the financial statements but are in summary below.

Maturity Period	CHA £'000	CSL £'000	THA £'000	TPHA £'000	IH £'000	Group £'000
Within 1 year	2,087	-	678	-	-	2,765
Between 1 and 2 years	2,309	-	735	-	-	3,044
Between 2 and 5 years	23,060	-	3,204	-	-	26,264
After 5 years	343,795	11,803	237,635	14,979	24,413	632,625
	371,251	11,803	242,252	14,979	24,413	664,698

The Group manages its exposure to interest rates through a mix of variable and fixed rate borrowings and approved hedging arrangements. The Group's average cost of capital during the year was 3.69%.

Cash Flow

The Group consolidated Cash Flow Statement shows that the Group generated cash of £46.8m from operations which includes £16.6m proceeds from first tranche sales. A total of £105.5m of expenditure on new development schemes and capital works to existing stock were funded by SHG of £112.7m, proceeds from property disposals and staircasing sales of £10.9m and a reduction in cash holdings and net draw down of loans.

Compliance with loan covenants

The borrowings were drawn in the individual operating companies and all the financial loan covenants were met through the year and at the year end.

Value for money

OHG is committed to being an efficient organisation delivering value for money services to our residents. OHG is a member of Housemark and have set systems in place to benchmark services both internally; between subsidiaries and departments and externally; where we compare the cost and performance of our services with other registered providers operating in a similar area.

OHG has committed to deliver savings of 2.5% over the next five years by reducing management overhead costs. Cash savings released will be re-invested to improve services for current and future residents.

Accounting policies

The principal accounting policies of the Group are set out on pages 20 to 23. The policies with the most impact on the financial statements are the treatment of capital grant, capitalisation of interest and development costs, the calculation of housing property depreciation and shared ownership accounting. These policies have been consistently applied across the Group for the year.

Going Concern

The Group Board has made enquiries and examined significant areas that could give rise to financial exposure and are satisfied that no material or significant exposures exist other than as reflected in these financial statements and that the Group has adequate resources to continue its operations for the foreseeable future. For this reason the going concern principal has been to be applied in preparing these financial statements.

Statement of compliance

The Operating and Financial Review has been prepared in compliance with the Accounting Standard Board statement of best practice "Reporting Statement: Operating and Financial Review" (the Reporting Statement).

Statement of Board members' responsibilities

for the year ended 31 March 2010

Board members' responsibilities

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

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

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social landlords (2008) have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board members are responsible for keeping adequate accounting records that are sufficient to show and explain the Association's transactions and disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, the Industrial and Provident Societies (Group Accounts) Regulations 1969, the Housing 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. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board 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).

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

Corporate governance

for the year ended 31 March 2010

The Board is committed to a high standard of corporate governance and regularly reviews its policies and procedures in this area. The key aspects of the Group's current policies and procedures are detailed below.

The Board

The Board meets regularly to review the strategic direction, financial and overall performance of the Group. The Chief Executive, in consultation with the Chair, produces an agenda for each meeting supported by papers. Senior management members are available at Board meetings to present these papers and provide answers to questions. The Board decides strategy and has a formal schedule of matters reserved for its decision. Authority is delegated to the Chief Executive and Executive Management team for implementing strategy and managing the Group.

The Board comprises 9 Board members. Other than the Chief Executive who is also a Board member, all Board members are non-executive. The ordinary members embrace a broad range of experience at a senior level in matters of finance, corporate governance, property development, housing policy and risk management.

All Board members are briefed and are aware of their responsibilities to bring independent judgement on all issues and are informed on appointment of the procedure for obtaining professional advice at the Group's expense. Regular site visits, presentations and meetings with senior management and advisors are arranged to ensure that all Board members are kept informed of their responsibilities, the Group's activities and objectives and the environment in which it operates. In addition, the Chief Executive and senior management team are fully accessible to all Board members and maintain regular contact with them.

Board Committees

The Board formally delegates specific responsibilities to the following committees, which are supported by members of the Executive Management team:

The Group Audit and Controls Committee (GACC)

This Committee comprises four Board members. It meets at least three times a year and assists the Board in fulfilling its responsibilities in respect of the financial statements and the other annual regulatory returns to the TSA. It also reports to the Board on the accounting policies and systems of internal control appropriate for the Group, on conclusions from risk management and internal control reports. The External and Internal Auditors attend key meetings and have direct access to the Chair of the committee. The committee keeps the relationship between the Association and its auditors under review and considers their independence, including the extent of their fees from non-audit services.

Remuneration Committee

This committee comprises four Board members and is responsible for the pay and remuneration of the Board and executive.

Appointments Committee

This committee comprises five members, being the Group chair, a vice chair of OHG and the Chairs of the three regional Registered Providers of Social Housing. It is responsible for the recruitment of Board members, the Board member appraisal system and generally advises on corporate governance issues.

Subsidiary Company Governance

At year-end, the Group's main subsidiaries were CHA, THA and IH. Each of these Registered Providers of Social Housing has a separate Board of Management.

Board statement on internal control

for the year ended 31 March 2010

OHG is committed to meeting the high standards of corporate governance. The OHG Board (Group Board) recognises and accepts that it is responsible for 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 can only provide reasonable, and not absolute, assurance against misstatement or loss. The Group Audit and Controls Committee (GACC) has received reports from management on the implications of Housing Corporation internal controls assurance circular 07/07 and GPN 15, and as a result of these deliberations the Group Board is prepared to make this statement.

The Group Board believes that the Group's system of internal controls is proportionate, and provides reasonable assurance that the Group is not exposed to material misstatement or loss.

The Group Board confirms that the key processes for identifying, evaluating and managing the significant risks faced by OHG have been in place throughout the year under review up to and including the date of approval of the annual report and financial statements.

Some of the key policies and processes that the Group Board has established to provide effective internal control are as follows:

- Clear delegated powers to Board sub committees, regional Boards, the subsidiary company Boards, the Chief Executive and Directors.
- The adoption of a five year corporate plan and a thirty year financial plan, reviewed annually.
- Adoption of comprehensive performance indicators reviewed quarterly.
- Established Risk Management processes including annual Group Board review.
- Documented policies and procedures on all key operational areas.
- Establishment of a Fraud Register and related processes including the review of the register at GACC meetings.
- Adoption of a three year internal audit programme monitored by the GACC.

- Group Board review of the external audit management letter, and GACC members' interview with BDO without directors present.
- Review of the performance standards return and review of all regulatory reports.
- Staff are fully conversant with key controls and procedures relating to financial operational systems.

The Group has in place an Anti-Fraud Policy which is aimed at tackling fraud, corruption, theft and breaches of regulations. There is a Fraud Response Plan which is aimed at ensuring the Group responds promptly to fraud or fraud allegations and is able to recover its assets where necessary.

The Group completed in May 2010 a Governance Review of all its Internal Financial Control Monitoring Arrangements.

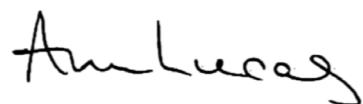
The Group Board cannot delegate ultimate responsibility for the system of internal control, but it is able to delegate authority to the GACC to regularly review the effectiveness of the system of internal control, which it has done. The Group Board receives minutes from the GACC meetings.

The means by which the GACC reviews the effectiveness of the system of internal control include considering risk reports, internal audit reports, management assurances, the external audit management letter and specialist reviews.

The GACC has received an annual review of the effectiveness of the system of internal control for the Group, together with the annual report of the Internal Auditor, and has reported its findings to the Group Board via the minutes of its meetings. The Group Board can confirm that there are no significant problems in relation to internal controls which require disclosure in the financial statements.

The Group Board confirms that there have been no regulatory concerns which have led the Tenant Services Authority to intervene in the affairs of the Group neither are there significant problems in relation to failures of internal controls which required disclosure in the annual report and financial statements.

On behalf of the Board



Ann Lucas
Chair of Group Audit and Controls Committee
16 July 2010

Report of the independent auditors

for the year ended 31 March 2010

We have audited the financial statements of One Housing Group Limited for the year ended 31 March 2010 which comprise the consolidated and association income and expenditure accounts, the consolidated and association balance sheets, the consolidated statement of total recognised surpluses and deficits, the consolidated note of historical cost surpluses and deficits, the consolidated cash flow statement, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the Board and auditors

The Board's responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of responsibilities of the Board.

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

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

We read other information contained in the Report of the Board, and consider whether it is consistent with the audited financial statements. This other information comprises only the operating and financial review and the Board statement on internal control. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Housing Act 1996 (to 31 March 2010), the Housing and Regeneration Act 2008 (from 1 April 2010) and Section 9 of the Friendly and Industrial and Provident Societies Act 1968 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the above statutes or has been expressly authorised to do so by our prior written

consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

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

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

Opinion

In our opinion the Group and Association financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and Association's affairs as at 31 March 2010 and of their results for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Industrial & Provident Societies (Group Accounts) Regulations 1969, 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.



BDO LLP, statutory auditor,
Epsom, Surrey,
United Kingdom

Date 22 July 2010

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

Consolidated income and expenditure account

For the year ended 31 March 2010

	Notes	2010 £'000	2009 £'000
Turnover	2	102,637	106,362
Cost of sales	2	(17,127)	(27,303)
Operating costs	2	(61,890)	(56,336)
Operating surplus	2	23,620	22,723
Share of joint venture operating surplus	10	-	-
Surplus on sale of housing properties	4	4,179	6,441
Interest receivable		915	1,411
Interest payable and similar charges	5	(21,378)	(25,043)
Other finance (expense) / income	30	(41)	23
Surplus for the year	6, 18	7,295	5,555

All amounts relate to continuing operations.

There is no material difference between the reported surplus for the year and the surplus for the year as reported on a historic cost basis.

Statement of total recognised surpluses and deficits

For the year ended 31 March 2010

	Notes	2010 £'000	2009 £'000
Surplus for the year		7,295	5,555
Unrealised surplus / (deficit) on revaluation of investment properties	7	975	(5,017)
Unrealised surplus / (deficit) on revaluation of non social housing letting properties	7	298	(3,352)
Actuarial deficit on pension fund	30	(1,977)	(561)
Total surpluses / (deficits) recognised since the last reporting period		6,591	(3,375)

The notes on pages 20 to 44 form part of these financial statements

Income and expenditure account – Parent

For the year ended 31 March 2010

	Notes	2010 £'000	2009 £'000
Turnover	2	14,874	14,349
Operating costs	2	(14,202)	(12,965)
Gift aid payment to group subsidiaries	2	(829)	(1,333)
Operating (deficit) / surplus	2	(157)	51
Interest receivable		-	7
(Deficit) / surplus on ordinary activities	6, 18	(157)	58
Tax on (deficit) / surplus on ordinary activities	25	-	-
(Deficit) / surplus for the year after tax		(157)	58

Turnover has been generated from continuing operations. The Parent has no recognised surpluses and deficits other than the surplus for the year.

Reconciliation of movements in Group's and Association's funds

For the year ended 31 March 2010

	Group		Association	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Opening total funds	74,007	77,481	(223)	(281)
Surplus / (deficit) for the year	7,295	5,555	(157)	58
Other gains and losses relating to the year	(704)	(8,930)	-	-
Amortisation of negative goodwill	(99)	(99)	-	-
Closing total funds	80,499	74,007	(380)	(223)

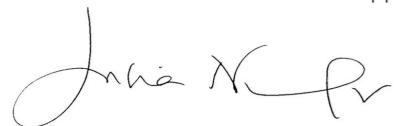
The notes on pages 20 to 44 form part of these financial statements

Consolidated balance sheet

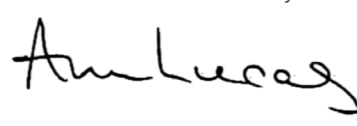
As at 31 March 2010

		Notes	2010 £'000	2009 £'000
Fixed assets	Housing properties at cost / valuation	7	1,354,094	1,280,642
	Less Social Housing Grant	7	(602,215)	(536,601)
	Less Other grants	7	(90,623)	(88,969)
			661,256	655,072
	Other fixed assets	8	10,541	11,076
	Long term investment	9	19,678	357
Investment in joint venture	Share of gross assets	10	12,836	1,915
	Share of gross liabilities	10	(10,598)	(965)
			693,713	667,455
Current assets	Properties developed for sale	11	16,457	3,501
	Debtors	12	47,976	75,447
	Short term deposits		12,286	4,192
	Cash at bank and in hand		56,600	32,484
			133,319	115,624
Creditors: amounts falling due within one year		13	(69,804)	(49,072)
Net current assets			63,515	66,552
Total assets less current liabilities			757,228	734,007
Creditors: amounts falling due after more than one year		14	672,447	657,831
	Provision for liabilities and charges	15	2,045	1,903
	Pension fund liability	30	2,237	266
Total provisions for liabilities and charges			4,282	2,169
Capital and reserves	Non-equity share capital	16	-	-
	Negative goodwill	17	5,494	5,593
	Revaluation reserve	18	9,749	8,476
	Restricted reserve	18	244	238
	Revenue reserve	18	65,012	59,700
	Total reserves		80,499	74,007
			757,228	734,007

These financial statements were approved and authorised for issue by the Board on 16 July 2010 and were signed on its behalf by:



Baroness Julia Neuberger
Chairperson



Ann Lucas
Member



Fiona Markey
Secretary

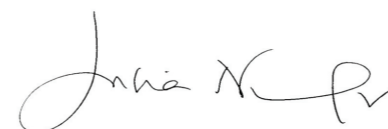
The notes on pages 20 to 44 form part of these financial statements

Balance sheet – Parent

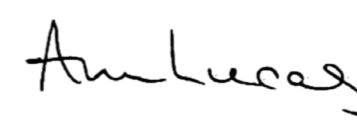
As at 31 March 2010

		Notes	2010 £'000	2009 £'000
Fixed assets	Other fixed assets	8	1,863	2,033
Current assets	Debtors	12	9,956	43,611
	Cash at bank and in hand		-	1,926
			9,956	45,537
Creditors: amounts falling due within one year		13	(12,199)	(47,793)
Net current liabilities			(2,243)	(2,256)
Total assets less current liabilities			(380)	(223)
Capital and reserves	Share capital	16	-	-
	Revenue reserve	18	(380)	(223)
Total reserves			(380)	(223)

These financial statements were approved and authorised for issue by the Board on 16 July 2010 and were signed on its behalf by:



Baroness Julia Neuberger
Chairperson



Ann Lucas
Member



Fiona Markey
Secretary

The notes on pages 20 to 44 form part of these financial statements

Consolidated cash flow statement

For the year ended 31 March 2010

	2010		2009	
	£'000	£'000	£'000	£'000
Net cash inflow from operating activities		48,025		6,583
Returns on investments and servicing of finance				
Interest received	915		742	
Interest paid	(25,729)		(33,343)	
Net cash outflow from return on investment and servicing of finance		(24,814)		(32,601)
Capital expenditure and financial investment				
Acquisition and construction of housing properties	(105,471)		(126,742)	
Purchase of other fixed assets	(658)		(3,738)	
Additional investment in joint venture	(1,288)		-	
Loan financing provided to joint venture	(19,321)		-	
SHG received	112,688		69,486	
Sales of housing properties	10,871		17,321	
Net cash flow from capital expenditure		(3,179)		(43,673)
Net cash inflow/(outflow) before use of liquid resources and financing		20,032		(69,691)
Management of liquid resources				
Short term deposits		(8,094)		(3,034)
Financing				
Housing loans received	17,876		93,943	
Housing loans repaid	(7,643)		(1,665)	
Net cash inflow from financing		10,233		92,278
Increase in cash in the year		22,171		19,553

The notes on pages 20 to 44 form part of these financial statements

Notes to the cash flow statement

For the year ended 31 March 2010

Reconciliation of net cash flow to movement in net debt

	2010	2009
	£'000	£'000
Increase in cash in the period	22,171	19,553
Cash inflow from increase in debt financing	(10,233)	(92,278)
Cash outflow from decrease in liquid resources	8,094	3,034
Changes in net debt resulting from cash flows	20,032	(69,691)
Net debt at start of the period	618,684	548,993
Net debt at end of the period	(598,652)	(618,684)
Movement in net debt in period	20,032	(69,691)

Reconciliation of operating surplus to net cash inflow from operating activities

	2010	2009
	£'000	£'000
Operating surplus	23,620	22,723
Non-cash items:		
Depreciation and amortisation	3,423	2,876
	27,043	25,599
Working capital movements:		
Change in debtors	1,241	(41,187)
Change in creditors	4,931	(1,344)
Change in properties developed for sale	14,810	23,515
Net cash inflow from operating activities	48,025	6,583

Analysis of net debt

	As at 1 April 2009	Cash Flow	Non Cash Flow	As at 31 March 2010
	£'000	£'000	£'000	£'000
Cash at bank and in hand	32,484	24,116	-	56,600
Bank overdraft	-	(1,945)	-	(1,945)
	32,484	22,171	-	54,655
Cash flow from increased liquid resources	4,192	8,094	-	12,286
Debt due after 1 year	(646,021)	(19,572)	2,765	(662,828)
Debt due within 1 year	(9,339)	9,339	(2,765)	(2,765)
	(618,684)	20,032	-	(598,652)

The notes on pages 20 to 44 form part of these financial statements

Notes to the financial statements

For the year ended 31 March 2010

1 Principal accounting policies

Basis of accounting

The financial statements have been prepared in accordance with applicable Accounting Standards, including the Statement of Recommended Practice 'Accounting by Registered Social Landlords' 2008 (the 'SORP'), the Accounting Requirements for Registered Social Landlords General Determination 2006, the Housing Act 1996 and the Industrial and Provident Societies Acts 1965 to 2002.

The financial statements are prepared on the historical cost basis of accounting as modified by the revaluation of investments and completed non social housing letting properties as well as treasury gilts.

Basis of consolidation

OHG is required by statute to prepare Group financial statements. The Group financial statements comprise those of the Parent, OHG and its subsidiary undertakings at 31 March 2010 (refer to note 27).

Investments in joint ventures are accounted for using the equity method per Financial Reporting Standard 9 "Associates and Joint Ventures". The consolidated income and expenditure account includes the Group's share of the undertakings surpluses less deficits while the Group's share of gross assets and liabilities is shown in the consolidated balance sheet.

Negative goodwill

Negative goodwill arising on the transfer of engagements represents the difference between the fair value of the consideration given and the fair value of the net assets acquired. It is included within reserves and amortised through the income and expenditure account in the period in which the fair value of the non-monetary assets acquired are recovered, whether through depreciation or sale.

Turnover

Group turnover represents first tranche shared ownership sales proceeds, rental and service charge income receivable, fees receivable, revenue grants from local authorities and the Homes and Communities Agency (HCA), and other income.

Parent turnover represents management fees and operating costs charged to subsidiary entities, which is eliminated on consolidation. Particulars of operating costs are therefore disclosed in each of the subsidiary entities financial statements.

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 & Customs. The balance of VAT payable or recoverable at the year end is included as a current liability or asset.

Development interest

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

- Interest on borrowings specifically financing the development programme after deduction of interest on Social Housing Grant (SHG) in advance, or
- Interest on borrowing 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.

The period of development is until practical completion of the scheme and only when development activity is in progress. Other interest payable is charged to the income and expenditure account in the year.

Supported housing managed by agencies

Where a subsidiary association holds the support contract with the Supporting People Administering Authority and carries the financial risk based on management's assessment of the financial risks detailed in each individual contract, all the project's income and expenditure is included in the Group's income and expenditure account (see Note 2).

Where the agency holds the support contract with the Supporting People Administering Authority and carries the financial risk based on management's assessment of the financial risks detailed in each individual contract, the income and expenditure account includes only that income and expenditure which relates solely to those subsidiaries. Other income and expenditure of projects in this category is excluded from the Group's income and expenditure account (Note 2 & 3).

Fixed assets – social housing properties

Housing properties are stated at cost which comprises their purchase price, together with incidental costs of acquisition, development costs and interest capitalised during the development period. Development costs include the capitalisation of the Group's own directly related employee costs from the direct labour force involved in the development process and directly attributable development and management costs and other direct costs.

SHG received is shown as a deduction from cost of properties. Under certain circumstances the SHG is repayable.

The Group has reviewed the useful economic lives of its housing properties. Depreciation is provided for on housing properties on a straight line basis in order to fully depreciate the properties over their useful economic life at the following rates.

Flats and Houses	60 - 150 years
Listed buildings	150 - 200 years

No depreciation is provided for on freehold land on which the properties are situated. Shared ownership properties are not depreciated as the Group holds only part of the equity as leaseholders are expected to acquire the remaining equity. The retained equity has been assessed by the Association as having a high residual value such that the depreciation is immaterial. No depreciation is charged in the year of addition and a full year's charge is made in the year of disposal excluding freehold land and shared ownership properties.

An impairment review is carried out annually on housing properties. Impairment losses are recognised in the income and expenditure account after taking account of any related capital grants.

Housing properties in the course of construction are stated at cost and not depreciated. Housing properties are transferred to completed properties when they are ready for letting.

Shared ownership and staircasing

Under shared ownership arrangements, the Group disposes of a long lease of shared ownership housing units to persons who occupy them, at a price equal to between 25% and 75% of the open market value (the 'first tranche'). The occupier has the right to purchase further proportions at the current valuation at that time up to 100% ('staircasing').

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

Proceeds of sale of first tranches are accounted for as turnover in the income and expenditure account, with apportioned cost being shown within operating results as the cost of sales. Where a development has been evaluated as one scheme but comprises more than one tenure such that one or more tenures is expected to generate a surplus whilst one or more of the other tenures has an equivalent use value below the costs less attributable grant, the full surplus on the scheme is not recognised but is reduced by the amount of the shortfall. This is described as 'cross subsidy to cost of sales' within note 7 to the financial statements.

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

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

Works to existing properties

The Group capitalises only that element of improvement expenditure on housing properties that adds value to the property, extends its useful life or increases the net rental stream over the life of the property in excess of the previously assessed standard of performance.

Capitalisation of administration costs

Administration costs relating to development activities are capitalised only to the extent that they are incremental to the development process and directly attributable to bringing properties into use.

Social Housing Grant (SHG)

Where developments have been financed wholly or partly by SHG, the cost of those developments has been reduced by the amount of the grant received.

SHG received for items of cost written off in the income and expenditure account are matched against those costs as part of turnover.

SHG can be recycled by the Group under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by the HCA. However, SHG may have to be repaid if certain conditions are not met.

Land acquired below market price and donated land

Where land is acquired below market price or land is donated it is recorded at its current market value taking into account any restrictions on the use of the land. The excess of the value above the purchase price is recognised in turnover where it is acquired from a non-public body and as a government grant where it is from a public body.

Provision for liabilities and charges

The Group provides for obligations that are either legal or constructive at the balance sheet date.

Notes to the financial statements

For the year ended 31 March 2010

1 Principal accounting policies (continued)

Properties developed for sale

Completed properties and property under construction for outright sale, including those for transfer to other housing associations and first tranche shared ownership development, are valued at the lower of cost and net realisable value and are shown as properties developed for sale under current assets. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Investments and non social housing letting properties

UK gilt investments, completed non social housing lettings properties and investment properties are revalued annually and the surplus or deficit is transferred to a revaluation reserve. Permanent diminutions are written off to the income and expenditure account in the year they arise, and any subsequent revaluation surplus is credited to the income and expenditure account up to the amount of the original charge, and then to the revaluation reserve.

In accordance with SSAP 19 investment and non social housing letting properties are not depreciated and the Management Board consider that this accounting policy, which represents a departure from statutory principles, results in the financial statements showing a true and fair view. Other fixed asset investments are shown at cost less provision for impairment.

Joint arrangements

The Group has certain contractual arrangements with other participants to engage in joint activities that do not create an entity carrying on a trade or business of its own. The Group includes its share of assets and liabilities in such joint arrangements, measured in accordance with the terms of the arrangements, which is pro-rata to the Group's interest in the joint arrangement.

Other fixed assets

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

Freehold offices	2%
Leasehold office property	over life of lease
Estate improvements (IH)	1.5% - 10%
Furniture and equipment	20%
Computer equipment	33.3%
Information systems	33.3%
Motor vehicles	25%

Freehold land is not depreciated. No depreciation is charged in the year of addition and a full years charge is made in the year of disposal.

Lease obligations

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

Finance issue costs and premiums

Finance issue costs have been set against the loans and will be amortised over the period of the loan.

Premiums on issue of loans have been included in the nominal value of the loans in the balance sheet and will be amortised over the period of the loan in accordance with FRS 4.

Loans are stated in the balance sheet at the amount of the net proceeds after issue plus increases to account for any amounts subsequently written off.

Financial instruments

The Group uses derivative financial instruments to reduce exposure to interest rate movements. Cash flows arising on interest rate products relating to hedged loans are adjusted for in interest payable. Financial liabilities are stated at historical cost at the point of initial recognition.

Deferred loan income

Where derivative contracts are terminated early and result in a payment to the Group on settlement, the gain arising is deferred and released to the income and expenditure account over the term of the underlying liability being the remainder of the original hedging arrangement.

Pension

The London Borough of Tower Hamlets and Social Housing Pension Schemes (SHPS) are multi employer schemes whose assets and liabilities cannot be allocated to the Group on a consistent and reasonable basis. The Group therefore accounts for these schemes as if they were defined contribution schemes with the income and expenditure account charged with the contributions payable for the year.

The Local Government Pension Scheme (LGPS) is also a multi employer defined benefit scheme where the Group's share of assets and liabilities can be allocated to the Group. The Group's share of the surplus or deficit is recognised in full in the Group balance sheet, with assets measured at market value and liabilities measured using the projected credit method. Actuarial gains and losses are recognised in the statement of recognised surpluses and deficits.

Current and past service costs are recognised as an operating expense. The unwinding of the discount on scheme liabilities along with the difference between the actual and expected return on scheme assets is included in the income and expenditure account as "other finance expense / income".

Further details in respect of all schemes are given in note 30.

Leaseholders' service charges

Service charges paid by leaseholders in advance of expenditure incurred on cyclical repairs are included in short-term creditors. Funds representing service charges paid in advance are held in a separately designated bank account.

Restricted reserves

Restricted reserves are subjected to restrictions on their expenditure imposed by the donor or through the terms of an appeal.

Recycled Capital Grant Fund (RCGF)

Where SHG on the sale of property is expected to be recycled it is credited to a fund which is disclosed within creditors. If the SHG cannot be appropriately reinvested it is repaid to the HCA.

Disposal Proceeds Fund (DPF)

Proceeds from the sale of Right to Acquire properties are calculated according to HCA rules and included in creditors.

Taxation

The parent and certain Group entities are non-charitable and subject to corporation tax on surpluses after the payment of gift aid to nominated charitable subsidiaries.

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

Group	2010			
	Turnover	Cost of sales	Operating costs	Operating surplus / (deficit)
	£'000	£'000	£'000	£'000
Income and expenditure				
Social housing lettings	60,979	-	(41,205)	19,774
Other Social Housing Activities				
Supporting people contract income	16,861	-	(15,893)	968
Development income and costs not capitalised	1,636	-	(2,669)	(1,033)
Shared ownership first tranche sales	16,625	(15,632)	-	993
Community regeneration	-	-	(641)	(641)
Total	35,122	(15,632)	(19,203)	287
Non-Social Housing Activities				
Lettings	2,840	-	(861)	1,979
Properties for outright sale	1,592	(1,427)	-	165
Commercial properties	1,567	-	(324)	1,243
Development for sale to other housing associations	70	(68)	-	2
Other	467	-	(297)	170
Total	6,536	(1,495)	(1,482)	3,559
Total	102,637	(17,127)	(61,890)	23,620

Notes to the financial statements

For the year ended 31 March 2010

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

Group	2009			
	Turnover	Cost of sales	Operating costs	Operating surplus
	£'000	£'000	£'000	£'000
Income and expenditure				
Social housing lettings	54,892	-	(37,599)	17,293
Other Social Housing Activities				
Supporting people contract income	13,662	-	(13,628)	34
Development income and costs not capitalised	2,161	-	(3,442)	(1,281)
Shared ownership first tranche sales	19,775	(17,627)	-	2,148
Community regeneration	-	-	(561)	(561)
Total	35,598	(17,627)	(17,631)	340
Non-Social Housing Activities				
Lettings	1,632	-	(700)	932
Properties for outright sale	10,563	(8,257)	-	2,306
Commercial properties	685	-	(33)	652
Development for sale to other housing associations	1,486	(1,419)	-	67
Other	1,506	-	(373)	1,133
Total	15,872	(9,676)	(1,106)	5,090
Total	106,362	(27,303)	(56,336)	22,723

See note 3 for a detailed analysis of the income and expenditure from social housing lettings.

Parent	2010		
	Turnover	Operating costs	Operating (deficit) / surplus
	£'000	£'000	£'000
Income and expenditure			
Non-Social Housing Activities			
Management for services for Group undertakings	14,842	(14,202)	640
Other income	32	-	32
Gift aid payment	-	(829)	(829)
	14,874	(15,031)	(157)

	2009		
	Turnover	Operating costs	Operating surplus
	£'000	£'000	£'000
Income and expenditure			
Non-Social Housing Activities			
Management for services for Group undertakings	14,325	(12,965)	1,360
Other income	24	-	24
Gift aid payment	-	(1,333)	(1,333)
	14,349	(14,298)	51

3 Particulars of income and expenditure from social lettings

Group	General Housing	Supported Housing	Low Cost Home Ownership	Temporary Housing	2010 Total	2009 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Turnover from social housing lettings						
Rents receivable net of identifiable service charges	40,148	5,193	6,080	1,655	53,076	46,989
Service charges receivable	4,143	1,165	1,641	3	6,952	6,343
Management fees	-	-	-	-	-	181
Supporting people contract income	-	24	-	-	24	127
Other rents and charges	187	-	-	-	187	187
Net rental income	44,478	6,382	7,721	1,658	60,239	53,827
Other revenue grants	436	122	-	10	568	670
Other income	125	3	44	-	172	395
Turnover from social housing lettings	45,039	6,507	7,765	1,668	60,979	54,892
Expenditure on social housing lettings						
Management	10,620	1,067	1,907	174	13,768	12,965
Services	5,453	2,432	2,086	28	9,999	8,232
Routine maintenance	4,988	1,011	425	56	6,480	6,495
Planned maintenance	1,581	407	112	36	2,136	2,611
Major repairs expenditure	4,123	361	82	26	4,592	3,238
Rent loss from bad debts	451	-	26	37	514	863
Property lease charge	137	182	5	-	324	320
Depreciation on housing properties	2,302	-	-	-	2,302	2,194
Depreciation on other fixed assets	1,189	-	-	-	1,189	780
Amortisation of negative goodwill	(12)	(87)	-	-	(99)	(99)
Operating costs on social housing lettings	30,832	5,373	4,643	357	41,205	37,599
Operating surplus on social housing lettings at 31 March 2010	14,207	1,134	3,122	1,311	19,774	17,293
Void Losses	457	427	183	75	1,142	1,928

The operating surplus is before interest costs are allocated.

Notes to the financial statements

For the year ended 31 March 2010

4 Surplus on sale of housing properties

	Group	
	2010 £'000	2009 £'000
Proceeds of sales including Right To Buy	7,846	14,800
Cost of sales	(4,502)	(9,014)
Transfer to Disposal Proceeds Fund (DPF)	(178)	(1,022)
Surplus	3,166	4,764
Shared Ownership		
	Group	
	2010 £'000	2009 £'000
Staircasing	3,024	2,522
Cost of sales	(2,011)	(845)
Surplus	1,013	1,677
Total surplus	4,179	6,441

5 Interest payable and similar charges

	Group	
	2010 £'000	2009 £'000
Gross interest on bank loans, overdrafts and other loans	25,729	33,344
Less: interest capitalised	(4,351)	(8,301)
	21,378	25,043

Capitalisation rate used to determine the finance costs capitalised during the period

3.78% 5.52%

6 Surplus for the year

Surplus for year after charging/(crediting):

	Parent		Group	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Depreciation on non housing fixed assets	725	260	1,189	780
Depreciation on housing properties	-	-	2,302	2,194
Amortisation of negative goodwill	-	-	(99)	(99)
Auditors' remuneration:				
in their capacity as auditors	6	14	67	120
in respect of other services	39	95	44	99
Operating lease charges				
property	426	426	426	426
other	186	219	274	337

7 Housing properties at cost / valuation – Group

	Housing Property		Shared Ownership		Market rented properties	Non Social Housing Letting Properties	Investment Properties	2010 £'000
	under construction	completed & available for letting	under construction	completed & available for letting				
Cost / valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At beginning of year	86,328	914,096	122,291	124,715	2,040	22,567	18,750	1,290,787
Additions: construction	71,467	-	26,477	75	-	348	-	98,367
Additions: works to existing properties	-	6,530	-	253	-	-	-	6,783
Completions in year	(93,028)	93,028	(54,077)	54,077	-	-	-	-
DPF disposals	-	(391)	-	-	-	-	-	(391)
Revaluation (refer note 18)	-	-	-	-	-	298	975	1,273
Disposals	-	(3,694)	-	(2,079)	-	(440)	-	(6,213)
Cross subsidy to cost of sales	-	(1,076)	-	-	-	-	-	(1,076)
Transfers within housing properties	200	-	-	-	-	(200)	-	-
Transfer to current assets	-	(845)	(3,448)	(20,460)	(887)	-	-	(25,640)
Transfer from current assets	-	795	-	1,690	-	-	-	2,485
Adjustment to first tranche percentage	-	-	-	108	-	-	-	108
At end of year	64,967	1,008,443	91,243	158,379	1,153	22,573	19,725	1,366,483
Depreciation								
At beginning of year	-	10,130	-	15	-	-	-	10,145
Charge for year	-	2,302	-	-	-	-	-	2,302
Disposal	-	(58)	-	-	-	-	-	(58)
At end of year	-	12,374	-	15	-	-	-	12,389
Social Housing Grant								
At beginning of year	16,658	442,700	47,512	29,731	-	-	-	536,601
Reclassification	15,666	(7,176)	(8,490)	-	-	-	-	-
Received in the year	52,604	-	12,110	-	-	-	-	64,714
Completions in year	(48,516)	48,516	(11,692)	11,692	-	-	-	-
Disposal & transfer to other associations	-	(118)	-	-	-	-	-	(118)
Disposals	-	(58)	-	-	-	-	-	(58)
Transfer to RCGF	-	(1,421)	(37)	(948)	-	-	-	(2,406)
RCGF utilised	3,001	-	-	481	-	-	-	3,482
At end of year	39,413	482,443	39,403	40,956	-	-	-	602,215
Other grants								
At beginning of year	11,449	63,985	5,959	7,576	-	-	-	88,969
Movement in the year	1,654	-	-	-	-	-	-	1,654
At end of year	13,103	63,985	5,959	7,576	-	-	-	90,623
Net book value								
As at 31 March 2010	12,451	449,641	45,881	109,832	1,153	22,573	19,725	661,256
As at 31 March 2009	58,221	397,281	68,820	87,393	2,040	22,567	18,750	655,072

Notes to the financial statements

For the year ended 31 March 2010

7 Housing properties at cost / valuation – Group (continued)

Housing properties comprise:	2010 £'000	2009 £'000
Freeholds	477,564	522,631
Long leaseholds	183,692	132,441
	661,256	655,072

Non social housing properties at cost / valuation of £22,573k (2009: £22,567k) comprise commercial properties under construction at cost of £1,255k (2009: £2,175k) and re-valued commercial completed properties at £21,318k (2009: £20,392k). The completed commercial properties included in non social housing lettings are valued annually and have been valued internally at the end of March 2010. The interim valuation was performed by the Group's Development Consultant, a Member of the Royal Institute of Chartered Surveyors and the basis of the valuation was open market value. There has been an increase in value of these completed properties giving rise to the above revaluation surplus of £298k (2009: £3,352k decrease). The last full external valuation was performed as at 31 March 2009 with a valuation of 20,392k.

The open market value of the freehold investment property was valued on 31 March 2010. An internal open market valuation was calculated by the Group's Development Consultant, a Member of the Royal Institute of Chartered Surveyors. The historic cost of these properties was £18,369k (2009: £18,369k).

Additionally, the Group's Development Consultant has estimated that the vacant possession market value of the Group's housing properties at the year end was £2,258m (2009: £2,119m) compared with the cost of £1,366m (2009: £1,291m). Additions to housing properties during the year included capitalised development department costs of £1,839k (2009: £1,896k).

Following the review of SHG completed and under construction during the year a reclassification has been made to the opening balance to reflect updated records.

Due to housing property development dating back many years, it has not been possible to determine the aggregate amount of capitalised interest included in the cost of fixed asset housing properties.

Works to existing properties

	Group	
	2010 £'000	2009 £'000
Works to existing properties added to housing properties	6,783	3,390
Add works to existing properties charged to the income and expenditure account	4,592	3,238
	11,375	6,628

Social Housing Grant (SHG)

Total SHG to date is as follows:	Group	
	2010 £'000	2009 £'000
Accumulated SHG grants deducted from housing properties - cost	602,215	536,601
Add cumulative amount credited to income and expenditure account	10,026	8,389
	612,241	544,990

8 Non-housing fixed assets - Group

	Freehold offices £'000	Leasehold offices £'000	Estate improve- ments £'000	Furniture & equipment £'000	Computer equipment £'000	Information systems £'000	Motor vehicles £'000	2010 Total £'000	2009 Total £'000
Cost									
At beginning of year	7,237	2,546	33	3,008	2,317	2,560	77	17,778	10,398
Additions	-	22	-	96	73	459	-	650	3,740
Disposals	-	-	(33)	(466)	(204)	(667)	(28)	(1,398)	(1,312)
Transfers from housing properties	-	-	-	-	-	-	-	-	6,397
Transfers to housing properties	-	-	-	-	-	-	-	-	(1,445)
At end of year	7,237	2,568	-	2,638	2,186	2,352	49	17,030	17,778

Depreciation

At beginning of year	274	718	33	2,409	2,040	927	51	6,452	5,969
Charge for year	178	37	-	222	119	631	2	1,189	780
Elimination on disposals	(2)	-	(33)	(468)	(204)	(667)	(28)	(1,402)	(203)
Transfer to housing properties	-	-	-	-	-	-	-	-	(94)
At end of year	450	755	-	2,163	1,955	891	25	6,239	6,452

Less other grants

At beginning of year	250	-	-	-	-	-	-	250	250
Received during year	-	-	-	-	-	-	-	-	-
At end of year	250	-	-	-	-	-	-	250	250

Net Book Value

As at 31 March 2010	6,537	1,813	-	475	231	1,461	24	10,541	11,076
As at 31 March 2009	6,713	1,828	-	599	277	1,633	26	11,076	4,179

Non-housing fixed assets - Parent

	Furniture & equipment £'000	Information systems £'000	2010 Total £'000	2009 Total £'000
Cost				
At beginning of year	400	1,893	2,293	779
Additions	96	459	555	1,514
At end of year	496	2,352	2,848	2,293

Depreciation

At beginning of year	-	260	260	-
Charge for year	94	631	725	260
At end of year	94	891	985	260

Net Book Value

As at 31 March 2010	402	1,461	1,863	2,033
As at 31 March 2009	400	1,633	2,033	779

Notes to the financial statements

For the year ended 31 March 2010

9 Long term investments

	Group	
	2010	2009
	£'000	£'000
UK Treasury Gilts 8% 2015	357	357
Other investment	19,321	-
	19,678	357

UK Treasury Gilts are charged to Housing Securities Limited to provide additional interest cover on borrowings in excess of £20,000,000. They are stated at value as at 31 March 2010.

Other investments represent CHA's investment in Central Street Developments LLP a 50% joint venture with CHA's subsidiary CHA Ventures Limited. The investment represents funding provided for the purchase of land, £7.4m and building of the development up to £20.5m.

10 Investment in joint venture

	Group	
	2010	2009
	£'000	£'000
Share of gross assets	12,836	1,915
Share of gross liabilities	(10,598)	(965)
	2,238	950

The consolidated financial statements include the Group's share of a 50% owned joint venture in Central Street Developments LLP whose principal activity is that of a property developer.

Central Street Developments LLP was incorporated on 27 February 2008 and produced financial statements for the year ended 31 December 2009. 31 December has been adopted as the year end date for Central Street Developments LLP as this is consistent with the JV partner, Mount Anvil's year end.

Central Street Developments LLP year end was 31 December 2009 and to date all costs have been of a capital nature and hence no profit or loss for the year ending 31 March 2010.

The Group's interest represents 50% of the partnership's interest which is held within CHA Ventures. Included above within gross liabilities is the group's share of a loan from one of the Group's other subsidiaries, Community Housing Association Limited, to the joint venture of £19.3m which is included within long term investments – other investments.

11 Properties developed for sale

	Properties developed for another housing association	Outright sales properties	First tranche shared ownership properties under construction	First tranche shared ownership properties completed	2010	2009
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April	-	-	-	3,501	3,501	27,016
Disposal to cost of sales	(68)	(1,371)	-	(13,371)	(14,810)	(24,115)
Tenure transfer to fixed asset housing properties	-	-	-	(2,485)	(2,485)	(2,040)
Transfer from fixed asset housing properties	-	1,732	3,448	20,460	25,640	2,390
Additions	68	-	4,651	-	4,719	250
Adjustment to first tranche percentages	-	-	-	(108)	(108)	-
At 31 March	-	361	8,099	7,997	16,457	3,501

The transfer from fixed asset housing properties represents amounts that were previously held as Rent To Homebuy properties where the form of tenure has changed during the year to traditional shared ownership. The amount transferred represents the original scheme cost apportioned to represent the first tranche element of the shared ownership development.

12 Debtors

	Parent		Group	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Rent arrears	-	-	8,150	7,782
Less provision for bad and doubtful debts	-	-	(3,882)	(3,955)
	-	-	4,268	3,827
Amounts due from group undertakings	9,577	43,449	-	-
Other debtors	36	42	2,435	3,616
Prepayments and accrued income	343	120	1,103	795
SHG receivable	-	-	660	27,004
Loan security deposits	-	-	39,510	40,205
	9,956	43,611	47,976	75,447

All debtors are due within one year

Loan security deposits represent cash held by counterparties as security for loans.

13 Creditors: amounts falling due within one year

	Parent		Group	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Bank overdraft	1,945	-	1,945	-
Housing and short term loans	-	-	2,765	9,339
Trade creditors	6,074	3,871	6,109	4,501
Amounts owing to group undertakings	2,820	42,222	-	-
Other taxation and social security costs	499	540	569	954
Other creditors	97	737	547	5,769
Accruals and deferred income	764	423	19,522	10,264
Rent and service charges paid in advance	-	-	2,725	3,020
Property deposits	-	-	1,155	689
SHG in advance	-	-	34,467	14,536
	12,199	47,793	69,804	49,072

Notes to the financial statements

For the year ended 31 March 2010

14 Creditors amounts falling due after more than one year

	Group	
	2010	2009
	£'000	£'000
Bank loans and borrowings	662,827	646,021
THFC loan premium	1,354	1,399
HSL loan premium	2,074	2,243
Loan issue costs	(4,322)	(3,071)
Deferred loan income	-	107
	661,933	646,699
Recycled Capital Grant Fund	3,660	4,699
Sinking funds	4,546	3,562
Disposal Proceeds Fund	2,308	2,871
	672,447	657,831

Debt Analysis

Due within one year

Housing and short term loans	2,765	9,339
------------------------------	-------	-------

Due after more than one year

Bank loans	661,933	646,699
Total loans	664,698	656,038

Housing loans repayable by instalments:

Within one year	2,765	1,914
Between one and two years	3,044	8,673
Between two and five years	25,664	17,942
After five years	532,133	575,470
	563,606	603,999

Housing loans not repayable by instalments:

Within one year	-	7,425
Between one and two years	-	1,000
Between two and five years	600	8,500
After five years	100,492	35,114
	664,698	656,038

Loans are secured by fixed charges on individual properties.

Loans are repaid by instalment and at maturity at fixed and floating rates of interest ranging from 0.75% to 12.14% (2009: 3.1% to 12.14%) with weighted average interest rate of 3.69% (2009: 5.52%). The final instalments / payments on maturity fall to be repaid into the period 2010 to 2037. As at 31 March 2010 the Group had undrawn loan facilities of £90.2 million (2009: £94.5 million).

Sinking funds are balances charged to tenants and then held on their behalf to cover potential repairs and maintenance in future years.

Recycled Capital Grant Fund (RCGF)

	Group	
	2010	2009
	£'000	£'000
RCGF as at 1 April	4,699	3,289
Grants recycled	2,406	1,922
Interest accrued	37	111
RCGF utilised on development	(3,482)	(623)
RCGF as at 31 March	3,660	4,699

Disposal Proceeds Fund (DPF)

	Group	
	2010	2009
	£'000	£'000
Balance as at 1 April	2,871	1,958
Addition in year	178	1,022
Interest accrued	16	102
DPF utilised on development	(757)	(211)
Balance as at 31 March	2,308	2,871

15 Provision for liabilities and charges

Group	Office	Housing	Pension	Utilities	Other	Total
	Dilapidations	Dilapidations	Provision	Provision	Provision	
	£'000	£'000	£'000	£'000	£'000	£'000
Opening balance 1 April 2009	40	822	579	462	-	1,903
Increase in provision	-	-	-	99	103	202
Decrease in provision	-	-	-	-	-	-
Utilisation of provision	(17)	(43)	-	-	-	(60)
Closing balance 31 March 2010	23	779	579	561	103	2,045

The majority of provisions at 31 March 2010 related to the Patchwork Community Housing Association Limited (Patchwork) transfer of engagements. Office dilapidations provision relates to the former Patchwork Office lease. The housing dilapidation provision relates to short life properties due to be handed back to London Borough of Enfield and Transport for London. The pension provision relates to the shortfall in funding on the SHPS as valued on an on-going basis by The Pension Trust relating to Patchwork's withdrawal. Refer to note 17 for further details.

The utilities provision relates to charges for utilities for the three prior financial years which came to management's attention during 2008/09.

Notes to the financial statements

For the year ended 31 March 2010

16 Non-equity share capital

	2010	2009
	£	£
Allotted, issued and fully paid shares of £1 each		
As at 1 April	11	11
Issued in year	1	-
Redeemed / cancelled in the year	(3)	-
As at 31 March	9	11

The share capital of the Parent consists of shares with a nominal value of £1 each, which carry no rights to dividends or other income. Shares in issue are not capable of being repaid or transferred. When the shareholder ceases to be a member, that person's share is cancelled and the amount paid up thereon becomes the property of the Parent. Therefore all shareholdings relate to non-equity interests; there are no equity interests in the Parent.

17 Negative goodwill

	Group	
	2010	2009
	£' 000	£' 000
Balance at 1st April	5,593	5,692
Amortised in the period	(99)	(99)
Balance at 31 March	5,494	5,593

On 31st December 2005, CHA acquired, through a transfer of engagement, the net assets and operations of Patchwork. This transaction was accounted for as the acquisition of a business in accordance with FRS 6 'Acquisition and Mergers'. The fair value of the net assets of Patchwork was assessed at acquisition and adjustments from book value made where necessary. Negative goodwill arises from the excess of housing and other assets over liabilities.

The negative goodwill is amortised over the remaining useful lives of the underlying housing properties being 60 years.

18 Reserves

Revaluation reserves

	Group	
	2010	2009
	£'000	£'000
As at 1 April	8,476	16,845
Revaluation surplus / (deficit) in the year	1,273	(8,369)
As at 31 March	9,749	8,476

The above revaluation reserve relates to both completed non social letting housing and investment properties re-valued as stated in note 7.

Restricted reserve

	Group	
	2010	2009
	£'000	£'000
At 1 April	238	174
Transfer from revenue reserve	6	64
At 31 March	244	238

The above restricted reserve relates to donations received by CA, a registered charity, and have been restricted as in accordance with donors instructions.

Revenue reserves

	Parent		Group	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
As at 1 April	(223)	(281)	59,700	54,770
Surplus / (deficit) for year	(157)	58	7,295	5,555
Transfer to restricted reserve	-	-	(6)	(64)
Actuarial loss on pension scheme	-	-	(1,977)	(561)
As at 31 March	(380)	(223)	65,012	59,700

Notes to the financial statements

For the year ended 31 March 2010

19 Directors emoluments

The directors are defined for the purpose of this note as members of the Board, the Chief Executive and the senior management team. Members of the Board (non-executive) received emoluments of £68,515 (2009: £95,029) in 2010. The total expenses reimbursed to the Board not chargeable to United Kingdom income tax were £18,971 (2009: £8,000).

Aggregate emoluments in respect of the senior management team (executive) including the Chief Executive are as follows:

	Parent		Group	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Emoluments excluding pension contributions	544	469	1,024	884
Compensation for loss of office	81	-	81	48
Pension contributions and benefits in kind	58	91	102	262
	683	560	1,207	1,194

The emoluments in respect of the highest paid director (Chief Executive) were as follows:

	Parent		Group	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Emoluments excluding pension contributions	169	166	169	166
Pension contributions	21	21	21	21
	190	187	190	187

The above director is an ordinary member of SHPS.

20 Employee information

	Parent		Group	
	2010 Number	2009 Number	2010 Number	2009 Number
Average monthly number of employees (FTE)				
Administration	60	73	63	77
Care	-	-	388	287
Developing or selling housing stock	24	28	30	38
Managing or maintaining housing stock	106	81	200	120
	190	182	681	522
Staff costs:	£'000	£'000	£'000	£'000
Wages and salaries	7,238	6,976	19,883	16,627
Social security costs	675	650	1,827	3,959
Other pension costs	418	454	843	730
	8,331	8,080	22,553	21,316

21 Contingent liabilities

As at 31 March 2010 there were contingent liabilities in respect of litigation and claims arising in the ordinary course of business of £200,000 (2009: £200,000).

22 Related party transactions

The following disclosures related to transactions with related parties that are either tenant Board Members or other Group entities.

Certain committee members, acting in a capacity of resident Board Members are tenants of the Group. Their tenancies are granted on the same terms and conditions and managed on the same basis as other tenants of the Group.

One non executive Board member is also associated with a related local authority and another related public entity. Any transactions with this local authority or the public entity are on normal commercial terms and they cannot use their position to their advantage.

CHA Ventures Limited, the development arm of the Group, provided development services to CHA and THA for which it charged a 5% mark up on the development costs. OHG charged £720K (2009: £nil) for development staff time on an arms length basis.

During the year OHG charged the following subsidiaries:

	2010 £'000	2009 £'000
<i>Housing Management and Management Services</i>		
CHA	7,962	8,197
THA	4,037	4,001
TPHA	808	602
IH	1,211	698
CSL	104	107
	14,122	13,605
<i>Development Staff Time</i>		
CHA Ventures	720	720
	14,842	14,325

During the year, THA transferred £0.029m (2009: £58.6m) of shared ownership properties on completion of the schemes to TPHA on an arms length basis. In addition, during the year TPHA transferred £1.8m of completed shared ownership housing properties to THA.

All other transactions with the subsidiaries are not separately disclosed in these financial statements on the grounds of materiality.

23 Capital commitments

	Group	
	2010 £'000	2009 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements:	307,197	143,008
Capital expenditure that has been authorised by the Board of Management but has not yet been contracted for:	115,465	304,329
	422,662	447,337
The Group expects to finance the expenditure above by:		
SHG and other grants receivable	123,519	161,209
Loan finance and reserves	73,975	227,208
Sales proceeds	225,168	58,920
	422,662	447,337

The above disclosure includes the current asset proportion of future shared ownership sales.

Notes to the financial statements

For the year ended 31 March 2010

24 Operating leases

The Group holds properties and office equipment under non cancellable leases. At 31 March 2010 the Group had annual commitments under these leases as follows:

	Group			
	2010		2009	
	Land & Buildings	Other	Property	Other
	£'000	£'000	£'000	£'000
Leases expiring in the first year	-	41	-	18
Leases expiring in the second to fifth year	-	107	-	110
Leases expiring in more than five years	426	-	426	-

25 Taxation

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	Parent	
	2010	2009
	£'000	£'000
Profit on ordinary activity before tax and gift aid	672	1,391
Current tax at 28% on above	188	389
Effects of:		
Permanent disallowable	1	1
Other timing differences	6	22
Tax losses utilised	-	(32)
Capital allowances in excess of depreciation	37	(8)
Tax payable	232	372
Less: gift aid	(232)	(372)
Total current tax charge	-	-

All entities within the Group are exempt from Corporation Tax on the charitable activities they perform apart from CSL, a residential property investment company, CV, which develops property for sale, TPHA, a non-charitable RP which specialises principally in shared ownership sales and the non housing property holding parent entity OHG.

Provision for Corporation Tax liabilities are made in the non-charitable entities to the extent that these liabilities are not mitigated by the gift aid of profits to the charitable RPs within the Group to fund additional social housing units.

Management consider that following gift aid payments made within the Group to charitable RPs no liability to Corporation Tax arises in the year (2009: £nil).

26 Housing stock

	Group	
	2010	2009
	Number	Number
Social Housing		
General needs housing	8,174	7,875
Leaseholder	1,180	1,024
Units on operating leases	3	3
Shared ownership units	1,377	1,294
Supported Housing units	1,353	1,060
Rent to HomeBuy	320	201
Total owned	12,407	11,457
Accommodation managed for others	155	238
Stock owned but not managed	(1,154)	(1,172)
Total owned and managed	11,408	10,523

Non social housing

Accommodation owned and managed

Market rented	116	116
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Accommodation managed for others

Market rented	9	9
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Units under development

	2,313	2,937
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27 Subsidiary undertakings

The following managed undertakings are subsidiaries by virtue of the parent controlling the composition of their Board and, in accordance with Financial Reporting Standards, the results of the undertakings are incorporated in the consolidated financial statements. Where indicated, subsidiaries are Registered Providers.

Name of undertaking	Country of registration	Principal activity
Community Housing Association Limited	UK RP	Letting and shared ownership
Citystyle Living Limited	UK	Management of market rented property
Community Action Limited	UK	Registered charity
CHA Ventures Limited	UK	Development of new social and non social housing units
One Housing Group Limited	UK RP	Parent company
Toynbee Housing Association Limited	UK RP	Letting and shared ownership
Toynbee Partnership Housing Association Limited	UK RP	Provision of low cost home ownership schemes
Island Homes Housing Association Limited	UK RP	Letting and shared ownership
Toynbee Keyside Housing Association	UK	Dormant

OHG is regarded by the Board as the ultimate parent undertaking of the above subsidiaries.

Notes to the financial statements

For the year ended 31 March 2010

28 Financial instruments

As at 31 March 2010, OHG had the following interest rate swaps:

£	Expiry	'Mark to Market' amount
25,000,000	29/7/37	£4,279,778 loss
20,000,000	13/6/13	£1,905,133 loss
15,000,000	19/1/37	£2,215,518 loss
15,000,000	19/1/37	£2,360,556 loss
25,000,000	26/6/28	£2,565,424 loss
15,000,000	14/11/25	£2,113,857 loss
9,250,000	14/11/25	£1,130,001 loss
Total		£16,570,267 loss

Total loan liabilities of £124,250,000 (2009:£124,250,000) are covered by seven interest rate swap contracts, using various rates of interest. Two contracts are amortising and five are non-amortising.

The 'Mark to Market' amount represents the valuation of OHG's profit or loss as at 31 March 2010 in the event of a termination of the swap contract at that date. These amounts are not recognised in OHG's financial statements at the balance sheet date.

29 Events after the balance sheet date

On 14th May 2010, CHA successfully reached an agreement with the Trustees of SHPS and as a consequence the previous liability for the pension provision shown in note 15 of £579k has been discharged post year end.

30 Pension obligations

Social Housing Pension Scheme (SHPS)

01. OHG participates in the SHPS through participating employers, CHA and THA (the Scheme). The Scheme is funded and is contracted out of the state scheme.

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

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

04. The last formal valuation of the Scheme was performed as at 30 September 2008 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £1,527 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £663 million, equivalent to a past service funding level of 69.7%.

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

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

07. OHG has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme based on the financial position of the Scheme as at 31 March 2010. As of this date the estimated employer debt for OHG was £23,408k for CHA and £7,321k for THA.

08. The transfer of engagements of Patchwork Community Housing Association (PCHA) to Community Housing Association was effected in January 2006 which potentially could be construed as a cessation event under the terms of the Occupational Pensions Schemes (Employer Debt) Regulations 2005 and thus triggers a section 75 debt from PCHA. Post year end CHA has successfully reached an agreement with the Trustees of SHPS and as a consequence the previous liability has been discharged.

Local Government Pension Scheme (LGPS)

09. On 5 December 2005 Island Homes Housing Association Limited (IH), a subsidiary of OHG, acquired 1,984 properties from the London Borough of Tower Hamlets as an estate transfer.

10. The Local Government Pension Scheme (LGPS) is a defined benefit statutory scheme, administered by the London Borough of Tower Hamlets in accordance with the Local Government Pension Scheme regulations 1997, as amended. It is contracted out of the state second pension.

11. Contributions to the scheme are determined by a qualified actuary on the basis of valuations, using the projected unit method. The latest formal valuation of the Fund for the purpose of setting employers' actual contributions was as at 31 March 2010.

12. LGPS is a multi-employer scheme. At the date of stock transfer which included the transfer of staff this was viewed as a cessation event. Accordingly, a valuation of the respective assets and liabilities was performed by a qualified independent actuary, Hymans Robertson in relation to the staff transferred, as required by FRS 17. This valuation is performed on an annual basis with the results shown below.

13. Financial assumptions

The financial assumptions used for the purposes of the FRS17 calculations as at 31 March 2006 to 31 March 2010 are shown in the table below.

London Borough of Tower Hamlets

Assumption as at	31 March 2010 % p.a	31 March 2009 % p.a.	31 March 2008 % p.a.	31 March 2007 % p.a.	31 March 2006 % p.a.
Price increases	3.8	3.1	3.6	3.2	3.1
Salary increases	5.3	4.6	5.1	4.7	4.6
Pension increases	6.9	6.2	3.6	3.2	3.1
Discount rate	5.5	6.9	6.9	5.4	4.9
Post-retirement mortality table	Males – PMA92 Females – PFA92	Males – PMA92 Females – PFA92	Males – PMA92 Females – PFA92	Males – PMA92 Females – PFA92	Males – PMA92 Females – PFA92

14. Mortality

Life expectancy is based on the PFA92 and PMA92 tables, projected to calendar year 2033 for non pensioners and 2017 for pensioners. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	20.8 years	24.1 years
Future pensioners	22.8 years	26.2 years

Notes to the financial statements

For the year ended 31 March 2010

30 Pension obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

15. Expected return on assets

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 31 March 2009 for the year to 31 March 2010).

The fair value of the assets attributed to IH and the expected returns as at 31 March 2008, 31 March 2009 and 31 March 2010 are shown in the table below:

Assets main fund	Value at			Expected return at		
	31st March 2010 £'000	31st March 2009 £'000	31st March 2008 £'000	31st March 2010 (% p.a.)	31st March 2009 (% p.a.)	31st March 2008 (% p.a.)
Equities	3,044	1,958	2,464	7.8	7.0	7.7
Bonds	1,015	911	904	5.0	5.4	5.7
Property	415	338	463	5.8	4.9	5.7
Cash	138	169	53	4.8	4.0	4.8
Change in valuation basis	-	-	17			
Total value of scheme assets	£4,612	£3,376	£3,901			

16. In accordance with the accounting requirements of FRS 17, the following items have been recognised in the financial statements of IH:

Impact on income and expenditure account

Analysis of amount charged to operating surplus:

	Year to				
	31 March 2010 £'000	31 March 2009 £'000	31 March 2008 £'000	31 March 2007 £'000	31 March 2006 £'000
Charged to operating cost					
Current service costs	83	129	198	343	63
Past service costs	-	66	-	-	-
Total operating charge (A)	83	195	198	343	63
Credited to other finance income					
Expected return on pension scheme assets	213	280	276	232	63
Interest on pension scheme liabilities	(254)	(257)	(232)	(201)	(58)
Net income (B)	(41)	23	44	31	5
Net income and expenditure charge (A-B)	124	172	154	312	58

Impact on income and expenditure account

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

	Year to				
	31 March 2010 £'000	31 March 2009 £'000	31 March 2008 £'000	31 March 2007 £'000	31 March 2006 £'000
Actual return less expected return on pension scheme assets	895	(999)	(512)	2	153
Experience gains and losses arising on the scheme liabilities	-	-	96	-	1
Changes in financial assumptions underlying present the value of the scheme liabilities	(2,872)	438	986	302	(85)
Actuarial (loss) / gain in pension plan	(1,977)	(561)	570	304	69
Increase / (decrease) in irrecoverable surplus from membership fall and other factors	-	-	-	-	-
Actuarial (loss) / gain recognised in STRGL	(1,977)	(561)	570	304	69

18. The experience gains and losses that have been recognised in the Statement of Total Recognised Gains and Losses can also be interpreted as follows:

	Year to				
	31 March 2010 £'000	31 March 2009 £'000	31 March 2008 £'000	31 March 2007 £'000	31 March 2006 £'000
Difference between the expected and actual return on assets	895	(999)	(512)	2	153
Value of assets	4,612	3,884	3,901	3,914	3,463
Percentage of assets	19.4%	(25.7%)	(13.1%)	0.05%	4.4%
Experience gains / (losses) on liabilities	-	-	96	-	1
Total present value of liabilities	£6,849	£3,642	£3,610	£4,193	£3,927
Percentage of the total present value of liabilities	0.0%	0.0%	2.7%	0.0%	0.0%
Actuarial (losses) / gains recognised in STRGL	(1,977)	(561)	570	304	69
Total present value of liabilities	£6,849	£3,642	£3,610	£4,193	£3,927
Percentage of the total present value of liabilities	(28.9%)	(15.4%)	15.8%	7.3%	1.8%

Notes to the financial statements

For the year ended 31 March 2010

30 Pension obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

19. Reconciliation of defined benefit obligations

	Year to		
	31 March 2010	31 March 2009	31 March 2008
	£'000	£'000	£'000
Opening defined benefit obligation	3,642	3,610	4,193
Current service cost	83	129	198
Interest cost	254	257	232
Contributions by members	42	57	58
Actuarial gain/loss in pension plan	2,872	(455)	(1,011)
Past service costs	-	66	-
Estimated benefits paid	(44)	(22)	(60)
Closing defined benefit obligation	6,849	3,642	3,610

20. Reconciliation of fair value of employer assets

	Year to		
	31 March 2010	31 March 2009	31 March 2008
	£'000	£'000	£'000
Opening fair value of employer assets	3,376	3,901	3,913
Expected return on assets	213	280	276
Contributions by members	42	57	58
Contributions by employers	130	176	156
Actuarial gain/loss in pension plan	895	(1,016)	(442)
Benefits paid	(44)	(22)	(60)
Closing fair value of employer assets	4,612	3,376	3,901

21. The present value of the above assets and liabilities attributable to IH for each year at 31 March 2006 to 31 March 2010:

	Year to				
	31 March 2010	31 March 2009	31 March 2008	31 March 2007	31 March 2006
	£'000	£'000	£'000	£'000	£'000
Net pension (liability) / asset as at					
Share of value of scheme assets	4,612	3,376	3,901	3,914	3,463
Share of value of scheme liabilities	(6,849)	(3,642)	(3,610)	(4,193)	(3,927)
Less: attributable to LBTH	-	-	-	-	523
	(2,237)	(266)	291	(279)	59

