



VICINITY



# Annual Accounts 2011

# **VICINITY HOUSING GROUP LIMITED**

**FINANCIAL STATEMENTS  
YEAR ENDED 31 MARCH 2011**

Registered With  
Tenant Services Authority  
No. LH 3340

Registered With  
The Registrar of Friendly Societies  
No. 23053R

# VICINITY HOUSING GROUP LIMITED

## FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

<b>CONTENTS</b>	<b>PAGES</b>
Report of the Board of Management	1 - 4
Statement of Board of Management's Responsibilities	5
Operating and Financial Review	6 - 16
Independent Auditor's Report to Vicinity Housing Group Ltd	17 - 18
Income and Expenditure Account – Consolidated and Vicinity	19
Statement of Total Recognised Surpluses and Deficits	20
Balance Sheet – Consolidated and Vicinity	21
Consolidated Cash Flow Statement	22
Notes to the Financial Statements	23 - 60

# VICINITY HOUSING GROUP LIMITED

## REPORT OF THE BOARD OF MANAGEMENT YEAR ENDED 31 MARCH 2011

The Board presents their report and the audited financial statements for the year ended 31 March 2011.

### Principal Activities

Vicinity Housing Group Limited was a group of entities, consisting of a traditional housing association and a number of stock transfer housing associations. The Group is a major housing and regeneration organisation with homes across the North West.

The parent company of the Group, Vicinity Housing Group Limited, is responsible for establishing the strategic framework for the Group, and the provision of central support services. The parent company also operates the May Logan Primary Health Care Centre which is fully funded by grant from South Sefton Primary Care Trust.

The Group also contains Atrium City Living Limited, who are the commercial arm of the Group, formed to deal with non core activities.

Further details regarding the subsidiary organisations can be found within the Operating and Financial Review and in The Notes to the Financial Statements, at note 32.

### Review of the Business

The details of the Group's performance for year ended 31 March 2011 are set out in the Operating and Financial Review, which follows this report. The Group generated a consolidated surplus of £13.5m compared with a £12.0m (restated) surplus in the previous year.

### Fixed Assets

Details of the changes to the Group's fixed assets are set out in notes 11, 12 and 13 to the financial statements.

### The Board of Management and Executive Directors

Each member of the Board of Vicinity Housing Group Limited holds one fully paid share of £1 in the Group. The Executive Directors of the Group hold no interest in Vicinity's share capital or that of the other companies in the Group and although not having the legal status of directors they act as Executives within the authority delegated by the Board.

### Board of Management

The Board of Management during the year were:

B Tubey	Chair
S Carmichael	To November 2010
R Bowen	
J Myers	
L Heaven	
A Thompson-Smith	
A Knox	
W Oram	To January 2011
P Gandy	Executive
A Seddon	Executive

# VICINITY HOUSING GROUP LIMITED

## REPORT OF THE BOARD OF MANAGEMENT YEAR ENDED 31 MARCH 2011

### The Executive Directors during the year were:

Vicinity Chief Executive	P Gandy
Deputy Chief Executive & Finance Director	A Seddon
Group Director of Investment	T Dunne

The Group has professional indemnity insurance for the Board, its co-optees and the Executive Directors.

### Employees

Vicinity Housing Group Limited recognises its responsibility to promote equality of opportunity. We value the diversity of all the individuals who work with us, and the contribution they make to the success of the business. The Group promotes continuous and professional development of its staff and provides a wide range of training and development opportunities. The Group provides excellent terms and conditions including flexible working, child care allowance, a contributory pension scheme and a generous holiday entitlement.

Health and Safety is an integral part of the proper management of all the undertakings over which the Group has control. The Group has comprehensive and robust Health & Safety Policies and promotes safe practices and continuous improvement through a Health and Safety Forum on which all parts of the organisation are represented. The Group is committed to ensuring:

- The health, safety and welfare of all our staff, contractors and third parties involved in the operations of the Group
- The safety of the general public who use or have access to premises or sites under our control
- The way in which we develop our undertaking contributes to the wellbeing of the community at large

### Corporate Governance

The Group is governed by a Board of executive and non-executive members who delegate day to day operational control to the Chief Executive and Executive Directors.

The Board and its Committees meet on a regular basis. The Executive Directors and Senior Management also meet on a regular basis and recommend policy decisions to the Committees and the Board.

The Board complies with the National Housing Federation Code of Governance and it is committed to upholding the Code of Practice for Board members.

Besides the Board of Management, the main Committees of the Group are the Group Risk and Assurance and the Group Appointments Committees.

The Group Risk and Assurance Committee regularly receive internal audit reports; the recommendations from these reports and those of the external auditors are implemented in order to improve the Group's system of internal control. Findings of a serious nature are reported to the Board of the Group.

The Board's statement on the Group's system of internal controls is included on page 3.

### Post Balance Sheet Events

On 1 April 2011 Vicinity Housing Group Limited amalgamated with Contour Housing Group Limited to become Symphony Housing Group Limited, a registered social landlord, registration number 31216R. The registered office is 12 Hanover Street, Liverpool, L1 4AA. The activities of the group will continue within Symphony Housing Group Limited as a division of Symphony Housing Group Limited.

# VICINITY HOUSING GROUP LIMITED

## REPORT OF THE BOARD OF MANAGEMENT YEAR ENDED 31 MARCH 2011

### **The Board's statement on the Group's system of internal controls**

The Board of Management, through the Group Risk and Assurance Committee, (GRAC), has reviewed its corporate governance framework, the key features of which are summarised below.

The Board of Management acknowledges responsibility for the effectiveness of the Group's system of internal control, which is reviewed by GRAC on an ongoing basis. The Board of Management recognise that such a system can provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board of Management has an ongoing risk management strategy and framework for identifying, evaluating and managing the significant risks faced by the Group. This process has been in place for the year under review and up to the date of approval of the accounts, and is regularly reviewed by GRAC.

The main features of the internal control system are:

- Written standing orders and financial regulations that delineate responsibilities and levels of authorities.
- Annual budgets set in the context of a longer-term business plan, with clear accountability for control of each part of the budget.
- Formal budgetary control arrangements with a monthly reporting cycle, including regular reporting of variances.
- Board of Management approval of the parameters under which new investments in properties are entered into.
- Secure information technology for the management of the Group's financial and property management/maintenance systems.
- HR management strategies including clear management structures and written responsibilities for senior posts
- A comprehensive corporate and team based risk assessment and management framework.
- An internal audit function working to a risk based audit plan.
- A comprehensive fraud management strategy covering prevention, detection, reporting and recovery of assets.

The Board of Management, through GRAC, has reviewed the effectiveness of the system of internal control over the past year. The responsibilities of the Committee are laid down within the Group Governance framework, and include the addressing of any material internal control issues disclosed in the annual report and accounts. There were no significant issues identified in the Board's review for the period.

During the period, GRAC reviewed the fraud register, considered the control implications of all reported incidents, and took appropriate action to ensure any significant failing in the internal control system were addressed.

# VICINITY HOUSING GROUP LIMITED

## REPORT OF THE BOARD OF MANAGEMENT YEAR ENDED 31 MARCH 2011

### Other Key Policies and Strategies

The Group reviews its Corporate and Business Plans annually, considering policies on rents, reserves, management, maintenance and development.

### Professional Advisers

Auditors	PKF (UK) LLP
Bankers	HSBC Bank plc
Financial Advisers	Sector Treasury Services Limited
Solicitors	Brabners Chaffe Street

### Auditors

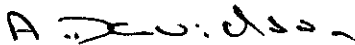
A resolution for the appointment of KPMG LLP, St James Square, Manchester M2 6DS as auditors of the Group is to be proposed at the forthcoming AGM of the Group.

So far as each of the directors is aware at the time the report is approved:

- there is no relevant audit information of which the Group's auditors are unaware and;
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

### Key policies

The key policies of Vicinity Housing Group Limited are adopted throughout the Group.



A Davidson  
**Secretary**

12 Hanover Street  
Liverpool  
L1 4AA

# VICINITY HOUSING GROUP LIMITED

## STATEMENT OF BOARD OF MANAGEMENT RESPONSIBILITIES YEAR ENDED 31 MARCH 2011

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

Law applicable to industrial and provident societies and registered social housing legislation require the board to prepare financial statements for each financial year. Under that law the board have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

In preparing these financial statements, the board is required to:-

- select suitable accounting policies and apply them consistently;
- observe the methods and principles in the Housing SORP
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Association will continue in business.

The board are responsible for keeping proper accounting records that are sufficient to show and explain the Group and the association's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Association and enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002 and the Housing and Regeneration Act 2008. They are also responsible for safeguarding the assets of the Group and Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

# VICINITY HOUSING GROUP LIMITED

## OPERATING AND FINANCIAL REVIEW YEAR ENDED 31 MARCH 2011

### Background

#### Activities

Vicinity Housing Group Limited was a group of entities, consisting of a traditional housing association and a number of stock transfer housing associations. The Group is a major housing and regeneration organisation with homes across the North West.

The parent company of the Group, Vicinity Housing Group Limited, is non-charitable and it is responsible for establishing the strategic framework for the Group, and the provision of central support services. The parent company also operates the May Logan Primary Health Care Centre which is fully funded by grant from South Sefton Primary Care Trust.

The subsidiary companies within the Group are as follows:

#### **Liverpool Housing Trust Limited (LHT).**

LHT is a Merseyside based charitable registered provider with its principal activity being the provision of general needs and supported housing accommodation at affordable rents to those in housing need and housing through low-cost ownership schemes. It is also engaged in improving the social, economic and environmental problems faced by the communities in which it operates.

LHT also provides market rents accommodation. In total, the Trust managed 10,333 homes as at 31 March 2011 (2010 – 9,968). In addition the Trust was one of three Housing Management Contractors for Liverpool Mutual Homes Limited in respect of 7,000 units. This contract was terminated by mutual consent with effect from 30 June 2010.

#### **Cobalt Housing Limited**

Cobalt Housing Limited is a charitable registered provider that was formed in February 2003 to take a partial transfer of the housing stock of Liverpool City Council.

The Association is the sole major social landlord within its area. It owns 5,754 homes and manages 5,752 homes (as at March 2011) located within fifteen estates on the north-eastern outskirts of Liverpool. Its principal activity is the management, maintenance and improvement of affordable homes for rent. It is also engaged in improving the social, economic and environmental problems faced by the communities in which it operates.

The Association also pursues opportunities within the local area to develop new affordable housing. In 2010/11 it acquired 1 property for rent under the Mortgage rescue scheme and took handover of 12 new build units for social rent.

#### **Beechwood and Ballantyne Community Housing Association (BBCHA)**

Beechwood and Ballantyne Community Housing Association Limited (BBCHA) is a charitable registered provider. BBCHA was set up to own, manage and maintain 913 dwellings, subsequently reduced to 829 units through a mix of Right to Buy sales and demolition. BBCHA transferred from Wirral Borough Council on 7 February 2005. The company was incorporated on 19 January 2005.

# VICINITY HOUSING GROUP LIMITED

## OPERATING AND FINANCIAL REVIEW YEAR ENDED 31 MARCH 2011

### **Ribble Valley Homes Limited**

Ribble Valley Homes Limited is a charitable Industrial registered provider. It was established on 31 March 2008 to receive the transfer of Ribble Valley Borough Council homes. It was incorporated on 29 January 2008. As at the 31 March 2011 the Association had 1,258 homes in management across the Ribble Valley.

### **Atrium City Living Limited**

The Group also contains Atrium City Living Limited, a non-charitable commercial arm of the group, formed to deal with non core activities. Atrium commenced trading on 1 April 2003.

### **Constructing the Future Merseyside Limited (Formerly Jigsaw Neighbourhood Solutions Limited)**

Constructing the Future Merseyside Limited ("CtFM") commenced trading in May 2010 when Jigsaw Neighbourhood Solutions Limited changed its name to Constructing the Future Merseyside Limited. CtFM is a Group Training Association that employs apprentices in and around Merseyside to help them complete their NVQ qualification and hopefully obtain permanent employment

The project will last until 31 July 2011 at which point the company will cease trading and it will be dissolved when all transactions have been completed.

The Group is registered with and regulated by the Tenants' Services Authority. The Group is subject to an annual Regulatory Judgement by the Tenant Services Authority. The judgement sets out the Authority's view as to whether the organisation is viable, properly governed and properly managed. The authority reported in January 2010, updated in 2011 that:

1. The group met the expectations set out in the Regulatory Code in terms of financial viability.
2. The governing body, supported by appropriate governance and executive arrangements, maintains satisfactory control of the organisation.
3. The Group generally meets the standard expected given the context in which it works and the available resources.

The Group and its individual subsidiaries are also subject to inspection by the Audit Commission. Cobalt Housing was the last organisation within the Group to be inspected. In November 2008 they received a two star rating.

# VICINITY HOUSING GROUP LIMITED

## OPERATING AND FINANCIAL REVIEW YEAR ENDED 31 MARCH 2011

### Objectives and strategies

All the subsidiaries of the group share the same vision and values:

*"To be a quality housing provider, making a positive difference to the communities we work in by looking beyond housing to meet the wider needs of all our customers".*

Our values reflect the qualities and attributes we are committed to, to ensure we remain a quality driven organisation with an established reputation for success. To achieve this we will endeavour at all times to be:

- Innovative and creative
- Continuously improving
- Responsible and accountable
- Open, honest and fair
- Visible and approachable
- Listening and involving
- Equal to all

In the context of our corporate ethos, the Group has developed a number of priorities that set out our key, shared aims and ambitions for the Group. These are:

- Enhancing the quality and sustainability of our stock
- Seeking to improve the quality and extend the range of our services
- Making a positive difference to neighbourhoods and communities
- Growing our business to support our key priorities and add to our collective strength
- Using our resources sensibly to preserve the financial strength and viability of the Group

Vicinity Group's corporate priorities have been adopted by all subsidiaries and are used to structure and inform their business plans.

In order to achieve our objectives, the Group has placed an even greater emphasis on financial viability with our focus on improving the value for money of our services to make more of the resources available. This is consistent with our key aim of protecting our long-term financial viability. Any surpluses will continue to be invested in improving our existing homes and neighbourhoods, as well as funding the development of new homes where such development is consistent with our overall strategy and business plans.

# VICINITY HOUSING GROUP LIMITED

## OPERATING AND FINANCIAL REVIEW YEAR ENDED 31 MARCH 2011

### External Influences and dynamics of the Group

The main factors and influences that will have a potential impact on our future financial results include:

- Rent reform – the Government sets target rents we are required to charge for social housing. Any change by the Government to the current rent setting formula or basis for future increases would have a significant impact on the Group's income.
- Welfare reform – the Government has set ambitious targets to cut the costs of the welfare state. Proposals include linking future increases in benefits to CPI rather than RPI, reducing benefit where homes are under occupied, capping overall benefit levels and paying housing benefit direct to tenants. These changes are likely to impact upon affordability for tenants and the Group's rent collection performance.
- Depressed housing market – sales of properties to tenants are expected to remain at current low levels. We are developing a number of new homes for sale; however in the short to medium term we expect demand to remain subdued and we will rent these out in the interim.
- Public sector finances – there is going to be severe and sustained downward pressure on all public expenditure in future years. This may impact directly on the Group through reductions in grant support for developing new homes. It may also impact indirectly as the services currently provided to our tenants and residents by other public agencies are reduced or withdrawn.
- In order to demonstrate our financial viability, loan covenants are continually monitored to ensure compliance.

# VICINITY HOUSING GROUP LIMITED

## OPERATING AND FINANCIAL REVIEW YEAR ENDED 31 MARCH 2011

### Risks and Uncertainties

The main risks that may prevent us achieving our objectives or influence our future performance are:

<b>Key Risk</b>	<b>Status</b>	<b>Impact</b>
Rent reform	Our current and future rental income is determined by a Government formula. Any change to this formula would have a significant impact on our finances.	Financial viability
Low inflation and deflation	Prolonged periods of very low or even negative inflation will impact on the resources available to the organisation.	Financial viability
Increased tenancy turnover	If our area's popularity declines. Rental income reduces as more properties are empty and the cost of repairs rises.	Sustainable neighbourhoods Financial viability
Reduced demand	The reputation of our area and the desirability and suitability of our homes are critical to our future success.	High quality homes Sustainable neighbourhoods First class tenant services Financial viability
Construction prices	The scale of our property construction, improvement and repair work expose the Group to real increases in construction prices.	High quality homes Financial viability
Interest rates	Affordability of future spending plans is dependent upon cost of borrowing.	Financial viability
Welfare Reform	Housing benefit accounts for approximately 65-70% of our rental income. The level of benefit or the method by which it is paid could adversely affect our rent collection performance.	First class tenant services Financial viability

# VICINITY HOUSING GROUP LIMITED

## OPERATING AND FINANCIAL REVIEW YEAR ENDED 31 MARCH 2011

### Performance Management

All companies within the Group measure their financial and operational performance through the use of key performance indicators (KPIs). Targets are set annually in advance of the year and actual performance is compared against these KPIs and reported to Board of Management on a quarterly basis.

The main areas under review are as follows:

- Housing Management
  - Current tenant rent arrears and rent collection
  - Number of empty properties
  - Average re-let times
  - Demand levels and waiting list
  - Customer satisfaction
  
- Asset Management
  - Repair response times
  - Number of repairs; cost per repair
  - Improvement programme progress compared to target
  - Gas servicing completions
  - Customer satisfaction
  
- Regeneration and Development
  - Homes developed or acquired
  - Homes demolished or disposed
  - Right to buy/acquire property sales
  - Average property sales values (before discount)
  
- Financial Management
  - Actual results compared to business plan
  - Loan covenant compliance
  - Treasury activities compared to Annual Financial Strategy

# VICINITY HOUSING GROUP LIMITED

## OPERATING AND FINANCIAL REVIEW YEAR ENDED 31 MARCH 2011

### Operating Review

We continued to invest in improving the condition of our homes spending a total of £15.2m on capital improvements in 2010/11. The Group has met its commitment to reach Decent Homes Standards by the end of 2010 and continually updates its stock condition survey as part of the strengthening of its asset management strategy.

There are a number of Government policies that have influenced the operating environment and results of the group. The most significant current policies being:

- Increasing the supply of social housing by providing social housing grant and other public subsidy. The Association has successfully pursued development opportunities within its current boundaries
- The level of grant available to support social housing has been reduced. Although higher rent levels are chargeable on the new homes developed, the Association will still have to fund a greater proportion from its own resources.
- Extending opportunities for people to buy their homes. The majority of the Group's tenants have the preserved right to buy their home. Most tenants also have the right to acquire their home, subject to the required tenancy qualification period.
- The social housing rent regime bases annual increase in social rents on the movement in RPI in the preceding September. In September 2009 RPI was negative 1.4% resulting in a reduction in target rents from April 2010 onwards of 0.9%.

# VICINITY HOUSING GROUP LIMITED

## OPERATING AND FINANCIAL REVIEW YEAR ENDED 31 MARCH 2011

### Financial Performance in the Period

We made a surplus on ordinary activities before taxation for the year of £13.5m compared with a surplus of £12.0m restated in the previous year, whilst our turnover increased from £70.9m to £75.0m

Even though we are still in the midst of an economic crisis we have managed to outperform the previous year due in the main to:

- the acquisition of Alternative Housing properties by LHT, bringing with it annual rental income of approximately £3m and although this is offset to some extent by the acquired management and maintenance costs, a surplus can be found in this area
- property sales - we managed to sell a small number of properties which was unexpected given the current economic climate
- savings on interest costs due to historically low short term interest rates

The overall trading performance for the year continues to reflect Vicinity's financial strength and our commitment to investment in our properties.

These results reflect our commitment to safeguarding our long-term financial viability through prudent planning and effective financial management. The surpluses we have generated this year will be used to increase future investment in our homes and neighbourhoods.

The tables below summarise Vicinity's overall results for the last five years:

	2011	2010	2009	2008	2007	2006
	£m	Restated £m	Restated £m	£m	£m	£m
<b>Financial Performance</b>						
Turnover	75.0	70.9	65.5	60.5	53.6	51.0
Operating Costs	(56.0)	(53.3)	(49.9)	(45.7)	(39.7)	(39.1)
<b>Operating Surplus</b>	<b>19.0</b>	<b>17.6</b>	<b>15.6</b>	<b>14.8</b>	<b>13.9</b>	<b>11.9</b>
Net Interest Charges	(6.0)	(5.5)	(6.3)	(5.0)	(5.0)	(4.7)
Surplus on sale of assets	0.5	(0.1)	1.0	3.5	13.4	6.4
<b>Surplus for the year</b>	<b>13.5</b>	<b>12.0</b>	<b>10.3</b>	<b>13.3</b>	<b>22.3</b>	<b>13.6</b>
<b>Financial Statistics</b>						
Gross Margin	25%	25%	24%	24%	26%	23%
Net Margin	18%	17%	16%	22%	42%	27%
Current tenant rent arrears % of rent debit	6%	7%	8%	8%	7%	10%
Rent losses on void properties	1%	2%	2%	3%	2%	2%
<b>Units in Management</b>						
General Needs Housing	15,792	15,704	15,549	14,631	13,922	14,761
Supported Housing	2,383	2,107	1,998	1,495	1,179	766
<b>Total</b>	<b>18,175</b>	<b>17,811</b>	<b>17,547</b>	<b>16,126</b>	<b>15,101</b>	<b>15,527</b>
<b>Indebtedness Statistics</b>						
Indebtedness	£160.4m	£133.0m	£114.5m	£102.3m	£72.2m	£78.3m
Gearing (total loans as % capital grants plus reserves)	39%	35%	33%	34%	28%	30%
Debt per unit	£8,828	£7,467	£6,525	£6,344	£4,664	£5,044
Interest Cover (operating surplus plus depreciation and interest receivable divided by interest payable)	4.6	4.6	3.2	3.4	2.9	2.1

# VICINITY HOUSING GROUP LIMITED

## OPERATING AND FINANCIAL REVIEW YEAR ENDED 31 MARCH 2011

### Financial Review

The main accounting policies are set out on pages 23 to 27 of the financial statements.

### Post Balance Sheet Events

On 1 April 2011 Vicinity Housing Group Limited amalgamated with Contour Housing Group Limited to become Symphony Housing Group Limited, a registered social landlord, registration number 31216R. The registered office is 12 Hanover Street, Liverpool, L1 4AA. The activities of the group will continue within Symphony Housing Group Limited as a division of Symphony Housing Group Limited.

### Capital Structure and Treasury Policy

Vicinity Group is financed by a combination of retained reserves, long-term loan facilities and project specific grants to part fund the acquisition development of new homes.

The Group defines its treasury management activities as the management of the Group's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

We regard the successful identification, monitoring and control of risk to be the prime criterion by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities focus on their risk implications for the Group as a whole.

We acknowledge that effective treasury management will provide support towards the achievement of our business and service objectives. We are therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

In addition to these core objectives, the Board of Management sets annual targets/parameters within which the treasury management function operates.

These include:

- Exposure to variable interest rates,
- Use of derivative instruments
- Approved sources of borrowing and investment

To protect the Group from adverse movements in interest rates the Group fixes the cost of a proportion of its borrowing, through fixed rate loans and interest rate swaps.

The Group will invest surplus cash in accounts that pay high rates of interest and give instant access to those funds in accordance with criteria set out in the Treasury Management Policy.

Vicinity's Board of Directors set the policy guidelines for the group and this policy adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice as described in section 4 of that code.

# VICINITY HOUSING GROUP LIMITED

## OPERATING AND FINANCIAL REVIEW YEAR ENDED 31 MARCH 2011

### Cash Flows

The cash flow statement on page 22 shows that during the year the group generated net cash from operating activities of £29.3m compared to £24.0m (restated) in 2009/10.

The principal cash outflow was in respect of £55.3m spend on capital expenditure including £27m acquisition of Alternative Housing by LHT with the balance relating to other acquisitions and property improvements to existing stock. This net cash outflow has been funded by additional borrowing of £27.3m, utilisation of £3.5m of investment income as well as cash reserves, leading to a net decrease in cash of £1.0m.

We ended the year with surplus cash and investment balances of £4.9m (this includes an overdraft £281k), from an opening position of £9.4m.

### Liquidity

Our policy is not to hold significant cash balances, although as a result of our borrowing strategy, it has been more economical to draw on our loan facilities and invest the cash instead of paying non-utilisation fees on these facilities. All short-term cash balances are invested in either a money market fund or high interest bearing deposit accounts offering a balance of very low risk, competitive rates and instant access.

At the year-end we had surplus cash and investments of £4.9m (this includes an overdraft £281k) and total loan facilities across the Group of £246.0m, (with £86m undrawn). Based on the latest available property valuations, the group has sufficient charged property security in place to support its total borrowing.

Our lending agreements include financial covenants that set minimum levels for financial ratios relating to asset cover, interest cover and gearing. We have exceeded these minimum levels set by our lenders during the year and are forecast to do so for the foreseeable future.

### Investment for the future

We have implemented a range of strategies to help us focus on the continuous improvement and value for money of the services we provide. These include:

- Training and development of our staff in quality methodologies, tools and techniques
- a comprehensive approach to service assessment and improvement
- a range of resident involvement options to engage with our customers
- investment and training in Information Technology
- ISO accreditation of our Anti-Social Behaviour Team and our Rents and Income Team in our subsidiaries

### Employees

The Vicinity Group is aware of the need to be able to recruit and retain staff in order to achieve its business strategies. It is critical to our success to attract, retain and motivate the best people with the right capabilities at all levels of operations.

We are committed to developing our employees to enable them to reach their full potential. All our staff have access to training and personal development planning to ensure that they have the right skills to do their job.

We try to ensure that at all times and in every aspect of employment, including recruitment, training and development, everyone receives the same treatment regardless of factors such as gender, age, colour, creed, race, ethnic origin, disability, marital status, religion or belief, trade union membership or sexual preference and orientation. The group is accredited with the "Investor in People" award.

# VICINITY HOUSING GROUP LIMITED

## OPERATING AND FINANCIAL REVIEW YEAR ENDED 31 MARCH 2011

### Environment

Vicinity recognises its responsibility to conduct its business in an environmentally responsible manner and endeavours to:

- Comply with all relevant environmental legislation.
- Minimise the use of natural resources by buying goods that are completely or largely recycled.
- Supply and use equipment meeting the highest standard of energy efficiency possible.
- Encourage contractors and suppliers to investigate and develop environmentally friendly procedures and products.
- Ensure that suppliers' environmental policies are considered during tender evaluations and that, where appropriate, environmental criteria are considered in the award of contracts.
- Ensure that specifications provide the facility for suppliers to provide environmentally friendly alternatives.
- Ensure that the social aspects of procurement have been considered when awarding contracts to suppliers, namely a fair wage policy and decent working conditions.
- As already described we continue to invest significantly in improving our housing stock. Further investment is planned to improve our strategic land sites and where possible we will look to develop new homes.
- Comply with the Department for Communities and Local Government's Code for Sustainable Homes. The Code measures the sustainability of a home taking into account energy usage, CO<sub>2</sub> emissions, water usage, materials used, surface water run-off, waste, pollution, health and well-being, management and ecology.

### Other Stakeholder Relationships

The Board is conscious of the importance of our relationships with the communities in which we operate as well as with our employees and suppliers. Our neighbourhood focus is therefore fundamental to all our key business plan priorities. It involves three main crosscutting areas of activity:

- Neighbourhood Management
- Community and Economic Regeneration
- Physical Regeneration

Our key objectives are to be a good neighbour and to be responsible, fair and honest in the way we do business.

The Board actively encourages tenants' contribution to decision making and involvement at Board level.

### Going Concern

The Board is confident that the Group has adequate resources to continue in existence for the foreseeable future and therefore its financial statements are drawn up on the going concern basis.

### Statement of Compliance

The Board has endeavoured to follow the principles as detailed in the revised 2008 SORP update in the production of its Operating and Financial Review. The Board is of the opinion that the Operating and Financial Review meets the requirements of Reporting Standard 1: Operating and Financial Review.

# VICINITY HOUSING GROUP LIMITED

## INDEPENDENT AUDITOR'S REPORT TO VICINITY HOUSING GROUP LIMITED

We have audited the group and association financial statements ("the financial statements") of Vicinity Housing Group Limited ("the association") for the year ended 31 March 2011 which comprise the consolidated Group and Association income and expenditure accounts, the consolidated statement of total recognised surpluses and deficits, the balance sheets of the Group and the Association, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the association in accordance with section 9(1) of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the society those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the board and auditor**

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

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the association's affairs as at 31 March 2011 and of the group's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

# VICINITY HOUSING GROUP LIMITED

## INDEPENDENT AUDITOR'S REPORT TO VICINITY HOUSING GROUP LIMITED (CONTINUED)

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2002 or the Housing and Regeneration Act 2008 require us to report to you if, in our opinion:

- adequate and proper accounting records have not been kept in respect of the association, or returns adequate for our audit have not been received from branches not visited by us; or
- the association has not maintained a satisfactory system of control over its transactions; or
- the financial statements of the association are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

*PKF (UK) LLP*

**PKF (UK) LLP**  
Statutory auditor

**Liverpool, UK**  
Date: *3 August 2011*

# VICINITY HOUSING GROUP LIMITED

## INCOME AND EXPENDITURE ACCOUNT YEAR ENDED 31 MARCH 2011

	Notes	Consolidated Group		Vicinity	
		2011 £000	2010 £000 restated	2011 £000	2010 £000
Turnover	1, 2.1	75,040	70,929	3,839	3,730
Cost of sales	2.1	(821)	(2,328)	-	-
Operating costs	2.1	(55,153)	(51,050)	(3,989)	(3,721)
<b>Operating surplus / (deficit)</b>	2.1	<b>19,066</b>	17,551	<b>(150)</b>	9
Surplus on sale of fixed assets	3	485	(59)	-	-
Interest receivable and similar income	6	509	373	2	4
Interest payable and similar charges	7	(6,549)	(5,844)	(5)	(3)
<b>Surplus on ordinary activities before taxation</b>	8	<b>13,511</b>	12,021	<b>(153)</b>	10
Tax on surplus on ordinary activities	10	-	11	-	7
<b>Surplus/(Deficit) for the year after taxation</b>		<b>13,511</b>	12,032	<b>(153)</b>	17

All amounts relate to continuing activities.

The above surpluses are the historical cost surpluses.

Operating costs include a pension fund exceptional past service of £576,000 (see note 36)

# VICINITY HOUSING GROUP LIMITED

## CONSOLIDATED STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS YEAR ENDED 31 MARCH 2011

<b>Consolidated Group</b>			
	<b>Notes</b>	<b>Year ended 31 March 2011 £000</b>	<b>Year ended 31 March 2010 £000</b>
<b>Reported surplus</b>		<b>13,511</b>	12,032
Movement in Goodwill	26	<b>(338)</b>	(268)
Actuarial (loss) / gain on pension scheme	36	<b>871</b>	(1,178)
<b>Total surpluses and deficits relating to the year</b>		<b>14,044</b>	10,586
Prior year adjustment	25	<b>(482)</b>	-
<b>Total surpluses and deficits recognised since last annual report</b>		<b>13,562</b>	10,586

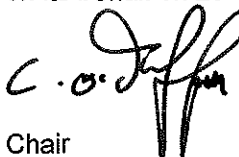
All recognised gains and losses for the Group are included in this statement.

# VICINITY HOUSING GROUP LIMITED

## BALANCE SHEET AS AT 31 MARCH 2011

	Notes	Consolidated Group		Vicinity	
		2011 £000	2010 £000 restated	2011 £000	2010 £000
<b>Fixed assets</b>					
Housing Property					
Cost less depreciation	11	560,630	504,118	1,847	1,519
Less: Social Housing Grant	11	(246,875)	(232,334)	(1,594)	(1,519)
		<u>313,755</u>	<u>271,784</u>	<u>253</u>	<u>-</u>
Other assets	12	9,756	7,855	84	103
Investments including property	13	2,300	2,300	50	50
		<u>325,811</u>	<u>281,939</u>	<u>387</u>	<u>153</u>
<b>Current assets</b>					
Stocks	14	3,240	1,506	109	-
Debtors	15	9,760	6,054	995	183
Investments	16	2,727	6,207	-	-
Cash at bank and in hand		2,444	3,190	351	1,371
		<u>18,171</u>	<u>16,957</u>	<u>1,455</u>	<u>1,554</u>
<b>Creditors</b>					
Amounts falling due within one year	17	(22,780)	(18,192)	(1,062)	(774)
<b>Net current (liabilities) /assets</b>		<u>(4,609)</u>	<u>(1,235)</u>	<u>393</u>	<u>780</u>
Pension Asset		26	-	-	-
<b>Total assets less current liabilities</b>		<u>321,228</u>	<u>280,704</u>	<u>780</u>	<u>933</u>
Creditors amounts falling due after more than one year	17	160,465	132,731	-	-
Provisions for liabilities and charges	20	1,188	2,442	-	-
<b>Capital and reserves</b>					
Called up share capital	21	-	-	-	-
Designated reserves	22	11,124	10,691	-	-
Negative goodwill	26	12,904	13,242	-	-
Revenue reserves	24	135,547	121,598	780	933
<b>Group funds</b>	27	<u>159,575</u>	<u>145,531</u>	<u>780</u>	<u>933</u>
		<u>321,228</u>	<u>280,704</u>	<u>780</u>	<u>933</u>

The financial statements comprising the income and expenditure account, the balance sheet, the cash flow statement and the related notes were approved by the Board of Management and were authorised and signed on its behalf on 20<sup>th</sup> July 2011.

  
Chair  
Board Member

CHRIS JEFFRIES

  
Board Member

JASON RIDLEY

  
A Davidson  
Secretary

# VICINITY HOUSING GROUP LIMITED

## CONSOLIDATED CASH FLOW STATEMENT YEAR ENDED 31 MARCH 2011

	Notes	2011 £000	2010 £000 restated
<b>Reconciliation of operating surpluses to net cash inflow from operating activities</b>			
Operating surplus		19,066	17,551
Depreciation charges		10,231	8,922
Impairment		103	270
Amortisation of loan arrangement fees		4	4
Amortisation of negative goodwill		(338)	(268)
Movement in stock		418	350
Difference between pension charge and cash contributions		(534)	(13)
Movement in debtors		(2,507)	924
Movement in creditors		2,878	(3,725)
<b>Net cash inflow from operating activities</b>		<b>29,321</b>	<b>24,015</b>
<b>Cash flow statement</b>			
<b>Net cash inflow from operating activities</b>		<b>29,321</b>	<b>24,015</b>
<b>Returns on investments and servicing of finance</b>	29	<b>(5,859)</b>	<b>(5,401)</b>
<b>Taxation</b>	29		1
<b>Capital expenditure</b>	29	<b>(55,311)</b>	<b>(36,609)</b>
<b>Net cash outflow before management of liquid resources and financing</b>		<b>(31,849)</b>	<b>(17,994)</b>
Management of liquid resources	29	3,480	1,414
Financing	29	27,342	18,565
<b>(Decrease) / Increase in cash</b>		<b>(1,027)</b>	<b>1,985</b>
<b>Reconciliation of net cash flow to Movement in net debt</b>			
Decrease in cash in the year		(1,027)	1,985
Cash outflow from increase in liquid resources	29	(3,480)	(1,414)
Loans received	29	(28,569)	(21,514)
Loans repaid	29	1,227	2,949
Change in net debt	29	(31,849)	(17,994)
<b>Net debt at start of year</b>	29	<b>(123,702)</b>	<b>(105,708)</b>
<b>Net debt at end of year</b>	29	<b>(155,551)</b>	<b>(123,702)</b>

# VICINITY HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

### 1 PRINCIPAL ACCOUNTING POLICIES

Vicinity Housing Group Limited is incorporated under the Industrial and Provident Societies Act 1965 and is registered with the Tenant Services Authority as a Registered Provider. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

#### **Basis of Accounting**

The financial statements have been prepared in accordance with applicable Accounting Standards and Statements of Recommended Practice. The accounts comply with the Housing and Regeneration Act 2008, the Accounting Requirements for Registered Social Landlords General Determination 2006 and the Statement of Recommended Practice published by the National Housing Federation, issued in March 1999 and updated in 2008. The accounts are prepared on the historical cost basis. The accounts are consolidated into Vicinity Housing Group Limited.

On 1 April 2011 Vicinity Housing Group Limited amalgamated with Contour Housing Group Limited to become Symphony Housing Group Limited, a registered social landlord, registration number 31216R. The registered office is 12 Hanover Street, Liverpool, L1 4AA. The activities of the group will continue within Symphony Housing Group Limited as a division of Symphony Housing Group Limited.

The prior year adjustment exists in Cobalt Housing and relates to the disposal of the carrying value of capital components replaced in 2009/10. These amounts were not identified until 2010/11.

#### **Basis of Consolidation**

The financial statements are group statements and consolidate the results of Vicinity Housing Group Limited and its subsidiaries at 31 March 2011.

#### **Turnover**

Group turnover represents rental income and service charges, revenue grants from the Homes and Communities Agency, Supporting People and other income. It also includes revenue and grants from Sefton Area Health Authority and other organisations in respect of the May Logan Primary Care Centre. Value added tax is excluded. Rental income is taken up to 31 March.

#### **Fixed Assets and Depreciation**

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives as shown below:

Office Equipment	5 years
Furniture, fixtures and fittings	5 years
Vehicles	4 years
Computers	3-5 years
Service Charge Scheme assets	5-25 years
Offices and commercial properties	60 years (Group and subsidiary offices)
Freehold Properties	10 years (other offices and commercial properties)

Other Tangible Fixed Assets acquired from Rodney Housing are also subject to the above rates of depreciation. These fixed assets were brought into the Group's books at historical cost (NBV) and were given expected useful lives for depreciation purposes.

# VICINITY HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

### Housing Properties for Rent – fixed asset capitalisation and depreciation

Housing properties for rent are stated at cost less accumulated depreciation and related social housing grant. Properties acquired from Rodney Housing Association Ltd are stated at Existing Use Value – Social Housing (EUV-SH) from when transferred. Houses are transferred to completed properties when they are ready for letting.

Where a housing property comprises two or more major components with substantially different useful economic lives, each component is to be accounted for separately and depreciated over its individual useful economic life.

Expenditure relating to the subsequent replacement or renewal of components is capitalised as incurred. Any residual net book value relating to the original component is written off as a disposal when it is subsequently replaced.

Depreciation is charged on a straight-line basis after taking into account social housing grant over the component's expected economic useful life as shown below:

#### Property Components

New build housing structure	100	years
Other housing structure	50	years
Boundary walls and car hard-standings	50	years
Roofs	30	years
Windows	25	years
Electrical installation	25	years
Bathrooms	25	years
Structural cladding	25	years
Fascias and soffits	25	years
Fencing	25	years
External doors	20	years
Boilers and heating systems	17.5	years
Kitchens	15	years

#### Service Charge Scheme Assets

Communal lift	25	years
Door entry system	12	years
Emergency lighting	10	years
Fire detection / prevention equipment	10	years
TV aerial / satellite	10	years
White goods	5	years

Properties in the course of construction are stated at cost and are not depreciated.

### Housing Properties for Sale and Shared Ownership - fixed asset capitalisation & depreciation

Shared ownership properties, including those under construction are split between fixed assets and current assets (stock). The proportion included as stock is determined by the percentage of the property agreed or expected to be sold under the first tranche sale. The remainder is classified as fixed assets net of any related social housing grant.

Depreciation is charged on a straight-line basis after taking into account social housing grant over the asset's expected economic useful life as shown below:

New build housing structure	100	years
Other housing structure	50	years

# VICINITY HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

### **Housing Property Sales**

Properties sold through tenants exercising their preserved right to buy or right to acquire are included within surplus or loss on sale of fixed assets.

Properties developed or acquired for outright sale are included within turnover.

The proceeds from the first tranche sales of shared ownership properties are included within turnover. Subsequent tranche sales are included within the surplus or loss on the sale of fixed assets.

### **Impairment**

The Board considers impairment on an annual basis.

### **Amortisation of Negative Goodwill**

Negative goodwill arising on external acquisition represents the excess of the fair value of the identifiable net assets acquired over fair value of the consideration given and is included in the reserves.

Negative goodwill is amortised over the expected remaining useful lives of the underlying properties and is written back to the income and expenditure account.

### **Investments Properties**

Properties held or under development for investment purposes are retained within a separate category of investment.

### **Social Housing Grant**

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

Where social housing grant is included in turnover the related expenditure is included in operating costs.

Social housing grant is subject to recycling provisions in the following circumstances:-

- (i) if a property is sold,
- (ii) if the development of a property is not completed.

The net social housing grant received and not spent is included in current liabilities, taking into account all properties under construction.

Social housing grant is a subordinated unsecured repayable debt.

Social housing grant on properties sold is immediately transferred to the recycled grant fund.

The majority of social housing grant for capital purposes is received from the Home and Communities Agency. In addition grants from Local Authorities, Health Authorities, English Partnership and Liverpool Housing Action Trust are also included within this category.

### **Capitalisation of Development Administration Costs**

Costs which are directly attributable to development activity are capitalised.

### **Capitalisation of Interest**

Interest incurred during the construction phase of development is capitalised.

# VICINITY HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

### Operating Leases

Operating lease rentals paid are charged to the income and expenditure account of group members on a straight-line basis over the lease term.

### Stocks

The following categories of property expenditure are included within stock at the lower of cost and net realisable value:

- properties developed for sale that are under construction or completed but not yet sold
- a proportion of the shared ownership properties that are under construction or completed but not yet sold. The proportion included as stock is determined by the percentage agreed or expected to be sold under the first tranche sale.

### Management of Liquid Resources

Investments held for the short term as part of effective treasury management are classed as current assets. This includes any investments or deposits with instant access or with fixed terms of up to 12 months.

### Pension Costs

The Group has staff who are members of three defined benefit pension schemes; the Social Housing Pension Scheme (SHPS), the Merseyside Pension Fund scheme (MPF) and the Lancashire County Pension Fund scheme (LCPF).

### SHPS

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. No surplus or deficit potentially attributable to the Group is recognised on the balance sheet.

### MPF/LCPF

Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method. The net surplus or deficit is presented separately from other net assets on the balance sheet. A net surplus is recognised only to the extent that it is recoverable by the Group. The current service cost and costs from settlements and curtailments are charged against the operating surplus. Past service costs are spread over the period until the benefit increases. Interest on the scheme liabilities and expected return on scheme assets are included in financing costs and income. Actuarial gains and losses are reported in the statement of total recognised gains and losses.

### Designations

The LHT subsidiary has designated reserves which have been set aside for uses which prevent them, in the judgement of the Board, from being regarded as part of the free reserves of the organisation.

### Major Repairs Designation

LHT designates those reserves set aside for future major repairs on all of its housing properties. The amounts set aside are based on a stock condition survey of the Group's housing properties.

# VICINITY HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

### Other Designations

The Group has designated reserves for the following:-

Regeneration reserve: - amounts set aside for regeneration expenditure such as neighbourhood renewal.

Furniture Replacement: - amounts collected through charges and earmarked for replacement of furniture provided in certain schemes.

Shared Ownership and improvements for sale: - amounts collected through service charges and other receipts earmarked for future expenditure.

### Loan Finance Issue Costs

Material loan issue costs are written off evenly over the life of the related loan. Loans are stated in the Balance Sheet at the amount of the net proceeds after issue, with premiums and costs of issue being accounted for in accordance with FRS4.

The cost of interest rate swap options not utilised is written off to expenditure on the maturity of the option where relevant.

### Value Added Tax

As the majority of its turnover is exempt from VAT, the Group is only able to recover part of the VAT incurred in expenditure. Any VAT payable that cannot be recovered is included in costs or assets as appropriate.

The Group can recover VAT on certain qualifying improvement works to the homes that transferred from Liverpool City Council, Ribble Valley Borough Council and Wirral Borough Council. Any VAT recoverable or payable at the year end is included in the balance sheet.

### Property Managed by Agents

Where the Group carries the financial risk on property managed by agents, all the income and expenditure arising from the property is included in the income and expenditure account.

Where the agency carries the financial risk, the income and expenditure account includes only that income and expenditure which relates solely to the Group.

### Insurance Claims

For all live public liability insurance claims the Group accrues for the total estimated cost of each claim, as assessed by our insurers, capped at the policy excess amount (currently £10,000 per claim). No account is taken of the likelihood of these claims being successfully repudiated or defended. No provision is made for future claims that may relate to prior years.

# VICINITY HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

### 2.1A TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

#### CONSOLIDATED GROUP

Note	2011			
	Turnover	Cost of sales	Operating costs	Operating surplus/ (deficit)
	£000	£000	£000	£000
<b>Social housing lettings (Note 2.1B)</b>	<b>70,486</b>	<b>-</b>	<b>(49,758)</b>	<b>20,728</b>
<b>Other social housing activities</b>				
Other supporting people income	43	-	(43)	-
Regeneration and Development activities	812	-	(2,105)	(1,293)
Estate Services	-	-	(533)	(533)
Shared ownership properties 1 <sup>st</sup> Tranche	756	(811)	-	(55)
VAT shelter to Ribble Valley Borough Council	-	-	(472)	(472)
Pension Fund Past Service Gain (note 5)	-	-	576	576
Other	1,098	-	(1,214)	(116)
	<b>2,709</b>	<b>(811)</b>	<b>(3,791)</b>	<b>(1,893)</b>
<b>Non-social housing activities</b>				
Market rents	446	-	(280)	166
Development services	172	-	(227)	(55)
Properties developed for outright sale	-	(10)	-	(10)
Commercial Office	12	-	(6)	6
Garages, etc	105	-	(64)	41
Other	1,110	-	(1,027)	83
	<b>1,845</b>	<b>(10)</b>	<b>(1,604)</b>	<b>231</b>
<b>Total</b>	<b>75,040</b>	<b>(821)</b>	<b>(55,153)</b>	<b>19,066</b>

#### CONSOLIDATED GROUP

	2010			
	Turnover	Cost of sales	Operating Costs	Operating surplus/ (deficit)
	£000	£000	£000	£000
	restated		restated	restated
<b>Social housing lettings (Note 2.1B)</b>	<b>65,164</b>	<b>-</b>	<b>(45,249)</b>	<b>19,915</b>
<b>Other social housing activities</b>				
Other supporting people income	37	-	(37)	-
Regeneration and Development activities	723	-	(1,925)	(1,202)
Estate Services	-	-	(669)	(669)
Shared ownership properties 1 <sup>st</sup> Tranche	1,200	(1,622)	-	(422)
VAT shelter to Ribble Valley Borough Council	-	-	(492)	(492)
Other	1,785	-	(1,482)	303
	<b>3,745</b>	<b>(1,622)</b>	<b>(4,605)</b>	<b>(2,482)</b>
<b>Non-social housing activities</b>				
Market rents	483	-	(576)	(93)
Developments services	174	-	(184)	(10)
Properties developed for outright sale	828	(706)	-	122
Other	535	-	(436)	99
	<b>2,020</b>	<b>(706)</b>	<b>(1,196)</b>	<b>118</b>
<b>Total</b>	<b>70,929</b>	<b>(2,328)</b>	<b>(51,050)</b>	<b>17,551</b>

# VICINITY HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

Note 2.1B provides a detailed analysis of the income and expenditure from social housing lettings. Turnover includes rental income for 52 weeks and 1 day up to 31 March year end in line with the accounting policy.

### 2.1B SOCIAL HOUSING LETTINGS

CONSOLIDATED GROUP	Housing accommodation £000	Supported housing £000	Shared ownership £000	Other £000	Total 2011 £000	Total 2010 £000
						restated
<b>Income</b>						
Rents	54,637	8,464	310	786	64,197	60,473
Service charges	1,293	3,066	132	259	4,750	3,307
<b>Net rents receivable</b>	<b>55,930</b>	<b>11,530</b>	<b>442</b>	<b>1,045</b>	<b>68,947</b>	<b>63,780</b>
Grants from local authorities and other agencies	94	574	3	470	1,141	1,181
Other income	267	115	8	8	398	203
Revenue grants from the Homes and Communities Agency	-	-	-	-	-	-
<b>Total income from Social housing lettings</b>	<b>56,291</b>	<b>12,219</b>	<b>453</b>	<b>1,523</b>	<b>70,486</b>	<b>65,164</b>
<b>Expenditure</b>						
Services	2,168	3,551	80	727	6,526	5,345
Management	8,180	1,863	127	220	10,390	9,943
Response repairs	784	406	-	4	1,194	1,198
Major repairs	847	41	-	-	888	664
Routine maintenance	12,210	1,368	6	136	13,720	12,431
Planned maintenance and repairs	4,703	715	27	15	5,460	5,119
Disabled adaptations	561	-	-	-	561	729
HAMA property charges	-	-	-	-	-	2
Bad debt expense	550	543	2	41	1,136	430
Bad debt provision	(18)	3	-	-	(15)	114
Other costs	407	198	-	1	606	1,077
Amortisation of negative goodwill	-	-	-	(323)	(323)	(324)
Depreciation of housing stock including impairments	8,960	594	35	26	9,615	8,521
<b>Total expenditure on social housing lettings</b>	<b>39,352</b>	<b>9,282</b>	<b>277</b>	<b>847</b>	<b>49,758</b>	<b>45,249</b>
<b>Operating surplus on Social housing letting activities</b>	<b>16,939</b>	<b>2,937</b>	<b>176</b>	<b>676</b>	<b>20,728</b>	<b>19,915</b>
<b>Void losses</b>	<b>524</b>	<b>522</b>	<b>1</b>	<b>75</b>	<b>1,122</b>	<b>1,124</b>

# VICINITY HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

### 2.2 TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

← 2011 →			
VICINITY	Turnover £000	Operating costs £000	Operating surplus £000
<b>Social housing lettings</b>			
Housing accommodation	-	-	-
<b>Non-social housing activities</b>			
May Logan Centre	666	(666)	-
Group services	3,157	(3,157)	-
Other	16	(166)	(150)
	<u>3,839</u>	<u>(3,989)</u>	<u>(150)</u>
← 2010 →			
	Turnover £000	Operating costs £000	Operating surplus £000
<b>Non-social housing activities</b>			
Housing accommodation	-	-	-
<b>Non-social housing activities</b>			
May Logan Centre	604	(604)	-
Group services	3,117	(3,117)	-
Other	9	-	9
	<u>3,730</u>	<u>(3,721)</u>	<u>9</u>

# VICINITY HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

3 SURPLUS ON SALE OF FIXED ASSETS	Consolidated Group		Vicinity	
	2011 £000	2010 £000	2011 £000	2010 £000
		restated		
Disposal proceeds from property sales	895	1,523	-	-
Proceeds for land sales	2	-	-	-
	<u>897</u>	<u>1,523</u>	<u>-</u>	<u>-</u>
Carrying value of fixed assets from property sales	(85)	(40)	-	-
Other cost of sales	(203)	(1,060)	-	-
Disposal of life expired housing property components	(124)	(482)	-	-
	<u>(482)</u>	<u>(1,060)</u>	<u>-</u>	<u>-</u>
<b>Surplus on sale of fixed assets</b>	<b>485</b>	<b>(59)</b>	<b>-</b>	<b>-</b>

### 4 DIRECTORS' EMOLUMENTS

VICINITY	2011 £000	2010 £000
----------	--------------	--------------

The Directors including Executive Directors are as listed on page 2.

The emoluments paid to Executive Directors of Vicinity Housing Group Limited are as follows:

Aggregate emoluments paid to or receivable by directors (including pension contributions)	<u>377</u>	<u>393</u>
---	------------	------------

Emoluments paid to the highest paid director (the Chief Executive) excluding pension contributions	<u>141</u>	<u>142</u>
--	------------	------------

The Chief Executive is an ordinary member of the Social Housing Pension Fund disclosure which is shown in note 36.

No remuneration was paid to the Non-Executive Directors on the Board of Management.

5 EMPLOYEE INFORMATION	2011	2010
<b>CONSOLIDATED GROUP</b>		
	£000	£000
<b>Staff costs</b>		
Wages and salaries	12,742	12,389
Social security costs	991	963
Other pension costs	1,488	1,261
Other pension costs – past service gain	(576)	-
	<u>14,645</u>	<u>14,613</u>
<b>VICINITY</b>	£000	£000
<b>Staff costs</b>		
Wages and salaries	1,856	1,761
Social security costs	153	148
Other pension costs	260	209
Other pension costs – past service gain	-	-
	<u>2,269</u>	<u>2,118</u>

# VICINITY HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

	2011 No.	2010 No.
Average number of employees (full time equivalent) during the year:		
<b>Group</b>		
Managing and maintaining housing stock	247	242
Development	13	13
Other housing and property services	49	49
Central administration services	98	94
Support services	86	84
	<u>493</u>	<u>482</u>
<b>Vicinity</b>		
Development	1	1
Central administration services	55	54
	<u>56</u>	<u>55</u>

	Consolidated Group		Vicinity	
	2011 £000	2010 £000	2011 £000	2010 £000
<b>6 INTEREST RECEIVABLE AND SIMILAR INCOME</b>				
Interest receivable on bank and building society deposits	16	25	2	4
Other interest and dividends	493	348	-	-
	<u>509</u>	<u>373</u>	<u>2</u>	<u>4</u>
<b>7 INTEREST PAYABLE AND SIMILAR CHARGES</b>				
	2011 £000	2010 £000	2011 £000	2010 £000
Interest payable on bank and building society loans	4,568	4,072	5	3
Other loans	1,291	1,250	-	-
Loan arrangement and administration fees	99	121	-	-
Loan security costs	27	14	-	-
Interest on pension liabilities	546	443	-	-
Interest on RCG	9	11	-	-
Non utilisation fees	143	134	-	-
	<u>6,683</u>	<u>6,045</u>	<u>5</u>	<u>3</u>
Less interest capitalised	<u>(134)</u>	<u>(201)</u>	<u>-</u>	<u>-</u>
	<u>6,549</u>	<u>5,844</u>	<u>5</u>	<u>3</u>

# VICINITY HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

<b>8 SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<b>Consolidated Group</b>		<b>Vicinity</b>	
	<b>2011</b>	2010	<b>2011</b>	2010
	<b>£000</b>	£000	<b>£000</b>	£000
Is stated after charging/(crediting):				
Depreciation - owned fixed assets	636	626	22	-
Depreciation - owned housing properties	9,595	8,922	-	-
(Surplus)/deficit on disposal of fixed assets	(91)	164	-	-
Impairment of housing properties	103	270	-	-
Amortisation of negative goodwill	(338)	(324)	-	-
Auditors remuneration (including				
In their capacity as auditors	106	96	21	20
In respect of other services	21	40	11	17
Operating lease payments - property	18	11	-	-
- other	122	98	-	-
Amortisation of loan costs	8	8	-	-
	8	8	-	-

### **9 DONATIONS UNDER DEED OF COVENANT**

No Deed of Covenant Payments were made by Vicinity Housing Group Limited.

# VICINITY HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

### 10 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	Consolidated Group		Vicinity	
	2011 £000	2010 £000	2011 £000	2010 £000
Corporation tax	-	11	-	7
<b>Reconciliation of tax charge</b>				
Surplus / (deficit) before tax	<b>13,511</b>	12,504	<b>(153)</b>	10
(Surplus) / deficit exempt from tax	<b>(13,697)</b>	(12,490)	-	-
Group loss relief	-	-	-	-
Surplus / (Loss)	<b>(186)</b>	14	<b>(153)</b>	10
Corporation tax @ 28% (2010: 28%)	<b>(52)</b>	4	<b>(43)</b>	3
Marginal relief/adjustments for tax rates	-	(1)	-	-
Expenses not deductible for tax purposes	<b>25</b>	3	<b>25</b>	3
Other timing differences	<b>9</b>	(12)	<b>9</b>	(12)
Tax Relief due to carried back loss	-	6	-	6
Over / (under) provision in previous year	-	11	-	7
Capital allowances in excess of depreciation	<b>(10)</b>	-	<b>(10)</b>	-
Utilisation and movements on tax losses	<b>28</b>	-	<b>19</b>	-
<b>Tax rebate / (charge)</b>	<b>-</b>	<b>11</b>	<b>-</b>	<b>7</b>

Liverpool Housing Trust Limited, Beechwood and Ballantyne Community Housing Association Limited, Cobalt Housing Limited and Ribble Valley Homes Limited have charitable status and are exempt from corporation tax in respect of their income under Section 505 ICTA 1988.

# VICINITY HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

### 11 TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

CONSOLIDATED GROUP	Completed housing properties restated		Housing under construction		Total £000
	For Rent £000	For shared ownership £000	For Rent £000	For shared ownership £000	
<b>Cost</b>					
At 1 April 2010	517,870	8,688	3,629	5,854	536,041
Additions – new properties	380	-	22,684	4,391	27,455
Additions – existing properties	15,289	-	-	-	15,289
Acquisitions	27,100	10	-	-	27,110
Schemes completed	15,002	3,112	(14,885)	(3,229)	-
Disposals	(287)	(93)	-	-	(380)
Write off	(848)	-	-	-	(848)
Transfers	1,065	(950)	23	(2,966)	(2,828)
Reclassification	-	60	3,323	(3,383)	-
<b>At 31 March 2011</b>	<b>575,571</b>	<b>10,827</b>	<b>14,774</b>	<b>667</b>	<b>601,839</b>
<b>Depreciation</b>					
At 1 April 2010	31,838	85	-	-	31,923
Charge for year	9,560	35	-	-	9,595
Disposals	(59)	(3)	-	-	(62)
Write off	(247)	-	-	-	(247)
Reclassification	4	(4)	-	-	-
<b>At 31 March 2011</b>	<b>41,096</b>	<b>113</b>	<b>-</b>	<b>-</b>	<b>41,209</b>
<b>Cost less depreciation</b>					
<b>At 31 March 2011</b>	<b>534,475</b>	<b>10,714</b>	<b>14,774</b>	<b>667</b>	<b>560,630</b>
At 31 March 2010	486,032	8,603	3,629	5,854	504,118
<b>Social Housing Grant</b>					
At 1 April 2010	223,339	4,599	3,303	1,093	232,334
Additions	4,783	58	9,219	1,032	15,092
Schemes completed	6,384	1,424	(6,384)	(1,424)	-
Disposals	-	(54)	-	-	(54)
Write off	(497)	-	-	-	(497)
Reclassification	-	-	462	(462)	-
<b>At 31 March 2011</b>	<b>234,009</b>	<b>6,027</b>	<b>6,600</b>	<b>239</b>	<b>246,875</b>
<b>Net book value</b>					
<b>At 31 March 2011</b>	<b>300,466</b>	<b>4,687</b>	<b>8,174</b>	<b>428</b>	<b>313,755</b>
At 31 March 2010	262,293	4,004	326	4,761	271,748

# VICINITY HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

Included within completed housing properties is £1,519,342 relating to the development of a Primary Health Care Centre (2010: £1,519,342). This was fully funded by Sefton Health Authority and on the equivalent amount is included in the Social Housing grant. At a future date ownership of the development will revert to the Health Authority.

VICINITY	Freehold housing for rent	Bootle Primary Care	Total
	£000	£000	£000
<b>Cost</b>			
At 1 April 2010	-	1,519	1,519
Additions – new properties	328	-	328
Additions – existing properties	-	-	-
Acquisitions	-	-	-
Reclassification	-	-	-
Disposals	-	-	-
<b>At 31 March 2011</b>	<b>328</b>	<b>1,519</b>	<b>1,847</b>
<b>Depreciation</b>			
At 1 April 2010	-	-	-
Charge for year	-	-	-
Disposals	-	-	-
<b>At 31 March 2011</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cost less depreciation</b>			
<b>At 31 March 2011</b>	<b>328</b>	<b>1,519</b>	<b>1,847</b>
At 31 March 2010	-	1,519	1,519
<b>Social Housing Grant</b>			
At 1 April 2010	-	-	-
Additions	75	-	-
Disposals	-	-	-
<b>At 31 March 2011</b>	<b>75</b>	<b>-</b>	<b>1,594</b>
<b>Net book value</b>			
<b>At 31 March 2011</b>	<b>253</b>	<b>1,519</b>	<b>253</b>
At 31 March 2010	-	-	-

At a future date ownership of the Primary Care Centre will revert to the Health Authority

# VICINITY HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

Social housing grant received for capital projects to date is shown above and includes grant from the Homes and Communities Agency and other bodies.

The Group is continuing the detailed exercise to analyse the cost of its housing properties between freehold and leasehold, the majority being freehold.

During the year an exercise was undertaken implementing a new fixed asset register. Amounts have been written off to the income and expenditure account with a net book value of £103k within the consolidated group (Vicinity Housing Group Limited £Nil).

Included in the accounts are assets transferred from Rodney Housing at fair value (see note 24). An amount of £33,245,862 Social Housing grant relating to Rodney Properties acquired on April 2007 is not included in the notes but is disclosed for information.

An amount of £651,566 Consolidated Group (2010: £699,854) and £Nil Vicinity Housing Group Limited (2010: £Nil) has been included in additions to housing properties in respect of capitalised development administration costs. Interest totalling £134,151 has been capitalised within the Consolidated Group (2010: £201,143) and £Nil in respect of Vicinity Housing Group Limited (2010: £Nil)

The breakdown of expenditure on incomes to existing properties is as follows:-

	<b>2011</b>	2010
<b>Expenditure on works to existing properties</b>	<b>£000</b>	£000 restated
Amount capitalised	<b>15,289</b>	19,904
Amount charged to income and expenditure account	<b>15,600</b>	14,354
	<b><u>30,889</u></b>	<u>34,582</u>

# VICINITY HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

12 TANGIBLE FIXED ASSETS - OTHER ASSETS	Freehold premises	Scheme assets	Vehicles, office furniture, fixtures & equipment	Total
<b>CONSOLIDATED GROUP</b>	restated £000	restated £000	restated £000	restated £000
<b>Cost</b>				
At 1 April 2010	8,117	799	3,779	12,695
Additions	883	232	1,422	2,537
Reclassifications	-	(1)	1	-
Disposals	-	-	(4)	(4)
<b>At 31 March 2011</b>	<b>9,000</b>	<b>1,030</b>	<b>5,198</b>	<b>15,228</b>
<b>Depreciation</b>				
At 1 April 2010	1,696	486	2,658	4,840
Charge for year	155	98	383	636
Reclassifications	-	(1)	1	-
Disposals	-	-	(4)	(4)
<b>At 31 March 2011</b>	<b>1,851</b>	<b>583</b>	<b>3,038</b>	<b>5,472</b>
<b>NBV At 31 March 2011</b>	<b>7,149</b>	<b>447</b>	<b>2,160</b>	<b>9,756</b>
NBV At 31 March 2010	6,421	313	1,121	7,855
<b>12 TANGIBLE FIXED ASSETS - OTHER ASSETS</b>	<b>Freehold premises</b>	<b>Scheme assets</b>	<b>Vehicles, office furniture, fixtures and equipment</b>	<b>Total</b>
<b>VICINITY GROUP</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost</b>				
At 1 April 2010	-	-	103	103
Additions	-	-	3	3
Disposals	-	-	-	-
<b>At 31 March 2011</b>	<b>-</b>	<b>-</b>	<b>106</b>	<b>106</b>
<b>Depreciation</b>				
At 1 April 2010	-	-	-	-
Charge for year	-	-	22	22
Disposals	-	-	-	-
<b>At 31 March 2011</b>	<b>-</b>	<b>-</b>	<b>22</b>	<b>22</b>
<b>NBV at 31 March 2011</b>	<b>-</b>	<b>-</b>	<b>84</b>	<b>84</b>
NBV at 31 March 2010	-	-	103	103

# VICINITY HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

### 13 TANGIBLE FIXED ASSETS – INVESTMENTS

<b>CONSOLIDATED GROUP</b>	<b>Completed Investment Property £000</b>	<b>Shares in Subsidiary Undertaking £000</b>	<b>Total £000</b>
<b>Cost</b>			
At 1 April 2010	2,300	-	2,300
Additions	-	-	-
Provision for reduction in market value	-	-	-
Disposals	-	-	-
<b>At 31 March 2011</b>	<b>2,300</b>	<b>-</b>	<b>2,300</b>
<b>VICINITY</b>			
<b>Cost</b>			
At 1 April 2010	-	50	50
Additions	-	-	-
Provision for reduction in market value	-	-	-
Disposals	-	-	-
<b>At 31 March 2011</b>	<b>-</b>	<b>50</b>	<b>50</b>

### 14 STOCKS

	<b>Consolidated Group</b>		<b>Vicinity</b>	
	<b>2011 £000</b>	<b>2010 £000</b>	<b>2011 £000</b>	<b>2010 £000</b>
Housing properties for sale	518	159	109	-
Shared ownership properties	2,722	1,347	-	-
	<b>3,240</b>	<b>1,506</b>	<b>109</b>	<b>-</b>

# VICINITY HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

### 15 DEBTORS

	2011 £000	2010 £000	2011 £000	2010 £000
<b>Amounts falling due within one year</b>				
Trade debtors	121	79	61	7
Rent arrears	6,959	6,585	1	1
Bad debt provision	(3,293)	(3,173)	(1)	(1)
Prepayments	2,515	1,329	316	127
SHG receivable	738	-	75	-
Other grant receivable	5	-	-	-
Amounts owed by group undertakings	-	-	534	33
Other debtors	2,092	644	2	-
Other related undertakings	-	-	-	-
Other taxation and social security	616	573	-	9
Corporation tax	7	17	7	7
	<b>9,760</b>	<b>6,054</b>	<b>995</b>	<b>183</b>

### 16 CURRENT ASSET INVESTMENTS

	Consolidated Group		Vicinity	
	2011 £000	2010 £000	2011 £000	2010 £000
		restated		
Bank and building society deposits	2,727	6,207	-	-

### 17 CREDITORS

	2011 £000	2010 £000	2011 £000	2010 £000
		restated		
<b>Amounts falling due within one year</b>				
Bank overdraft	281	1	-	-
Housing loans	828	1,264	-	-
Retentions	116	283	-	-
Trade creditors	4,212	4,313	87	110
Rent & service charges rec'd in advance	1,552	1,590	-	-
Other taxation and social security	347	326	90	58
Corporation tax	-	-	-	-
Disposal proceeds & RCGF	642	1,418	-	-
Grant in advance	3,176	599	-	-
Accruals	11,515	8,391	726	545
Other creditors	111	7	103	-
Group creditors	-	-	56	61
	<b>22,780</b>	<b>18,192</b>	<b>1,062</b>	<b>774</b>

# VICINITY HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

	2011 £000	2010 £000 restated	2011 £000	2010 £000
<b>Amounts falling due after more than one year</b>				
Housing loans	159,613	131,835	-	-
Issue costs	(587)	(614)	-	-
Disposal Proceeds & RCGF	1,086	1,264	-	-
Retentions	206	113	-	-
Other creditors	147	133	-	-
	<u>160,465</u>	<u>132,731</u>	<u>-</u>	<u>-</u>

<b>Housing Loans</b>	2011 £000	2010 £000 restated	2011 £000	2010 £000
Repayments are due as follows:				
In one year or less	828	1,264	-	-
Between one and two years	864	1,310	-	-
Between two and five years	4,852	3,754	-	-
In five years or more	153,897	126,771	-	-
	<u>160,441</u>	<u>133,099</u>	<u>-</u>	<u>-</u>

<b>Interest rate risk profile of debt</b>	2011 £m	2010 £m restated		
Fixed Rate	108	76		
Variable Rate	52	57		
Interest Free	-	-		
	<u>160</u>	<u>133</u>		

### BORROWING FACILITIES

Undrawn and committed borrowing as at 31 March 2011 were as follows:

	Consolidated Group		Vicinity	
	2011 £m	2010 £m restated	2011 £m	2010 £m
Fixed Rate	108	76	-	-
Variable Rate	52	57	-	-
Expiry more than 5 years	86	113	-	-
	<u>246</u>	<u>246</u>	<u>-</u>	<u>-</u>

### Housing Properties

Loans from banks and other financial institutions are secured by specific charges on the Group's housing properties and are repayable at varying rates of interest with rates ranging from 1-11%.

# VICINITY HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

### Investments

Investments relates to bank and building society deposits.

### Financial Instruments

The operating and financial review on pages 7 to 16 includes an explanation of the role financial instruments have had during the period in managing the risks Vicinity Housing Group Limited faces in its treasury activities.

Included within the debt is £25m which utilises interest rate swaps. The fair value of these interest rate swaps as at 31 March 2011 is £3.196m in favour of the counterparties.

### 18 RECYCLED CAPITAL GRANT FUND

	Consolidated Group		Vicinity	
	2011 £000	2010 £000	2011 £000	2010 £000
At 1 April 2010	2,651	3,376	-	-
Grants recycled	77	770	-	-
Interest accrued	9	11	-	-
Transfers from other group members	-	-	-	-
Withdrawals	(1,040)	(1,506)	-	-
As at 31 March 2011	<u>1,697</u>	<u>2,651</u>	<u>-</u>	<u>-</u>

### 19 DISPOSAL PROCEEDS FUND

	Consolidated Group		Vicinity	
	2011 £000	2010 £000	2011 £000	2010 £000
At 1 April 2010	31	31	-	-
Grants recycled	-	-	-	-
Interest accrued	-	-	-	-
Transfers from other group members	-	-	-	-
Withdrawals	-	-	-	-
As at 31 March 2011	<u>31</u>	<u>31</u>	<u>-</u>	<u>-</u>

### 20 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Consolidated Group	
	2011 £	2010 £ Restated
Deferred Tax and provisions liabilities	644	1,970
Public liability insurance claims	476	472
Contractor claims	68	-
At end of the year	<u>1,188</u>	<u>2,442</u>

# VICINITY HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

21 CALLED UP SHARE CAPITAL	Vicinity	
	2011 £	2010 £
Allotted issued and fully paid		
At start of the year	20	27
Issued during the year	1	1
Cancelled during the year	(1)	(8)
At end of the year	20	20

Each member of the Board of Management holds one share of £1 each in the Group. The shares provide members with a right to vote at general meetings but do not provide any rights to dividends, redemption or distributions on a winding up.

22 DESIGNATED RESERVES				
CONSOLIDATED GROUP	Regeneration Reserve £000	Non-RSF Major Repairs £000	Other Designations £000	Total 2010 £000
At 1 April 2010	2,403	7,242	1,046	10,691
Transferred from income and expenditure account	-	-	433	433
<b>At 31 March 2011</b>	<b>2,403</b>	<b>7,242</b>	<b>1,479</b>	<b>11,124</b>

### 23 RESTRICTED RESERVES – RSF REINVESTMENT FUND

There are no restricted reserves in the Group.

### 24 REVENUE RESERVES

	Consolidated Group 2011 £000	Vicinity 2011 £000
<b>At 1 April 2010</b>	<b>121,598</b>	<b>933</b>
Surplus / (loss) before transfers for the year	13,511	(153)
Transfers to designated reserves (note 22)	(433)	-
Actuarial gain on pension	871	-
<b>Reserves at 31 March 2011</b>	<b>135,547</b>	<b>780</b>
	<b>2011 £000</b>	<b>2011 £000</b>
Revenue Reserve excluding pension liability	136,191	780
Pension liability	(644)	-
<b>Revenue reserve</b>	<b>135,547</b>	<b>780</b>

# VICINITY HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

### 25 PRIOR YEAR ADJUSTMENT

#### Analysis of prior year adjustment

	2010 £000
Disposal of life expired housing property components	
Historic cost	(534)
Accumulated depreciation	52
<b>Total relating to revenue reserve (note 23)</b>	<b>(482)</b>

The prior year adjustments exist in Cobalt Housing and relates to the disposal of the carrying value of capital components replaced in 2009/10. These amounts were not identified until 2010/11.

In addition to the prior year adjustment above, £2.1m has been reclassified between bank and cash in hand and investments, £472k has been reclassified from creditors to provisions. These restatements (excluding the prior year adjustments) do not have any impact on the surplus on the income and expenditure accounts for the consolidated group or Vicinity Housing Group Limited for the years ended 31 March 2010 or 31 March 2011.

### 26 NEGATIVE GOODWILL AND ACQUISITIONS

On the 2<sup>nd</sup> April 2007 Rodney Housing Association (RHA) joined Liverpool Housing Trust. This transaction has been accounted for as an acquisition.

Rodney Housing properties were re-valued on the date of acquisition on the basis of Existing Use Value – Social Housing (EUV-SH). No consideration was paid to Rodney for the properties acquired by LHT in 2007. This resulted in creating a Negative Goodwill reserve of £14,656k in 2007. Negative Goodwill is being amortised over the life of the assets to which it relates.

	Total £000
<b>Movement in Negative Goodwill</b>	<b>(13,242)</b>
<b>Opening balance at 1 April 2010</b>	<b>(13,242)</b>
Reversal of prior year goodwill write-off	-
Write off goodwill on sales of property	15
Amortisation for the year	323
<b>Negative Goodwill</b>	<b>(12,904)</b>

# VICINITY HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

### 27 RECONCILIATION OF MOVEMENTS IN TOTAL FUNDS

	Consolidated Group		Vicinity	
	2011 £000		2011 £000	
Total funds as at 1 April 2010	146,014		933	
Prior year adjustment relating to revenue reserve (note 25)	(482)		-	
Total funds as at 1 April 2010 (as restated)	145,532		933	
Net (decrease)/increase in shares issued	-		-	
Increase in designated reserves	433		-	
Net decrease in goodwill reserve	(338)		-	
Net increase / (decrease) in revenue reserves	13,948		(153)	
<b>Total funds as at 31 March 2011</b>	<b>159,575</b>		<b>780</b>	

### 28 CAPITAL COMMITMENTS

	Consolidated Group		Vicinity	
	2011 £000	2010 £000	2011 £000	2010 £000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	34,163	13,880	-	-
Capital expenditure that has been authorised by the board of management but has not yet been contracted for	101,239	85,926	-	-
Capital expenditure that is planned but has not yet been authorised or contracted for by the Board of Management	-	4,299	-	-
<b>Funded from borrowing and reserves</b>	<b>135,402</b>	<b>104,105</b>	<b>-</b>	<b>-</b>

These commitments will be part funded through Social Housing Grant with the balance coming from committed borrowings included in the amounts above.

# VICINITY HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

As part of the Beechwood stock transfer agreement, Wirral Borough Council was obliged to carry out enhancement works to its housing stock valued at £11m excluding VAT. The total cost of these works was to be capital expenditure items.

Beechwood and Ballantyne Community Housing Association contracted with the Council to undertake this work within an eleven-year period. On transfer of the properties to Beechwood and Ballantyne Community Housing Association, we became the beneficiary of the enhancement works as well as the party carrying out those improvements. No assets and liabilities in relation to this are recognised in the financial statements.

As it remains our intention to carry out the enhancement works, the future capital works are included as capital commitments as follows:

	<b>2011 Capital Works Commitment</b>	<b>2010 Capital Works Commitment</b>
	<b>£000</b>	<b>£000</b>
Original works commitment	<b>11,750</b>	11,750
Opening capital works completions	<b>(4,735)</b>	(4,463)
Capital works completions in the year	<b>(2,501)</b>	(272)
<b>Closing future works commitment</b>	<b><u>4,514</u></b>	<b><u>7,015</u></b>

As part of the Ribble Valley Homes Limited stock transfer agreement, Ribble Valley Borough Council was obliged to carry out enhancement works to its housing stock valued at £58.7m excluding VAT. The total cost of these works was to be capital expenditure items.

Ribble Valley Homes Limited contracted with the Council to undertake this work within a fifteen-year period. On transfer of the properties to Ribble Valley Homes Limited, we became the beneficiary of the enhancement works as well as the party carrying out those improvements. No assets and liabilities in relation to this are recognised in the financial statements.

As it remains our intention to carry out the enhancement works, the future capital works are included as capital commitments.

	<b>2011 Capital Works Commitment £000</b>	<b>2010 Capital Works Commitment £000</b>
Original works commitment	<b>58,714</b>	58,714
Opening capital works completions	<b>(4,526)</b>	(1,177)
Capital works completions in the year	<b>(2,953)</b>	(3,349)
<b>Closing future works commitment</b>	<b><u>51,235</u></b>	<b><u>54,188</u></b>

These amounts noted above from Beechwood and Ribble Valley are included in the amounts noted on page 45.

# VICINITY HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

29 CONSOLIDATED CASH FLOW STATEMENT NOTES	2011 £000	2010 £000 restated
<b>Returns on investments and servicing of finance</b>		
Interest and investment income received	26	82
Interest paid	(5,885)	(5,483)
	<u>(5,859)</u>	<u>(5,401)</u>
<b>Taxation</b>		
Taxation received/(paid)	<u>-</u>	<u>1</u>
<b>Capital (expenditure)/income</b>		
Acquisition and construction of housing properties	(66,308)	(45,777)
Disposal expenses	(54)	141
Social housing and other capital grants received net	14,494	15,290
Purchase of other fixed assets	(1,647)	(617)
Sale of housing properties	1,612	3,451
Improvement of housing properties	(3,408)	(9,097)
	<u>(55,311)</u>	<u>(36,609)</u>
<b>Management of liquid resources</b>		
Decrease/(increase) in money market investments	<u>3,480</u>	<u>1,414</u>
<b>Financing</b>		
Housing loans received	28,219	21,514
Housing loans repaid	(877)	(2,949)
Loan deal costs	-	-
	<u>27,342</u>	<u>18,565</u>

Analysis of changes in net debt	2011 £000	Cash flows £000	2010 £000
Cash at bank and in hand	2,163	(1,027)	3,190
Other	-	-	-
Current asset investments	2,727	(3,480)	6,207
Loans due within one year	(828)	436	(1,264)
Loans due after one year	<u>(159,613)</u>	<u>(27,778)</u>	<u>(131,835)</u>
<b>Total</b>	<u>(155,551)</u>	<u>(31,849)</u>	<u>(123,702)</u>

# VICINITY HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

### 30 INCOME AND EXPENDITURE ACCOUNT - SOCIAL HOUSING GRANT

The Social Housing Grant received to date since 1 April 1994 in respect of major repairs and dealt with in the income and expenditure account of the Consolidated Group is £1,432,717 (2010: £1,432,717), and in respect of Vicinity Housing Group Limited is £Nil (2010: £Nil).

### 31 OPERATING LEASES

At 31 March 2010 the Group had annual commitments under operating leases as follows:-

	Consolidated Group		Vicinity Group	
	2011 £000	2010 £000	2011 £000	2010 £000
Leases expiring within the next year				
- equipment	6	6	-	-
- office accommodation	11	11	-	-
Leases expiring in one to two years				
- equipment	6	6	-	-
- office accommodation	-	-	-	-
Leases expiring in the second to fifth year				
- equipment	107	107	-	-
- office accommodation	-	-	-	-
Leases expiring over five years				
- equipment	-	-	-	-

# VICINITY HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

### 32 SUBSIDIARY ORGANISATIONS

The following comprise the subsidiary organisations whose results have been incorporated into the consolidated accounts on the basis that Vicinity Housing Group Limited has power of appointment to the Boards of the subsidiaries.

Vicinity Housing Group Limited is the ultimate parent undertaking.

<b>Organisation</b>	<b>Status</b>	<b>Country of Registration</b>	<b>Principal Activity</b>
Liverpool Housing Trust Limited	Industrial and Provident Society Act	England	Registered Social Landlord
Cobalt Housing Trust Limited	Industrial and Provident Society Act	England	Registered Social Landlord
Beechwood and Ballantyne Community Housing Association Limited	Industrial and Provident Society Act	England	Registered Social Landlord
Atrium City Living Limited	Private Limited Company	England	Commercial Property Services
Constructing the Future Merseyside Limited (formerly Jigsaw Neighbourhood Solutions Limited)	Private Company Limited by Guarantee	England	Training Provider
Ribble Valley Homes Limited	Private Company Limited by Guarantee	England	Registered Social Landlord

Under Financial Reporting Standard 8 disclosure is not required of transactions within the group as the results of the Vicinity Housing Group Limited are included within these consolidated financial statements.

All subsidiaries fall under the overall control of the Vicinity Housing Group Limited.

# VICINITY HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

### 33 ACCOMMODATION UNDER DEVELOPMENT AND IN MANAGEMENT

	Consolidated Group		Vicinity Group	
	2011 Units	2010 Units restated	2011 Units	2010 Units
Under development at end of year				
Housing accommodation	247	103	-	-
Supported housing (bed spaces)	64	22	-	-
Shared ownership accommodation	50	35	-	-
Redeveloped for sale	-	4	-	-
	<b>361</b>	<b>164</b>	<b>-</b>	<b>-</b>
Under management at end of year				
Student housing (bed spaces)	-	-	-	-
Market rents	61	61	-	-
Housing accommodation	15,160	15,072	3	-
Supported housing (bed spaces)	2,383	2,107	-	-
Shared ownership	407	399	-	-
Intermediate rents	14	14	-	-
Leasehold	85	85	-	-
Managed for other bodies	8	20	-	-
Other	57	53	-	-
	<b>18,175</b>	<b>17,811</b>	<b>3</b>	<b>-</b>

### 34 CONTINGENT LIABILITIES

As at 31 March 2011, Liverpool Housing Trust, being a member of the group, had a contingent liability of £325,000 (2010: £325,000) in respect of a Funding for Homes debenture. This amount may be payable in the event of a fellow borrower failing to meet its liability for interest or repayment of debt.

Liverpool Housing Trust has underwritten £533,000 (2010: £533,000) of ERDF funding in relation to the New Century Halls Limited (NCH) project. New Century Halls Limited went into voluntary liquidation in February 2011 and the building reverted to the Trust. The Trust is now leasing the building to Oakmere Community College for 10 years with an option for them to purchase it for £178,000 plus RPI. The liability has been novated to the Trust. Government Office North West is satisfied that Oakmere are operating the resource centre in accordance with the terms of ERDF funding so as to avoid any clawback of the grant.

LHT's board has approved a bond facility of up to £1.6m (2010: £1.6m) in connection with the stock transfer of 913 units to Beechwood and Ballantyne Community Housing Association Limited (BBCHA) from Wirral Borough Council which took place on 7 February 2005. The Trust has undertaken to make available these funds in the event of any breach of the BBCHA financial covenants under its loan facility with Barclays Bank plc.

# VICINITY HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

An amount of £33,245,862 Social Housing Grant relating to Rodney properties acquired in April 2007 is not shown in the notes to the accounts but is disclosed for information. See note 26.

The Vicinity Housing Group has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Social Housing pension Scheme based on the financial position of the Scheme as at 30 September 2010. As of this date the estimated employer debt for the consolidated Vicinity Housing Group Limited was £43,845,000 (Vicinity Housing Group Limited individually £7,462,979).

### 35 ACCOMMODATION MANAGED BY OTHERS

The Group has agreements with various managing agents which provide management services in respect of properties owned by the Group. The Group also has additional agreements with Registered Providers and agencies, which are referred to below.

Details of the main agencies, including allowances received on their behalf during the year are as follows:

	<b>Total Number of Bed Spaces</b>	<b>Supported Housing Management Grant Payable £000</b>
Alternative Futures Group	301	-
Mencap	69	-
Supported Housing – Creative Support	6	-
Imagine	39	-
Autism Initiative	54	-
Community Integrated Care	56	-
Scope	54	-
Others	321	-
	<hr/> 900 <hr/>	<hr/> - <hr/>

In addition, the Group has 222 bed spaces managed in partnership with statutory organisations.

Vicinity Housing Group Limited has no accommodation managed by others.

# VICINITY HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

### 36 PENSION OBLIGATIONS

Vicinity Housing Group Limited participates in the Social Housing Pension Scheme (SHPS), the Merseyside Pension Fund scheme (MPF) and Lancashire County Pension Fund scheme (LCPF). The schemes are funded and contracted out of the state scheme.

#### (1) The Social Housing Pension Scheme (SHPS)

Vicinity Housing Group Limited participates in the SHPS Pension Scheme. The Scheme is funded and is contracted out of the state scheme.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the Scheme is a multi-employer scheme where the Scheme assets are co-mingled for investment purposes, and benefits are paid 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.

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 address the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The last formal valuation of the Scheme was performed as at 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%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2010. 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 £1,985 million and indicated a reduction in the shortfall of assets compared to liabilities to approximately £497 million, equivalent to a past service funding level of 80.0%.

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

#### (2) The Merseyside Pension Fund Scheme (MPF)

MPF is a defined benefit scheme relating to those employees that transferred from Knowsley Borough Council in July 2003 (LHT), from Liverpool City Council in March 2003 (Cobalt) and from Wirral Borough Council in February 2005 (BBCHA). The Scheme is funded and is contracted out of the state scheme. The scheme is closed to new members and at 31 March 2011 35 employees were active members. The contribution rate is set at (LHT 22.2%), (Cobalt 12.2%), (BBCHA 16.9%). Members contribute up to 6.8%

# VICINITY HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

### Membership numbers

	2011	2010
Actives (employee)	35	38
Deferrals	15	12
Pensioners	7	7
<b>Total</b>	<b>57</b>	<b>57</b>

### Amounts recognised in the balance sheet

	2011	2010
	£000	£000
Present value of funded obligations	(6,785)	(7,152)
Fair value of plan assets	6,364	5,721
<b>Net liability</b>	<b>(421)</b>	<b>(1,431)</b>

### Amounts in the balance sheet

Liabilities	(447)	(1,431)
Assets	26	-
<b>Net liability</b>	<b>(421)</b>	<b>(1,431)</b>

### Analysis of the amount charged to the income and expenditure account:

	2011	2010
	£000	£000
<b>Operating costs</b>		
Current service costs	155	103
Past service costs	(438)	-
<b>Interest payable</b>		
Interest on obligation	410	334
<b>Interest receivable</b>		
Expected return on plan assets	(375)	(263)
Curtailments	-	12
<b>Total</b>	<b>(248)</b>	<b>186</b>

### Statement of recognised surpluses and deficits

	2011	2010
	£000	£000
Actuarial (loss)/gain on pension schemes	640	(874)

# VICINITY HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

### Changes in the present value of defined benefit obligation:

	2011	2010
	£000	£000
Opening defined benefit obligation	(7,152)	(4,714)
Current service costs	(155)	(103)
Past service costs	438	-
Member contributions	(54)	(58)
Interest cost	(410)	(334)
Actuarial gain and (losses)	475	(2,022)
Curtailments	-	(98)
Benefits/ transfers paid	73	177
Closing defined benefit obligation	<u>(6,875)</u>	<u>(7,152)</u>

### Changes in the fair value of plan assets

	2011	2010
	£000	£000
Opening fair value of plan assets	5,721	4,211
Employer contributions	122	132
Member contributions	54	144
Expected return	375	263
Actuarial gains and (losses)	165	1,148
Benefits/ transfers paid	(73)	(177)
Closing fair value of plan assets	<u>6,364</u>	<u>5,721</u>
	2011	2010
	£000	£000
Actual return on planned assets	<u>464</u>	<u>1,411</u>

# VICINITY HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

### Major categories of plan assets as a percentage of total plan assets:

	2011	2010
Equities	60.7%	64%
Government bonds	10.7%	12%
Other bonds	6.7%	6%
Property	7.9%	6%
Cash/ liquidity	2.3%	3%
Other	11.7%	9%

### Principal actuarial assumption at the balance sheet date:

	2011	2010
Rate of RPI inflation	3.43%	3.43%
Rate of CPI inflation	2.93%	4.68%
Rate of salary increases	4.43%	4.68%
Rate of pension increases	2.93%	3.43%
Discount rate	5.5%	5.67%
<b>Expected rates of return on plan assets</b>		
Equities	7.5%	7.50%
Government bonds	4.4%	4.50%
Other bonds	5.1%	5.20%
Property	6.5%	6.50%
Cash/ liquidity	6.5%	0.50%
Other	0.5%	7.50%

# VICINITY HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

### Mortality assumptions

The post retirement mortality assumptions used to value the benefit obligation at 31 March 2010 and 31 March 2011 are based on the PA92 series.

Investigations have been carried out within the past three years into the mortality experience of the scheme. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	2011	2010
	Number of years	Number of years
Retiring today		
Males	21.4	20.4
Females	24.1	23.2
Retiring in 20 years		
Males	22.8	21.3
Females	25.7	24.1

### Amounts for the current and previous four years are as follows:

	2011	2010	2009	Restated 2008	2007	2006
	£000	£000	£000	£000	£000	£000
Defined benefit obligation	(6,785)	(7,152)	(4,714)	(5,675)	(5,064)	(4,943)
Plan assets	6,364	5,721	4,211	4,975	5,136	4,794
Surplus / (deficit)	(421)	(1,431)	(503)	(700)	72	(149)
Experience adjustments on plan liabilities	514	-	-	22	-	-
Experience adjustments on plan assets	165	1,148	(1,235)	(614)	-	-

# VICINITY HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

### (3) The Lancashire County Pension Fund Scheme (LCPF)

LCPF is a defined benefit scheme relating to those employees that transferred from Ribble Valley Borough Council into Ribble Valley Homes (RVH) in March 2008. The Scheme is funded and is contracted out of the state scheme. The scheme is closed to new members. RVH's contribution rate for 2010 was set at 16.8% and members contributed 6%. From April 2008 members contributions vary between 5.5% - 6.5% depending on their individual whole-time pay rate.

#### Membership numbers

	2011	2010
Actives (employee)	23	24
Deferrals	3	1
Pensioners	8	7
<b>Total</b>	<b>34</b>	<b>32</b>

#### Amounts recognised in the balance sheet

	2011	2010
	£000	£000
Present value of funded obligations	(2,406)	(2,335)
Fair value of plan assets	2,209	1,796
<b>Net liability</b>	<b>(197)</b>	<b>(539)</b>

#### Amounts in balance sheet

Liabilities	(197)	(539)
Assets	-	-
<b>Net liability</b>	<b>(197)</b>	<b>(539)</b>

#### Analysis of the amount charged to the income and expenditure account:

	2011	2010
	£000	£000
<b>Operating costs</b>		
Current service cost	99	63
Past service cost	(138)	-
Curtailments	-	-
<b>Interest payable</b>		
Interest on obligation	136	109
<b>Interest receivable</b>		
Expected return on plan assets	(118)	(84)
<b>Total</b>	<b>(21)</b>	<b>88</b>
<b>Actual Return on Planned Asset</b>	<b>148</b>	<b>436</b>

# VICINITY HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

<b>Statement of Recognised Surpluses and Deficits</b>	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Actuarial (Loss)/Gain on Pension Scheme	231	(304)
<b>Changes in present value of the defined benefit obligation:</b>	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Opening defined benefit obligation	(2,335)	(1,514)
Current service costs	(99)	(63)
Past service costs	138	-
Curtailments	-	-
Member contributions	(31)	(30)
Interest cost	(136)	(109)
Actuarial (losses)/gains	16	(656)
Benefits / transfers paid	41	37
Closing defined benefit obligation	(2,406)	(2,335)
<b>Changes in the fair value of plan assets:</b>	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Business Combinations/Fair Value of plan assets	1,796	1,289
Employer contributions	90	78
Member contributions	31	30
Expected return	118	84
Actuarial gains and (losses)	215	352
Benefits / transfers paid	(41)	(37)
Closing fair value of plan assets	2,209	1,796
<b>Major categories of plan assets as a percentage of total plan assets:</b>	<b>2011</b>	<b>2010</b>
Equities	64%	66.0%
Government bonds	7%	7.0%
Other bonds	14%	12.0%
Property	8%	5.0%
Cash / liquidity	1%	4.0%
Other	6%	6.0%

# VICINITY HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

	<b>2011</b>	2010
Rate of RPI inflation	<b>3.5%</b>	3.5%
Rate of CPI inflation	<b>3.0%</b>	5.25%
Rate of salary increases	<b>5.0%</b>	5.25%
Rate of pension increases	<b>3.0%</b>	3.5%
Discount rate	<b>5.5%</b>	5.7%
<b>Expected rates of return on plan assets</b>		
Equities	<b>7.5%</b>	7.5%
Government bonds	<b>4.4%</b>	4.5%
Other bonds	<b>5.1%</b>	5.2%
Property	<b>6.5%</b>	6.5%
Cash / liquidity	<b>0.5%</b>	0.5%
Other	<b>7.5%</b>	7.5%

### Mortality assumptions

The post-retirement mortality assumptions used to value the benefit obligation at March 2010 and March 2011 are based on the PA92 series.

Investigations have been carried out within the past three years into the mortality experience of RVH's scheme. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	<b>2011</b>	2010
	<b>Number</b>	Number of
	<b>of years</b>	years
Retiring today		
Males	<b>21.6</b>	21.2
Females	<b>24.2</b>	24.1
Retiring in 20 years		
Males	<b>23.0</b>	22.2
Females	<b>25.8</b>	25.0

Amounts for the current year and prior year are as follows:

	<b>2011</b>	2010
	<b>£000</b>	£000
Defined benefit obligation	<b>(2,406)</b>	(2,335)
Plan assets	<b>2,209</b>	1,796
Deficit	<b>(197)</b>	(539)
Experience adjustments on plan liabilities	<b>6</b>	-
Experience adjustments on plan assets	<b>215</b>	352

# VICINITY HOUSING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2011

### 37 RELATED PARTIES

All Board members are deemed to be related parties of the Group, some of the Board members are tenants of the Group, however, their tenancies are on normal terms.

Some Board Members within the Group and subsidiaries are Councillors of the relevant Association's local authority. Any transactions with the local authority are made on normal commercial terms and they cannot use their position for their advantage.

### 38 POST BALANCE SHEET EVENTS

On 1 April 2011 Vicinity Housing Group Limited amalgamated with Contour Housing Group Limited to become Symphony Housing Group Limited, a registered social landlord, registration number 31216R. The registered office is 12 Hanover Street, Liverpool, L1 4AA. The activities of the group will continue within Symphony Housing Group Limited as a division of Symphony Housing Group Limited.



VICINITY