

# Financial Statements 2010

For year ending 31 March 2010





# Report and Financial Statements 2010

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# Report and Financial Statements 2010

## The Board, Group Executive team, committees and professional advisers

### The Board

Adrian Bell BA (Hons)	Chair (and Independent Member)
Leonora Thomson BA (Hons)	Chair of Paddington Churches Housing Association Limited
Dapo Ladimeji MA MBA FCA CTA	Chair of Pathmeads Housing Association Limited
Stephen Woolridge ACIB	Chair of Springboard Housing Association Limited
Anu Vedi CBE ACA	Group Chief Executive (co-opted Member) – until 20 September 2009
Neil Hadden BA (Hons) MCIH ACIS	Group Chief Executive (co-opted Member) – from 29 September 2009
David Kleeman MA (Cantab)	Independent Member
Rolande Anderson MA (Cantab)	Independent Member
Lawrence Wybraniec LLB (Hons) ACIB	Independent Member – resigned 6 May 2009
Jacquie Cannon OBE BSc	Independent Member (co-opted Member) – resigned 6 May 2009
Stephen Lansman	Independent Member – resigned 6 May 2009
David Turner FRICS	Independent Member
Timothy Barker MA	Independent Member
Genie Turton MA CB	Independent Member – appointed 1 November 2009

### Group Executive team

Neil Hadden BA (Hons) MCIH ACIS	Group Chief Executive – appointed 29 September 2009
Allison Sofekun BSc (Hons) ACA MBA	Group Director of Corporate Services
Steve Coleman	Group Director of Development
Mark Gayfer BSc (Hons) FCA	Group Director of Finance
Tom McGregor BA (Hons) MBA	Chief Operating Officer
Olu Olanrewaju BSc (Hons) MRICS MBA	Managing Director of Paddington Churches Housing Association Limited – appointed 8 June 2009
Feargal Ward BA (Hons)	Managing Director of Pathmeads Housing Association Limited
Harton Bailey MCIH MBA	Interim Managing Director of Springboard Housing Association Limited

### Group committees

Group Audit and Risk Committee	Chair – David Kleeman MA (Cantab)
Remuneration and HR Committee	Chair – Rolande Anderson MA (Cantab)
Property Investment Development Committee	Chair – David Turner FRICS
Diversity Committee	Chair – Rolande Anderson MA (Cantab)
Governance Committee	Chair – Adrian Bell BA (Hons)

### Secretary

Stephen Robertson LLB FCIH MA ACIS	Group Company Secretary
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### Registered office

Genesis Housing Group Limited  
Capital House  
25 Chapel Street  
London  
NW1 5DT

### Bankers

Barclays Bank plc  
Floor 28  
1 Churchill Place  
London  
E14 5HP

### Principal solicitors

Trowers & Hamblins  
Sceptre Court  
40 Tower Hill  
London  
EC3N 4DX

### Auditors

KPMG LLP  
Chartered Accountants and Registered Auditor  
Arlington Business Park  
Theale  
Reading  
RG7 4SD

# Report of the Board Year ended 31 March 2010

## Statement of the Board's responsibilities in respect of the Report of the Board and the financial statements

The Board are responsible for preparing the Board's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Board to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

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

The Board are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

Each of the persons who is a Board member at the date of approval of this report confirms that:

- so far as the Board member is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the Board member has taken all the steps that he/she ought to have taken as a Board member in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### Corporate governance

The Board confirms that Genesis Housing Group ("the Group") has adopted and complied with the principal recommendations of the National Housing Federation's Code of Governance.

### Internal controls

The Group Board has overall responsibility for establishing and monitoring the whole system of internal control, reviewing its effectiveness and taking necessary action to remedy any significant failings or weaknesses identified in its review. This applies for all controlled entities within the Group.

As disclosed in the Board's Report for the year to 31 March 2009, during 2008/09 it became apparent that the level of internal controls over certain activities were not sufficiently adequate. Accordingly during the year to 31 March 2010, one of the principal actions of the Board has been to concentrate on making the necessary improvement and to that end a team has been engaged to provide assistance with implementing the internal and external audit recommendations to improve the control environment. The Tenant Services Authority ("TSA") reported in its December 2009 Regulatory Judgement on the Genesis Housing Group that there was evidence that the group was making progress, but given the number and complexity of issues it was not likely that all issues would be resolved during the financial year 2009/10.

Whilst significant progress has been made, it is envisaged that their work will continue into the financial year 2010/11. The Board notes that the external auditors, KPMG LLP have made significantly fewer recommendations this year than in previous years due to the improvements in the control environment.

The Board has reviewed its policies on governance, risk management and internal audit, and the framework to assess the effectiveness of the internal control system. At a high level, the assurance framework brings together information from all significant parts of the Group's business. The framework comprises different sources of assurance, the most significant being the work of the Internal Audit department, the review exercised by the Group Audit and Risk Committee ("the GARC"), the external audit function, and the control exercised by the Group Executive team. A major component of this framework is the risk management process, as set out in the Group Risk Management Strategy.

The Board has delegated authority for the review of internal controls to the GARC. The Group Chief Executive's report on internal controls assurance is therefore presented to the GARC for consideration along with the Statement on Internal Controls. These are recommended to the Group and Subsidiary Boards. The responsibility for the internal control system remains with the Board.

The Board reviews the effectiveness of the system of internal control along the following lines:

### Control environment

In March 2010 the Group Board gave approval in principle to fundamental changes to the Group's governance and management arrangements, subject to consultation with key stakeholder groups. It is proposed that the five registered providers in the Group are amalgamated to create one new charitable registered provider called Genesis Housing Association Limited. This will enable the creation of a single administrative platform which in turn facilitates the adoption of one set of group wide policies and procedures.

# Report of the Board

Year ended 31 March 2010

The proposed new structure is being introduced to create a new coherent and consistent framework for management, governance and control matters.

## Risk management

The Group encounters risk within all of its business activities and accepts a threshold of low and manageable risk as part of its risk appetite.

The Board approves the Group's risk management strategy and policy on an annual basis as part of the overall risk framework which meets regulatory standards and requirements. The risk management strategy which is applied across the Group is to try to avoid very high risks whenever possible and to proactively and robustly manage and mitigate all high and medium risk exposures to acceptable levels.

All Board Members and employees at all levels have clearly defined roles and responsibilities for identifying, evaluating, reporting and communicating risk issues throughout the organisation. This is part of a risk escalation process which also requires proactivity in identifying new and emerging risks.

The risk framework requires comprehensive risk registers to be produced for key business areas and departments and these are regularly monitored and updated as appropriate. In addition SMART risk mitigation plans are developed to include the key milestones and actions to be taken to address risk. There is a risk register at Group level which is regularly reviewed and discussed by the Board, the GARC and the Executive team.

The GARC (on behalf of the Board) scrutinises and monitors the risk framework across the Group and gives assurance to the Board that risk management is being effectively operated. In addition regular risk clinics take place to hold key managers and Directors to account for their actions in managing and mitigating risk. Risk is also monitored and discussed by the Executive team and through subsidiary Boards and their senior management teams.

The risk management department provides advice, support and guidance as necessary, promotes best practice, raises awareness of risk tools and techniques and facilitates various projects to minimise risks.

## Information systems

The Group has a comprehensive system of financial reporting. The corporate strategy, business plans, and annual budget are approved by the Board. A monthly reporting package of financial results and key performance indicators ensures any significant adverse variances are examined by management, to enable remedial action to be taken on a timely basis as necessary. The Board monitors financial performance on a quarterly basis, via a comprehensive management accounts package which includes income and expenditure accounts, balance sheets, cash flow forecasts, and key performance indicators.

## Control procedures

Policies and procedures are in place for all aspects of the organisation's business. These include defined authorisation levels for both revenue and capital expenditure, including new projects. The Property Investment Development Committee, which has specific delegated powers from the Group Board and subsidiary Boards, examines new projects, recommends major projects for approval by the Board and monitors the progress of those schemes. Other examples of control procedures are fraud prevention, treasury management, health and safety, recruitment, training and performance monitoring.

## Monitoring systems

All members of the Group's Executive team, senior and departmental managers are fully involved in agreeing the annual plan and budget for their part of the business. Managers are required to monitor actual performance each month compared with their budget, and explain and deal with any variances arising. A number of other functional and project-related monitoring systems exist as part of the Group's monitoring systems.

## Internal audit

The Internal Audit function continues to assess internal controls, including financial controls and provides independent assurance on areas reviewed. Management is responsible for instituting appropriate

action to correct weaknesses identified by the internal and external audit reports and for providing regular updates on the status of the action plans to the GARC. The Group Head of Internal Audit reports directly to the Group Chief Executive and has direct access to the Chair of the GARC.

## Effectiveness of the system of internal control

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

The Group's systems are designed to provide the Board with reasonable assurance that problems are identified on a timely basis and dealt with appropriately, that assets are safeguarded against unauthorised use or disposition, that proper accounting records are maintained, and that the financial information used within the business or for publication is reliable.

The process of identifying, evaluating and managing the significant risks faced by the Group is ongoing. It has been in place for the year under review and up to the date of approval of the annual report and is regularly reviewed by the Board.

As part of its system of internal control, the Board has a clear and well-communicated strategy and policy which defines fraud, and covers the prevention and detection of fraud within the Group, outlining how it is reported both internally and externally, together with its expectations on the recovery of assets. A clearly established whistle-blowing policy and procedures are in place should fraud or attempted fraud be reported, discovered or suspected.

The above procedures and policies are designed to identify, evaluate and manage the significant risks to the Group. The Board has received the Group Chief Executive's annual report on internal control assurance, reviewed the main policies designed to provide effective internal control, reviewed the fraud register, which indicates whether the Tenant Services Authority has been notified, and reflected the information contained within it in its review.

# Report of the Board

Year ended 31 March 2010

In its Regulatory Judgement issued in December 2009, the Tenant Services Authority indicated that the Board needed to take further action to ensure capable leadership and control of the organisation. Two principal issues were cited:

- the number of weaknesses identified in the audit management letter; and
- a breach of European procurement rules.

As set out above, significant progress has been made in resolving the weaknesses identified by the external auditors. The breach of European procurement rules has been investigated and procedures and controls strengthened to minimise the possibility of any future recurrence.

The Board confirms that during the year there were no identified weaknesses in internal controls, which resulted in material losses, contingencies or uncertainties that require disclosure in the financial statements or in the report of the auditors.

## Employee involvement

The Group encourages the involvement of its employees in its management through regular meetings of the Genesis Forum, a consultative body of staff which has responsibility for the dissemination of information of particular concern to employees and for receiving employee views on important matters of policy.

The Group also encourages and acts upon staff feedback through a number of mechanisms, which this year has included a major staff perception survey as part of the Times Top 100 Employers process. The feedback is used to drive a process of continuous improvement in employee engagement. Other initiatives include regular sessions of the Senior Managers with the Group Chief Executive and sessions offering all staff across the Group the opportunity to meet with him at least once a year. The well-established Genbrief system cascades information and allows upward feedback and questions, to which answers are shared across the Group.

Employees continue to be the Group's greatest asset, as shown by Group-wide Investors in People ("IIP") recognition and being designated 'One to Watch' in the 100 Top Employers process.

Genesis is committed to providing a safe and healthy environment for staff, customers and visitors. Our team of Health and Safety advisers continue to work across all parts of the Group's diverse and growing business with managers and other partners to strengthen and develop our newly-established risk management systems. Their work has resulted in an improving culture of reporting incidents and taking action to minimise risk and to each part of the business putting an improvement plan in place.

## Diversity

The Board is responsible for providing a strategic steer on diversity matters, endorsing the Group's diversity strategy and receiving regular progress and monitoring updates through its Diversity Committee. All Board members receive diversity and equality training.

Applications for employment from disabled persons are given full and fair consideration in respect of all vacancies, having regard to applicants' particular aptitude and abilities. The Group is recognised for its work on disability awareness through the Two Ticks accreditation. If employees become disabled, every effort is made to continue to employing them, where appropriate by making reasonable adjustments. It is Group policy that career and personal development opportunities should be available to all employees.

The Group developed its single Equality scheme to ensure that opportunities throughout the Group are open to all.

## Health and safety

Genesis is committed to providing a safe and healthy environment for all its staff, customers and visitors. Managers are working across all areas of the business to promote this culture and to create and enhance a positive and responsive attitude to all health and safety issues. As part of this, all new members of staff attend health and safety training as part of their induction to the Group. All staff in maintenance and development functions also undertake compulsory Health and Safety training to ensure they are appropriately skilled. There is a culture of reporting incidents and near misses and appropriate action is taken to minimise the likelihood of similar incidents in the future. The Group's Health and Safety systems have been evaluated by RoSPA and achieved a silver award.

In June 2010, the Group was fined £12,000 for breaches of the Health and Safety at Work Act, arising from a lack of risk assessments for legionella at an older persons scheme in Basildon between 2005 and 2007. The Group has taken a number of actions to minimise the possibility of reoccurrence in the future.

## Environmental issues

The Group takes very seriously its obligations to ensure that in all its actions, full account is taken of their possible impact upon the environment. In the management of its property portfolio, the construction of new homes and in its direct and overhead expenditure, the Group endeavours to act in a manner which is environmentally responsible and sustainable in the longer term.

## Political and charitable contributions

During the year the Group made donations of £5,145 to registered charities and a donation of £750k to Genesis Community Foundation. It made no contributions to political parties or incurred any political expenditure during the year.

## Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will continue in office.



By order of the Board  
**Adrian Bell**  
Chair  
27 July 2010

# Operating and financial review Year ended 31 March 2010

## Highlights





# Operating and financial review Year ended 31 March 2010

## Overview of the business

Genesis Housing Group is a registered provider of social housing and is one of the country's leading social investment businesses, with approximately 42,000 homes under management in London and the South East of England.

The core of the Group's property holdings is a very high value portfolio in Central and West London, which has increased in value substantially over time to provide a significant equity base for the Group. At 31 March 2010, the Group's housing stock was valued at £5.5 billion on a vacant possession basis in a desktop valuation.

Over the last five years the Group has sought to utilise this equity to maximise the supply of new social housing in the high demand areas of London and the South East, and received substantial public support via the Housing Corporation for this work. This development programme was reaching a peak in late 2008/early 2009 when the economic downturn was at its most severe, and the Group experienced a number of financial pressures which were mentioned in last year's report. The financial year 2009/10 has been one of recovery, good progress and laying the foundations for a successful future.

The Group aims to maximise the social value derived from its portfolio of social housing and during the year has approved an asset management strategy reflecting this. A key part of this strategy is to enable its housing stock to exceed the Government's Decent Homes Standard. As part of this strategy the Group is open to the acquisition and disposal of assets, particularly those which it would be uneconomic to improve to the Decent Homes Standard. However, it plans to always acquire significantly more new Social housing units each year than are sold.

The Group aims to make a small net operating surplus after interest charges from its social housing portfolio, and deliver a top quartile quality of service to its customers at an optional cost. In view of the current economic climate and the new coalition Government expressed aim to reduce the UK budget deficit, improving operating efficiency is one of the Group's key objectives.

The Group combines a commercial approach to the business of providing housing with a distinct social ethos. Genesis offers a diverse range of housing options to its customers including:

- the provision of approximately 23,000 affordable homes for people unable to afford to rent or buy in the open market;
- support for vulnerable people through supported housing;
- a range of housing products for the intermediate market, including shared ownership and intermediate market rent;
- development of new properties for affordable rent, shared ownership and also outright sale;
- temporary accommodation with more than 3,800 homes under contract to 14 local authorities;
- housing management contracts for local authorities, other housing associations, primary care and NHS trusts, developers and private investors with about 14,700 homes under management; and
- community development and regeneration for existing properties to improve the quality of life in local neighbourhoods.

As a dynamic business, the Group's development programme will deliver around 3,000 homes over the next three years. The Group is an investment partner under the Homes and Communities Agency's National Affordable Housing Programme ("NAHP"), and it has been appointed as the registered provider for the Woodberry Down regeneration scheme in Hackney and is committed to the Grahame Park regeneration scheme in Barnet, the largest registered provider led regeneration scheme in the UK.

The latest Regulatory Judgement (RJ) on the Genesis Housing Group from the TSA was issued in December 2009 and indicates that the Genesis Housing Group met the expectations of the TSA's Regulatory Code for viability and management but that the Board needed to take further action in its governance of the Group. As set out in the section of the Report of the Board dealing with Internal Controls on page 3, the Board welcomed the comments from the TSA and ensured that action was taken during the year to deal with the issues identified. The next RJ is expected to be issued in late summer 2010.

# Operating and financial review Year ended 31 March 2010

## Our new vision

It is well known that Genesis has had to deal with a number of issues over the last two years. These issues are now in the course of being resolved and the Group's financial and operating positions have been strengthened. Over the last year, Genesis has taken action to ensure that a robust framework is in place to deal with the challenges of the economic downturn. A new development strategy reflects the realities of the housing market, a healthy surplus has been made in 2009/10 and future funding certainty has been gained by raising £200m on the bond market. With a sound underlying business, Genesis is moving forward to the next level of the Group's development, ready to embrace the changes on the horizon in both the political and regulatory environments. The highest priority remains the commitment to deliver excellent services to all customers.

Genesis along with all other housing associations will face a number of challenges:

- The state of the economy will mean that the levels of public finance support for new development may not be there in the same way that they have over the past few years.
- Whatever public finance is available is likely to be under very different terms and conditions as the Homes and Communities Agency implements its new powers.
- The advent of the localism agenda will mean the local and regional frameworks that are currently worked within will be modified with greater power devolved to local authorities and local communities in relation to decisions about priorities for local spending and planning matters.
- The TSA has launched a new regulatory framework which will demand improved customer service delivery and greater involvement of customers in setting of standards and scrutiny of delivery.
- The growing demand for services against the backdrop of concerns about the level of problems in society and the higher aspirations and expectations of customers.

During the year the staff at Genesis had the opportunity to participate in an exercise to define the vision for the new Genesis. All activities undertaken by the Group should be set within the following context:

**Great service  
great homes  
great places and  
great opportunities  
...for our customers**

The mission statement below reflects the role everyone at Genesis is expected to play to support the vision:

**To provide quality homes and services to enable our customers to build better futures**

To help set the scene for service delivery Genesis has consulted with its customers and staff to restate the values considered to be at the heart of its operations. They describe the behaviours that should be exhibited and the way to engage with customers, suppliers, stakeholders and each other:

- **Customer focus** – putting customers at the heart of everything we do, involving them and being accessible
- **Respect** – treating people as individuals, with integrity, respect and professionalism
- **Partnership working** – working in partnerships to deliver for our customers and communities
- **Efficiency** – making efficient use of our resources and continuously improving the way we do things
- **Good employer** – to be a good employer, valuing our staff and investing in them.

# Operating and financial review Year ended 31 March 2010

## Group structure

Genesis Housing Group consists of five registered providers, a number of joint ventures for developing and managing housing as well as nine almshouses for which Genesis is the corporate trustee:-

### **Genesis Housing Group Limited**

Group parent, providing strategic leadership, development, finance and corporate services to other members of the Group.

### **Paddington Churches Housing Association Limited ("PCHA")**

A charitable Industrial & Provident Society that provides housing services in London and Hertfordshire.

### **Pathmeads Housing Association Limited ("Pathmeads")**

A charitable Industrial & Provident Society that delivers property management services to local authorities, other housing associations, primary care and NHS trusts, developers and private investors. It is the largest single provider in the country of temporary housing to the homeless.

### **Springboard Housing Association Limited ("Springboard")**

A charitable Industrial & Provident Society that provides general needs and supported housing in areas across London, Essex and Hertfordshire with a specific focus on supporting older people and those with special needs.

### **St. Matthew Housing Limited**

A charitable Industrial & Provident Society that provides supported housing in six counties in East Anglia and East Midlands with a specific focus on supporting homeless people. Its operations are being merged with those of Springboard from 8 June 2010.

### **Eastwards Trust**

A charitable company limited by guarantee directed at people in need primarily from the black and ethnic minority communities in Newham and neighbouring boroughs.

### **GenFinance Limited**

Special purpose non-charitable Industrial & Provident Society used as the Group's borrowing vehicle.

### **GenFinance II plc**

Created during the year for the sole purpose of issuing a public bond.

### **Geninvest Limited**

Responsible for investing in and monitoring the Group's non regulated activities. The main investments continue to be two partnerships with Grainger plc namely Grainger Geninvest LLP ("GGI1") and Grainger Geninvest No. 2 (2006) LLP ("GGI2") which own a combined portfolio of some 1,600 investment properties, largely financed by non-recourse bank debt.

### **Genesis Community Foundation**

A charitable company limited by guarantee which aims to promote and develop socio-economic programmes for the benefit of the communities in areas where Genesis Housing Group operates.

### **Genesis Purchasing Limited**

Provision of procurement services to aid the development and construction projects in the Group.

# Operating and financial review Year ended 31 March 2010

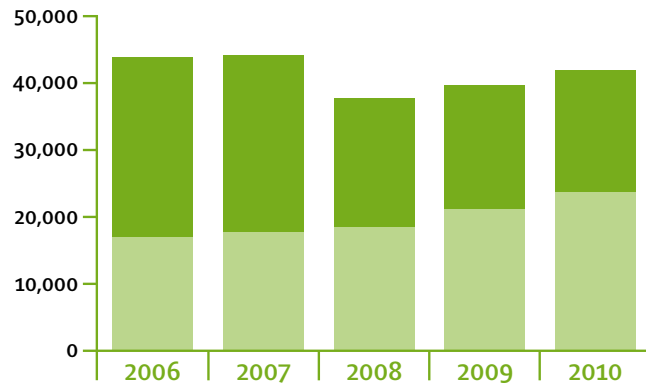
## Growth in homes owned and managed

Since early 2008, the Group has ceased acquiring development sites and has instead concentrated on the development of its existing landbank while sustaining its status as a development partner with the Housing and Community Agency. The performance for the 2009/10 financial year is a testament to the Group's commitment to continue developing affordable homes. In 2009 the Group developed 2% of all the new homes that were developed in England. The Group completed 2,062 (2009: 1,744) new homes and commercial units during the year of which 915 were for affordable rent, 705 for Low Cost Home Ownership, 215 for intermediate rent, 198 for private sales and 29 commercial units. The cost of new homes completed was £400.2m (2009: £346.9m), £199.9m was spent on developing properties during the year.

The total number of units managed by the Group has increased by 2,279 units due to the completion of new units and the inclusion of the homes managed by Eastwards Trust (173 units). However, in line with its Asset Management Strategy, it sold 144 existing properties to private buyers during the year and a further 108 to public regeneration agencies involved in community regeneration activities.

Funding received from the Homes and Communities Agency was £131.3m (2009: £87.5m). In line with a decision of the Group board, in view of the external economic environment the Group focused on delivering the existing contracted development programme and entered into very few new contracted development obligations during the year. The Board approved Development Strategy for the next three years is focused on developing out existing commitments and the landbank, and maximising the value of existing assets. The number of homes under development at 31 March 2010 has decreased from 3,710 in 2009 to 3,509.

### Units owned and managed



■ Homes managed  
■ Homes owned

### Units in development and completed



■ New affordable homes under development  
■ New affordable homes completed

# Operating and financial review Year ended 31 March 2010

## Financial performance: five year summary income and expenditure account

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Operating income	208.8	195.4	179.3	187.3	183.1
Operating costs	(172.1)	(166.3)	(152.7)	(164.9)	(157.9)
<b>Operating surplus</b>	<b>36.7</b>	<b>29.1</b>	<b>26.6</b>	<b>22.4</b>	<b>25.2</b>
Net interest	(34.2)	(29.3)	(24.9)	(26.0)	(25.4)
<b>Net operating surplus/(deficit)</b>	<b>2.5</b>	<b>(0.2)</b>	<b>1.7</b>	<b>(3.6)</b>	<b>(0.2)</b>
Surplus on sale of assets	26.1	14.0	21.2	16.1	11.1
Impairment	(5.9)	(6.9)	(5.8)	-	-
Taxation	-	-	0.1	-	-
<b>Asset management surplus</b>	<b>20.2</b>	<b>7.1</b>	<b>15.5</b>	<b>16.1</b>	<b>11.1</b>
<b>Surplus for the year from operations</b>	<b>22.7</b>	<b>6.9</b>	<b>17.2</b>	<b>12.5</b>	<b>10.9</b>
Genesis Community	(0.8)	(1.3)	(1.3)	(0.8)	-
Joint venture activities	(9.2)*	(4.9)	(3.9)	(4.1)	(1.1)
<b>Net group surplus for the year</b>	<b>12.7</b>	<b>0.7</b>	<b>12.0</b>	<b>7.6</b>	<b>9.8</b>
<b>Operating margin</b>	<b>17.6%</b>	<b>14.9%</b>	<b>14.8%</b>	<b>12.0%</b>	<b>13.8%</b>
<b>Net surplus margin</b>	<b>6.1%</b>	<b>0.4%</b>	<b>6.7%</b>	<b>4.1%</b>	<b>5.4%</b>

\*comprises operating loss of £4.2m and deferred tax write off of £5.0m

The table above has been compiled to reflect the Directors view of the most appropriate presentation of the Group's financial results and incorporates some reclassifications from the format used in the statutory accounts.

# Operating and financial review Year ended 31 March 2010

## Turnover and operating results

The financial statements demonstrate a much improved financial performance with a surplus for the year to 31 March 2010 of £12.7m (2009 £0.7m).

**Group operating income** – excluding the share of joint venture activities was £208.8m, an increase of 6.9% from 2009 (£195.4m). This was predominately due to the increase in unit numbers due to the development completions, the annual rent increase and the acquisition of Eastwards Trust, which accounted for £3m of the increase. The Group surplus before contribution to Genesis Community and excluding its share of joint venture activities has increased from £6.9m to £22.7m, mainly as a result of increased rental income and higher surpluses on sales of properties.

**Surplus on sale** – The surplus on disposal is higher than the previous year due to increased sales values achieved in the improved market during 09/10 and increases in the number of properties sold, as shown in the table below.

Surplus on sale	2010	2010	2010	2010	2009	2009
	No of units	Sales value £m	Cost of sales £m	Surplus / (deficit) £m	No of units	Surplus / (deficit) £m
First tranche shared ownership sales	527	37.7	(31.7)	6.0	503	1.9
Sales of previously rented properties	144	27.4	(8.5)	18.9	55	11.0
Sales to regeneration agencies	108	14.3	(15.4)	(1.1)	-	-
Staircasing of shared ownership	35	2.9	(2.2)	0.7	27	1.3
Right to buy and right to acquire	1	0.2	(0.1)	0.1	-	-
Newly developed homes for outright sale	94	28.6	(27.1)	1.5	15	-
Other	-	-	-	-	3	(0.2)
		<b>111.1</b>	<b>(85.0)</b>	<b>26.1</b>		<b>14.0</b>

**Impairment** – The Board is looking at the best ways to develop the remaining land bank of £178m and has already secured grant and loan financing to achieve this for some sites and will be seeking further grant and loan financing over the next year to enable the development. However, in view of the current state of the property market the Group Board felt that a further substantial impairment charge of £4.9m on the landbank, £0.4m on outright sale properties and £0.6m on commercial properties was appropriate in 2009/10 (2008/09: £6.9m), bringing the total impairment charge over the past three years to £18.9m. Almost all of this charge related to the Group's land bank of sites awaiting development and a small amount relating to commercial properties that the Group has developed but not sold.

**Interest** – Following the significant reduction in short term interest rates in early 2009, the weighted average cost of funds for the Group fell to 4.2% (2009: 4.88%). Following the bond issue in late 2009 it is expected to rise in 2010/11 to 5.4%.

Exposure to interest rates is managed through the use of interest rate swaps and embedded fixed rate loans. At 31 March 2010, £385.0m of interest rates swaps were outstanding with an average maturity of thirty five years. All interest rate swaps require approval by the Board of Genfinance Limited. The Group's total hedged position was £1,199.4m at 31 March 2010, representing 88% of the total borrowings.

Interest	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Net interest payable	(56.8)	(66.4)	(49.0)	(39.1)	(32.0)
Capitalised interest	22.6	37.1	24.1	13.1	6.6
<b>Net interest</b>	<b>(34.2)</b>	<b>(29.3)</b>	<b>(24.9)</b>	<b>(26.0)</b>	<b>(25.4)</b>

# Operating and financial review Year ended 31 March 2010

## Sectoral analysis

### Turnover and operating surplus by activity

	2010 Turnover	2010 Operating surplus/ (deficit) £m	2010 Operating margin	2009 Turnover	2009 Operating surplus/ (deficit) £m	2009 Operating margin
	£m	£m		£m	£m	
General needs	86.5	25.4	29%	75.1	23.7	32%
Supported housing	25.8	-	0%	24.5	0.5	2%
Low cost home ownership	7.2	2.7	37%	5.9	3.3	56%
Low cost ownership first tranche sales	37.7	6.0	16%	32.1	1.9	6%
Temporary accommodation	67.7	3.1	5%	69.8	3.2	5%
Keyworker accommodation	6.8	2.8	41%	6.7	2.2	33%
Other activities	39.9	(3.1)	(8%)	18.2	(12.0)	(66%)
	271.6	36.9	14%	232.3	22.8	10%
Joint ventures	7.4	3.4	46%	15.5	3.7	24%
<b>Total</b>	<b>279.0</b>	<b>40.3</b>	<b>14%</b>	<b>247.8</b>	<b>26.5</b>	<b>11%</b>
Surplus on ordinary activities after taxation as a percent of turnover (excl. joint ventures)			8%			2%

# Operating and financial review Year ended 31 March 2010

## Balance sheets

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Completed housing properties	2,004.1	1,677.7	1,356.1	1,245.9	1,091.7
Development work in progress	410.5	606.4	569.5	387.0	306.2
Units for sale (current assets)	145.2	158.5	157.5	10.6	6.3
Social housing grant and other grants	(1,042.9)	(925.0)	(834.1)	(764.9)	(639.3)
	<b>1,516.9</b>	<b>1,517.6</b>	<b>1,249.0</b>	<b>878.6</b>	<b>764.9</b>
Investments and other fixed assets	32.4	33.5	30.9	13.5	13.5
Share of joint venture assets/(liabilities)	(0.3)	(1.1)	40.1	19.0	8.9
Other net current assets	34.6	22.4	23.0	49.2	13.3
	<b>1,583.6</b>	<b>1,572.6</b>	<b>1,343.0</b>	<b>960.3</b>	<b>800.6</b>
<b>Financed by:</b>					
Loans	1,375.3	1,371.2	1,112.7	777.7	650.9
Other long term liabilities	23.2	30.0	33.8	16.1	7.5
Reserves	185.1	171.4	196.5	166.5	142.2
	<b>1,583.6</b>	<b>1,572.6</b>	<b>1,343.0</b>	<b>960.3</b>	<b>800.6</b>



# Operating and financial review Year ended 31 March 2010

## Housing properties

In addition to the development of new properties, the Group is committed to a programme of major repairs such as replacements of roofs, kitchens and bathrooms. The Group is on target to meet the Decent Homes Standard in substantially all its owned properties this year. Total spend on major repairs in the year was £9.3m (2009: £14.9m). The percentage of dwellings meeting the Decent Homes Standard remains at 99% at Springboard and PCHA has increased slightly from 94% to 95%.

At 31 March 2010, the Group owned housing properties for rent or shared ownership (including Work in Progress) at a total cost of £2,461.4m (2009: £2,320.1m). Cumulative grants and subsidies received totalled £1,042.9m (2009: £925.0m). An external desktop stock valuation was performed for the first time this year end. The value of the Group's properties at 31 March 2010 under a variety of bases significantly exceeds the net book values included in the financial statements.

### Stock valuation

	Value 2010	Excess over book value
	£bn	£bn
Existing use value for social housing (EUV-SH)	1.28	0.24
Market value subject to tenancies (MV-T)	3.02	1.01
Estimated vacant possession value (VP)	5.47	3.46

### Analysis of values at 31 March 2010 by property type

	EUV-SH £bn	MV-T £bn	VP £bn
General needs housing	1.02	2.70	4.80
Supported housing	0.04	0.09	0.15
Shared ownership housing (LCHO)	0.13	0.13	0.30
Keyworker accommodation	0.09	0.10	0.22
<b>Total</b>	<b>1.28</b>	<b>3.02</b>	<b>5.47</b>

### Analysis of values at 31 March 2010 by location

	EUV-SH £bn	MV-T £bn	VP £bn
Inner London	0.88	2.17	4.09
Outer London	0.20	0.44	0.71
Outside London	0.20	0.41	0.67
<b>Total</b>	<b>1.28</b>	<b>3.02</b>	<b>5.47</b>

# Operating and financial review Year ended 31 March 2010

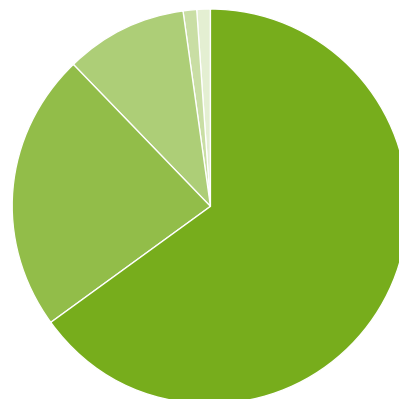
## Capital structure & liquidity

At 31 March 2010, the Group's total borrowings were £1,375m from available facilities of £1,680m. At the same date, the Group had available cash balances of £28m and additionally had £47m of secured loan facilities available to draw down within two days, and a further £258m of borrowing facilities available for use once security is provided. Current projections indicate that this should be more than sufficient to fund the contracted obligations from the current development programme, and the current business plan.

During the year the Group successfully completed its first own-name bond issue which has provided important funding for the business in the long term. The £200 million 30 year Sterling bond was priced at 6.06% and demonstrated the Group's strong credit rating. This was reconfirmed by a Moody's rating of A1 rating with stable outlook for the future and a Fitch rating of AA-. The bond was issued through a new Group company, Genfinance II plc. The funds raised were used to repay existing bank loans. A further £50m remains available to issue at any time up to June 2011 once security has been charged.

The bond issue changed the repayment profile of the debt with 65%, £873m, of the debt now due for repayment after 20 years.

### Debt repayment profile



- Over twenty years
- Between eleven and twenty years
- Between six and ten years
- Between one and five years
- Within one year

The Group has received confirmed allocations of Social Housing Grant in 2009/10 from the Homes and Communities Agency for a total of £64.6m. Of this £34.1m relates to the landmark site at 150 High Street Stratford, which overlooks the 2012 Olympic Site and £30.5m relates to other landbank sites.

Loan covenants were met throughout the year and at year end for all facilities – the financial covenant tests are interest cover and gearing. Interest cover as measured was 210% (2009: 146%) and gearing was 57% (2009: 57%).

### Cash flows

The Group carries out a regular review of cash flow risk as part of its risk management procedures. The key elements of cash flow risk are fluctuations in interest rates, the availability of loan finance and property sales receipts. The directors are confident that, following the further strengthening of controls during the year, the risks are appropriately monitored and controlled.

The cash flow statement shows that during the year the Group generated net cash inflow of £20.5m and made net interest payments of £53.1m. The Group increased net debt by £6.5m in the year and received £131.3m and £111.1m in capital grants and property sales respectively. Capital expenditure outflow on housing properties was £199.9m.

In the current uncertain economic climate, the Group's policy relating to liquidity is to hold sufficient and available loan facilities to meet three months' working capital requirements estimated at £35m. Short-term balances are placed on overnight/short term deposits with banks from which the Group has borrowed. The Group operates strict investment guidelines in respect to surplus cash with the emphasis on the preservation of capital.

As the Group's business is predominantly one of long term investment, it seeks to borrow for the long term to fund its investments. In the current economic climate, providers of finance have been reluctant to provide 30 year loans and so all the new borrowing facilities agreed during the year have been linked to capital market bond issues – £200m own name issue in December 2009 and £30m via The Housing Finance Corporation in July 2009.

# Operating and financial review Year ended 31 March 2010

## Performance by subsidiary

### PCHA

This year saw a number of important changes at PCHA, a new permanent Managing Director joined the Association on 8 June 2009 and immediately instituted a fundamental review of all services. Whilst this was in progress, PCHA received notification from the Audit Commission of a Short Notice Inspection to take place in July 2009. The subsequent inspection focused on two key areas of perceived weakness – management of Service Charges and Anti-Social Behaviour. The inspection report confirmed that PCHA's weaknesses outweighed strengths in both service areas. The inspection also looked at the three "cross-cutting" themes of Access and Customer Care, Diversity and Value for Money. For these, it found PCHA's strengths and weaknesses to be in balance. Following on from the inspection, a comprehensive action plan to address all the areas of weakness was agreed with residents and senior managers. Following submission of this plan, the Audit Commission determined that PCHA had "Promising Prospects for Improvement".

One of the key actions PCHA committed to the TSA in the wake of the inspection was a fundamental redesign of the Housing Management Services. This process was led by the new Managing Director and followed a period of intensive consultation with staff, customers and stakeholders. The redesign was aimed at providing customers high quality Housing services based around a single point of accountability. This approach was embodied by the creation of the Property Manager role as the focal point for all customer enquiries. In response to the customers stating that the previous service was too impersonal, local "patch" areas were reduced in size with Property Managers spending as much time as possible in the communities that are served.

The TSA's focus is clearly on the services provided to residents by registered providers and this was embodied by the "National Conversation" consultation carried out by the TSA during the year. The feedback from this consultation has shaped the standards the TSA will use as the basis of future regulation.

Improving access and customer care has been a key priority for PCHA during the year. PCHA successfully transferred to using the housing management contact centre that had been developed by Pathmeads Housing Association. The target is that 80% of customers calls are dealt with at the point of first contact. While customers have been very satisfied with the politeness of the new contact centre staff, only 82% of calls were answered. An improvement plan has been devised and will be rolled out over the next six months.

Rent arrears have increased significantly during the year with rent arrears at 7% against a G15 (Group of large London based Housing Associations) average of 6.4%. This is partly due to the economic environment resulting in people failing to pay their rent and partly due to weaknesses in rent collection policies and procedures that have meant insufficient early intervention to collect arrears.

Customer satisfaction with the repairs service improved to 71% and is now above the G15 average of 64%. Whilst the performance of completion of repairs within target has declined slightly PCHA achieved completion of 97% of all emergency repairs on time compared to the G15 average of 93%. A decision has been taken to change the reactive repairs provider from June 2010. The contract will be run by the Group repairs company, Pathmeads Property Services Limited trading as Shenstone Services. This should lead to an improvement in repairs completion times and also increased customer satisfaction.

### Pathmeads

The repairs performance KPIs have improved this year as the focus in Pathmeads Temporary Housing has been on developing a "Right First Time" service. To support this, two key initiatives were launched during the year. Firstly in April 2009, the team started the Partnering Contract for day to day repairs and voids. Now working with three contractors the team are able to offer tenants appointments and have seen marked improvements in repair completion times, jobs completed at first visit and customer satisfaction. The very competitive rates being achieved

through this contract has also helped the team manage maintenance expenditure. Secondly in June 2009, the Temporary Housing division launched a Housing Management Contact Centre; again results have been very positive with many more telephone calls being answered and a high proportion of queries being resolved during the first call.

### Pathmeads Property Services Limited / Shenstone Services Limited

On 3 February 2010, Pathmeads Property Services Limited acquired the assets and liabilities of Shenstone Services Limited, which joined the Group in August 2008 as a subsidiary of Pathmeads Property Services. The strategy objective was to gain access to expertise in areas such as drainage and out of hours work. Since the acquisition the intention has been to combine the two entities to gain operational efficiencies by sharing pooled resources and contracts. The combined entity currently trades under the name Shenstone Services Limited and a process is currently under way to change the company name to reflect this. The strategic direction of the company has changed with more emphasis on internal contracts and improving customer satisfaction for Genesis residents in the coming year. From June 2010, the company will be providing the reactive maintenance service for PCHA under a contract worth approximately £4m. This contract will initially run for 9-12 months whilst PCHA undergoes a formal tender process. As this is such a significant contract there will be less activity in trying to win external contracts.

### Springboard

Having achieved 99% compliance with the Decent Homes Standard across Springboard's stock in January 2009, major works during this year focussed on dealing with health and safety concerns and the removal of asbestos from the affected stock.

The annual cyclical decorations and repairs programme was completed to around 700 properties by Pathmeads Property Services, on time,

# Operating and financial review Year ended 31 March 2010

to quality, and at a lower cost than the original budget. Average costs per unit for this programme have reduced significantly over the past five years following completion of the Association's extensive window upgrading programme.

St. Matthew Housing, which houses and provides support to single homeless people, owns 669 units of accommodation, spread across the East Midlands, East Anglia and Lincolnshire. From 8 June 2010 St Matthew Housing has been amalgamated into Springboard Housing Association and ceases to exist as a separate Housing Association.

To address the concerns of the various supporting-people commissioning bodies in East Anglia and especially in Norfolk, an urgent programme of major works was commissioned across the St Matthew stock in the area. This proved to be both timely and successful in helping to restore confidence in St Matthew as a local service provider. This programme is continuing into 2010/11 to ensure that all former St Matthew stock achieves Decent Homes Standard by the end of December 2010, in line with the Government's target.

## Eastwards Trust

Eastwards Trust became part of the Genesis Group on 1 April 2009. Eastwards Trust is a provider of support services mainly to the Asian community in Newham. The major source of income is currently by way of trust, grant and contract income from London Borough of Newham and Big Lottery Funding. The main focus for the charity has been the integration between Springboard and the wider Group giving careful consideration to the pace of change and its wider effect and allowing time for the organisations to work together and achieve change, share knowledge and expertise and cultural differences.

## Grahame Park

The regeneration of the Choices for Grahame Park Estate (CfGP) is situated within the Local Authority of Barnet. In 2006 CfGP entered into a Principal Development Agreement to regenerate the entire estate. The total number of new affordable units to be delivered through the regeneration was estimated at 1,053 with 1,924 private sales. The first phase of development successfully started on site in

April 2009. The programme remains on target despite the adverse weather conditions throughout the winter period. Phase 1a and Phase 0 Extension will deliver 164 of affordable units and 194 of private sale units with the first units coming to market in July 2011.

The development will be part funded through a loan facility agreed with The Lloyds Banking Group (£35m) and equity invested by PCHA (£6m). The projected peak debt estimated to be £26m.

The overall performance to date has been substantial within the financial year 2010. Progress on the delivery of the current committed phases is nearing 25%. Open Market Values has remained stable throughout the financial year, indicating that surpluses will remain in line with target.

Further phases of development and regeneration are planned subject to further viability tests prior to entering into development commitments.

## Larden New Homes

Larden New Homes Limited was set-up to deliver primarily private sale property. The development has now substantially completed and the final units are being sold in the new financial year. Total private sale properties developed by the company totalled 165 units. The total number of properties sold in the financial year was 79 (2009: 15). That leaves 71 properties available for sale with 34 properties already reserved.

Larden New Homes Limited will repay the full amount of the loan due to Halifax Bank of Scotland at the end of April 2010. The outstanding loan received from the parent company Paddington Churches Housing Association Limited will be repaid from the final receipts of the remaining properties.

## Genesis Community Foundation

The Charity continues successfully to deliver its Life Change Programme which was established in the previous year, and covers a broad range of projects which seek to improve the life chances of

those housed by Genesis Housing Group and of those who live in the neighbourhoods in which the Group operates, as well as building on the social capital within the communities where those residents live.

For this year the three main strands to the Life Change Programme remained "Employment, Enterprise and Training" "Young People" and "Old and Vulnerable People". The Charity also delivers two cross cutting programmes namely its Financial Capability Advice and its community capacity building Small Grants Programmes.

The latter part of the year has also seen a significant development in the strategic direction the Charity will be taking. The Charity has developed a new approach to extend the reach and breadth of the Life Change Programme.

During the year the Charity has supported 48 projects in 15 boroughs, and led and continued to manage the award winning Harrow Road Neighbourhood Renewal Partnership, in Westminster. This partnership was awarded the title of Best UK Neighbourhood Renewal Programme for 2009.

## Joint venture investments: GGI1 and GGI2

A refinancing of the first portfolio through to September 2011 took place in June 2010. Refinancing discussions in relation to the second portfolio, whose loans mature in March 2011, are expected to open shortly.

The partnership with Grainger plc has continued to meet and exceed its operating business plan targets despite the difficulties encountered in the external economic environment. However, the significant falls in the property markets in London during the year have meant that the portfolios' value fell to close to original cost.

As a result of ongoing operating losses due to interest charges continuing to exceed the net rental income, the value of the Group's investment in these portfolios has been reduced below cost. The Group continues to view itself as a long term investor in the portfolios and anticipates an improvement in the medium to long term.

# Operating and financial review Year ended 31 March 2010

## Operating performance

As part of the new corporate plan six key success indicators have been agreed in order to facilitate the delivery of the desired level of performance improvement. The targets set for 2010/11 are based on achieving upper quartile performance levels to get within the top 10% of performers.

Tenant satisfaction is measured using Status surveys. A Group Wide Status Survey has not yet taken place. Surveys conducted for Springboard (2008) and PCHA (2007) followed the standard set of Status questions set out by the National Housing Federation that are mandatory for general needs and supported housing tenures. The survey conducted by Pathmeads Key Places (2009) was based largely on the Status questions, but was adjusted slightly to meet the needs of their business.

### Key success indicators

	2009/10 actual	2010/11 target	2011/12 target	2012/13 target
<b>Customer satisfaction</b>	See below	75%	80%	85%
<b>Calls resolved 1st time</b>	63%*	70%	75%	80%
<b>Repairs completed 1st time</b>	Not measured	70%	75%	80%
<b>Number of stock owned/managed</b>	41,993	41,000	42,500	45,000
<b>Annual surplus</b>	£12.7m	£13m	£15m	£23m
<b>Best Companies to work for score</b>	603	620	660	670

\* Only measured since January 2010

### Housing management

	2010	2009	2008	2007	2006
<b>Average secured weekly rent</b>	£101.56	£94.84	£89.36	£84.55	£80.79
<b>Average assured weekly rent</b>	£105.82	£99.35	£93.60	£88.71	£84.00
<b>Void rent loss as % of gross rent</b>	3.2%	3.0%	2.0%	2.1%	2.3%
<b>Rent arrears as % of gross rent</b>	7.3%	8.1%	7.7%	6.6%	6.9%

The standard rent increase for 2009/10 was 5.5%, based on September 2008 RPI plus 0.5%.

# Operating and financial review Year ended 31 March 2010

## Repairs and maintenance

Total spend on major repairs in the year was £9.3m (2009: £14.9m). The percentage of homes meeting the Decent Homes Standard has increased in PCHA from 94% to 95%. Springboard has achieved 99% compliance (2009: 99%).

The new Asset Management Strategy commits to achieving 99% compliance with the Decent Homes Standard across the Group. The Group has a good track record of investment in stock and has budgeted to invest £11.9m in major repairs works during 2010/11.

Pathmeads' repairs performance KPIs have improved this year as the focus in Pathmeads Temporary Housing has been on developing a "Right First Time" service. To support this, two key initiatives were launched during the year. Firstly the team are now able to offer

tenants appointments and have seen marked improvements in repair completion times, jobs completed at first visit and customer satisfaction. The very competitive rates being achieved through this contract has also helped the team manage maintenance expenditure. Secondly in June 2009, the Temporary Housing division launched a Housing Management Contact Centre; again results have been very positive with many more telephone calls being answered and a high proportion of queries being resolved during the first call.

PCHA performance was in line with the prior year. A decision has been taken to change the reactive repairs provider from June 2010. The contract will be run by the Group repairs company, Shenstone Services Limited. This should lead to an improvement in repairs completion times and also increased customer satisfaction.

## Repairs response times

	Emergency – 24 hours			Urgent – 5 Working Days			Routine – 20 Working Days		
	09/10	08/09	07/08	09/10	08/09	07/08	09/10	08/09	07/08
<b>PCHA</b>	<b>99%</b>	99%	93%	<b>98%</b>	98%	95%	<b>97%</b>	97%	93%
<b>Springboard</b>	<b>96%</b>	92%	96%	<b>93%</b>	92%	92%	<b>96%</b>	94%	93%
<b>Pathmeads</b>	<b>96%</b>	93%	93%	<b>97%</b>	94%	86%	<b>97%</b>	98%	98%

# Operating and financial review Year ended 31 March 2010

## The future outlook

Genesis is reviewing how it is organised, both in management and governance terms. Over the next six months, there will be a consultation with customers, stakeholders and partners on a proposal to simplify the group structure. It is proposed that all of the Registered Providers would be amalgamated into one company – Genesis Housing Association Limited. The aim behind this proposal is to streamline the governance arrangements to facilitate more effective decision making and to provide greater focus on customer service and engagement.

Alongside this the staffing structure will be reorganised to create a single administrative platform employing Group wide, consistent policies and procedures. The first of these are the new Asset Management and Development strategies which in future will concentrate on activities in London, Essex and Hertfordshire. This may lead to the disposal of some stock in other areas possibly by way of swaps with other associations.

Three themes run through the Corporate Plan for 2010 to 2013. The first revolves around a renewed commitment to improved customer service; the second recognises that we are in a period of consolidation following the rapid growth experienced over the last few years; and the third is a determination to ensure a consistent approach to our work across the Group.

In developing the three over-reaching themes set out five key corporate objectives have been identified. These are:

### **1. Re-energising the commitment to customers**

Over the last five years, Genesis has grown considerably through development and acquisitions. For the last two years it has had to concentrate on securing financial stability due to the downturn in property prices and development activity. It is acknowledged that during this period sufficient attention has not been given to the delivery of services to customers. Therefore, the challenge, and the commitment, is to provide a consistently good service to all customers. The understanding of customers needs to be increased and be

inclusive of diverse backgrounds. This means ensuring that repairs are completed on time and involving customers using modern methods and processes.

### **2. Creating a modern effective governance and management structure**

Genesis needs to be fit for purpose going forward. The general election in 2010 has produced a new government that is preoccupied with the country's financial position. Finances are going to be tight and it is likely that what money there is will probably be made available under very different arrangements as the Homes and Communities Agency develops its approach. Also Genesis will face a new regulatory framework as the Tenant Services Authority assumes its new powers and responsibilities.

Genesis needs to ensure that its governance and management arrangements assist with facing these challenges. The plan is to simplify and streamline our governance structure in accordance with the Housing and Regeneration Act 2008. The proposal is that the Group will no longer be headed by a non-asset owning parent, instead it will operate as a single entity named Genesis Housing Association Limited, into which the registered providers will be amalgamated. There will be a trading subsidiary to contain the non charitable activities of the Group. This will help us to create a single administrative platform with one management structure and one approach to the service delivery.

### **3. Improved performance levels**

Genesis wants to be able to demonstrate to all, not least its customers, that promises are being delivered on. Genesis is one of the biggest housing associations in the country; the aspiration is now to be one of the best performers too. Over the three years of this Corporate Plan the aim is to consistently deliver upper quartile performance levels and to get within the top 10%. This is a tall order as the Group moves into a fundamental organisational change but the whole purpose of that change is to facilitate delivery of improvements to performance.

### **4. Focused engagement in strategic areas to deliver the localism agenda**

Genesis owns or manages property in more than 70 local authority areas, stretching from Sussex to Lincolnshire. It is not possible to provide the consistent high quality management services throughout such a wide area or to respond effectively to the growing localism agenda in which local communities will be expected to play a greater role in planning what happens in local areas, and in some cases, the delivery of services in their local areas. All the major political parties are promoting localism. The pursuit of localism provides a strong framework of values to promote social justice, tackle unfair inequalities and build sustainable communities for all.

Genesis wants to put itself in a strong position to enable it to respond to the local plans both in the shaping and delivery of good innovative services, therefore the principle behind the new Asset Management Strategy is to concentrate the property portfolio in a smaller area to deliver excellent and efficient local services and to ensure that management and maintenance economies are maximised. The priority areas for investment are the London Boroughs, Hertfordshire and Essex.

### **5. Financial robustness**

Genesis has a high level of gearing compared with other housing associations. In September 2009, the Group Board approved a strategy to enhance the financial position of the Group and reduce debt growth by £200m over the next five years. This is based on four key strands.

- Improving Group Liquidity – the objective is to ensure that Genesis has sufficient undrawn loan facilities to finance the next two to three years of capital commitments including funding the development of sites in the land bank. This has been achieved by the issue of the £200m bond.

# Operating and financial review Year ended 31 March 2010

## The future outlook (continued)

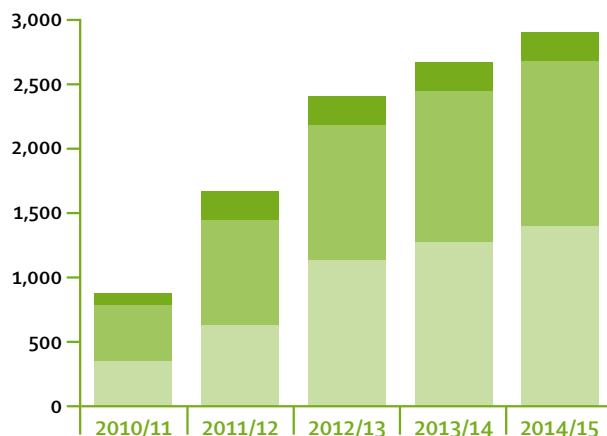
- Minimising the cost of debt and the exposure of the Group to movements in the interest rates and inflation rates – the treasury strategy has been revised to minimise the cost of debt whilst protecting the Group from serious exposure to future movements in interest rates.
- Improving the ratio of operating profit to interest costs – Genesis is seeking operational efficiencies and cost savings from a better procurement strategy and is focusing on winning new estate management and temporary accommodation contracts where additional net revenue can be generated for little or no capital commitment. The rent policy for 2010/11 has been revised to maximise revenue by setting rents at target rent +5% on general needs properties and target rent +10% on supported housing. This is within the boundaries set by the Government target rent policy and reflects policies pursued by most of the G15. As rent increases are based on RPI at September 2009 which was negative at -1.4% our residents will benefit from a rent freeze for 2010/11. A further part of this policy is to harmonise the rent increase dates for PCHA residents to first week in April, which is in line with the rest of the Group.
- Rationalisation of the property portfolio – The Asset Management Strategy is focused on raising £191m through property disposals over the next three years and a further £9m in the following two years. There will be concentration of sales of tenanted stock from the areas outside of the target geographical areas of London, Hertfordshire and Essex and the prioritisation of the sale of void properties where there is no conflict with local priorities. The focus will be on retaining the core products of social rented housing, shared ownership and supported housing, option appraisals will be considered for the sale of non core units.

### Future development strategy

The development strategy for the next three years is focused on developing out existing commitments and the landbank, and maximising the value of existing assets. The Group still has a substantial landbank holding which it is seeking to develop out over the next three years (£178m). Grant confirmations issued in 2009/10 for developments previously held within the landbank totalled £64.6m.

The total development programme for 2010/11 is projected to be £186m with grant receipts of £55m. The total development spend estimated for the next five years is £485m and grant receipts are expected to be £107m, resulting in a net spend of £378m. The number of new units coming into the Group from the development programme is 3,509 affordable units.

### Cumulative units handed over



- Intermediate rent
- Low cost home ownership
- General needs

Currently the Group has a number of strategic developments on-site:

**150 High Street, Stratford:** The Group is seeking to develop 696 units at this high profile site overlooking the Olympic stadium. In October 2009, the Group initiated a tendering process under OJEU regulations seeking a suitable contractor to develop the site out. The Group has appointed Ardmore to construct the entire development. Completion of the first units on the site is expected by mid 2012.

**32-42 Bethnal Green Road, London:** The development of this site is structured through a 50/50 joint venture entity with Telford Homes Limited. Genesis will acquire 103 units of affordable housing from the joint venture company. The site further has planning developing out 257 private for sale units. The joint venture company is currently negotiating a separate deal to sell all of the private sale units to a third party investment company. This will negate the requirement to invest any additional equity into the joint venture.

**Woodberry Down regeneration:** Genesis has entered into a principal development agreement with Hackney Council and Berkeley Homes to deliver the phased demolition and construction of 1,785 affordable homes through the regeneration of the Woodberry Down Estate. The regeneration will be over a period of 20 years with the first units being completed by April 2011. Total investment value for the total project is estimated at £182m.

**Anglia Ruskin University site (ARU), Chelmsford, Essex:** The Group acquired the site in 2007 and has since been working on a new planning application. The current development will allow for the construction of 245 units of affordable and 460 units of private for sale units on the site. The HCA has provided £10.8m of funding for the construction of 186 affordable units on phase 1 of the site.



# Operating and financial review Year ended 31 March 2010

## Governance

Genesis Housing Group Limited is the non asset owning parent company for the Group and has a Board which deals with strategic issues impacting the Group. Operational issues are delegated to subsidiary boards and a series of committees described below.

The Board comprises nine non-executive directors and the Group Chief Executive who is a co-opted member. Six of the non-executive directors are independent and do not serve on the subsidiary Boards. The other three directors are the Chairs of the three operating subsidiaries of Genesis. The Chairman and one other non-executive director have announced their intention to stand down at the forthcoming Annual General Meeting and activity has commenced to identify replacements.

The Board of Genesis meets at least eight times a year. Its core responsibilities of the board are to:

- define and ensure compliance with the values, vision, mission and strategic objectives of the organisation, ensuring its long term success and compliance with the TSA standards of performance;
- establish a framework for approving strategies, policies and plans to achieve those objectives;
- satisfy itself as to the integrity of financial information and approve each year's accounts prior to publication, and approve each year's budget and business plan;
- establish and oversee a framework for the identification, management and reporting of risk, in order to safeguard the assets of the organisation;
- agree or ratify policies and decisions on all matters that might create significant financial or other risk to the organisation, or that raise material issues of principle; and
- monitor the organisation's performance in relation to these strategies, plans, budgets, controls and decisions and also in the light of customer feedback and the performance of comparable organisations.

The Genesis and subsidiary non-executive directors were remunerated as follows:

Chair of Genesis Housing Group Limited	£10,000
Member and Chair of Committee or Subsidiary Board	£6,500
Member of Subsidiary Board	£3,250

The Group board has five committees whose core responsibilities are as follows:

### The Governance Committee

The core responsibilities of the Governance Committee are to:

- set high standards of governance by recommending governance policies for approval by the Group Board and monitoring the implementation of governance procedures;
- review the composition and profile of the Boards to ensure they contain a broad range of relevant skills and experience and remain in control to meet future challenges in implementing the Board's Business Plan;
- review the effectiveness of each Board and Committee within the Group on an annual basis, agree an action plan to ensure continuous improvement and to report the outcome to the Group Board;
- review the effectiveness of governance in the Group and the governance management system in each part of the Group; and
- recommend the approval of the Shareholding Membership Policy.

### The Group Audit and Risk Committee

The core responsibilities of the Group Audit and Risk Committee are to:

- provide assurance to the Board that the Group has in place and operates an appropriate control framework to safeguard its assets and manage risks;
- review audits of the internal control systems in the Group on a planned basis and ensure that they are effective by requiring that recommendations are implemented by the agreed timescales, approve the audit plan and review the effectiveness of the internal audit function;

- ensure that the risk management systems are effective;
- recommend the annual report and financial statements to the Boards within the Group;
- recommend the appointment of external auditors and monitor the annual audit process and recommend the management letter for approval; and
- review and monitor the IT strategy to ensure its appropriateness and completeness.

### The Diversity Committee

The core responsibilities of the Diversity Committee are to:

- exercise strategic leadership in all strands of equalities and diversity matters by ensuring that the Genesis Housing Group's Diversity Policy is in line with best practice and recommended for approval by the Group Board;
- develop a strategy to ensure that the Diversity Policy is implemented;
- understand the profile of the communities in which the Group works, and the profile of the Group's customer base and develop targets in relation to the key services provided;
- monitor the performance of the Group in key areas to ensure that proactive steps are taken to avoid direct or indirect discrimination;
- ensure that the service to customers is enhanced through the consideration of the diverse needs of all people;
- ensure that diversity issues are considered in all aspects of the Group's business; and
- stress test the activities of the Group in relation to good practice and regulatory guidance.

### The Project Investment Development Committee

The core responsibilities of the Project Investment Development Committee are to:

- ensure that the development programme is managed within the overall financial limits set by the Board;
- ensure that the development programme is carried out in keeping with the Group's standard of construction and design;

# Operating and financial review Year ended 31 March 2010

- approve or recommend for approval individual developments (in line with the levels set out in section 1.7) within the financial programme approved for development and within the economic criteria agreed by the Board and as validated by the Finance Department in relation to the programme and on each scheme, and provided that a suitable level of loan finance is in place to fund each project as it is approved;
- ensure that the development programme is appropriate to the Group and to the subsidiaries in the Group and reporting back to the appropriate Boards as necessary;
- monitor performance of the programme (including sales) and of individual projects inside the programme as appropriate and undertake a review on completion against the original plan and Board approvals;
- stress test both the individual projects submitted for approval and the overall programme to cover the risk emerging from a range of likely scenarios;
- produce, implement and monitor an asset management strategy to ensure that the Group's assets are used efficiently; and
- assess, monitor and report on the financial standing of the consultants, developers and contractors on all schemes prior to and during the development period. Look at concentration risk – i.e. our aggregate exposure to each developer and maintain a record of the potential for loss in the event of failure by any of the parties to fulfil contractual obligations.

## **The Nominations, Remuneration and HR Committee**

The core responsibilities of the Nominations, Remuneration and HR Committee are to:

- determine the remuneration package which is sufficient to attract and retain and motivate the quality of Chief Executive for the business from time to time;
- determine the salary, other benefits and terms of service of members of the Executive Management team;
- determine the annual targets;

- determine the salary increases and performance related payments to the Group Chief Executive and members of the Executive Management Team;
- ensure that the Group's workforce strategies and plans are developed and monitored to enable the Group to have the capacity to recruit and retain high performing staff;
- make decisions in relation to non contractual payments and benefits; and
- review the Board Performance Evaluation process and its outcome.

## **Future governance**

The Board has considered the current governance arrangements of the Group in the light of the events of the last two years and the comments from the TSA on its Governance arrangements. The Board has concluded that the current Group structure and governance are unwieldy and lead to duplication of effort in some areas and a lack of clarity in others. In order to deal with these issues, respond to the new coalition government's expectation in the area of efficiency and lay the foundation for a successful future for the Group, a proposal to amalgamate the principal constituent parts of the Group and re-arrange operational management operations has been formulated. These proposals are currently the subject of consultation with various stakeholder Groups.

A review of the committee structure is currently underway as part of this proposed restructure of the Group.



**Neil Hadden**

Group Chief Executive  
27 July 2010

# Independent auditors' report to the members of Genesis Housing Group Limited

We have audited the financial statements of Genesis Housing Group Limited for the year ended 31 March 2010 set out on pages 26 to 83. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Schedule 1 paragraph 16 to the Housing Act 1996 and section 495 and 456 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of the Board and auditors

As explained more fully in the Board's Responsibilities Statement set out on page 3, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the company's affairs as at 31 March 2010 and of the Group's and the company's surplus for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and

- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

## Opinion on other matters prescribed by the Companies Act 2006

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

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

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

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



## Chris Wilson

Senior Statutory Auditor  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
Arlington Business Park  
Theale  
Reading  
RG7 4SD

06 August 2010

# Group income and expenditure account Year ended 31 March 2010

	Note	2010 Group excluding joint venture activities £m	2010 Share of joint venture activities £m	2010 Group £m	2009 Group excluding joint venture activities £m	2009 Share of joint venture activities £m	2009 Group £m
<b>Turnover</b>							
Continuing operations	2,3	268.9	7.4	276.3	223.2	15.5	238.7
Acquisitions		2.7	-	2.7	9.1	-	9.1
<hr/>							
Cost of sales	2	271.6 (58.0)	7.4 (1.4)	279.0 (59.4)	232.3 (37.4)	15.5 (9.3)	247.8 (46.7)
<hr/>							
<b>Gross surplus</b>							
Impairment	2	(5.9)	-	(5.9)	(6.9)	-	(6.9)
Other operating costs	2,3	(170.8)	(2.6)	(173.4)	(165.2)	(2.5)	(167.7)
<hr/>							
Total operating costs		(176.7)	(2.6)	(179.3)	(172.1)	(2.5)	(174.6)
<hr/>							
<b>Operating surplus</b>							
Continuing operations		36.5	3.4	39.9	23.4	3.7	27.1
Acquisitions		0.4	-	0.4	(0.6)	-	(0.6)
<hr/>							
		36.9	3.4	40.3	22.8	3.7	26.5
<hr/>							
Surplus/(deficit) on sale of properties – continuing operations	7	19.2	0.2	19.4	12.1	(0.2)	11.9
Net interest payable and similar charges	8	(34.2)	(7.8)	(42.0)	(29.3)	(10.5)	(39.8)
<hr/>							
<b>Surplus/(deficit) on ordinary activities before taxation</b>							
Tax on surplus/(deficit) on ordinary activities	9	-	(5.0)	(5.0)	-	2.1	2.1
<hr/>							
<b>Surplus/(deficit) for the financial year</b>							
		21.9	(9.2)	12.7	5.6	(4.9)	0.7

All amounts relate to continuing activities.

Notes on pages 32 to 83 form part of the financial statements.

# Company income and expenditure account Year ended 31 March 2010

	Note	2010 £m	2009 £m
<b>Turnover</b>		<b>47.8</b>	58.4
Operating costs		(47.2)	(58.3)
<b>Operating surplus</b>		<b>0.6</b>	0.1
Net interest payable and similar charges	8	(0.5)	-
<b>Surplus on ordinary activities before taxation</b>	4	<b>0.1</b>	0.1
Tax on surplus on ordinary activities	9	-	-
<b>Surplus for the financial year</b>		<b>0.1</b>	0.1

All amounts relate to continuing activities.

There is no difference between the company's results as reported and on a historical cost basis. Accordingly no note of historical cost surpluses and deficits has been prepared.

Notes on pages 32 to 83 form part of the financial statements.

# Balance sheets At 31 March 2010

	Note	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
<b>Fixed assets</b>					
Tangible assets:	10				
Housing properties at cost		2,461.4	2,320.1	-	-
Less: Social housing grants and other grants		(1,042.9)	(925.0)	-	-
Less: Depreciation		(46.8)	(36.0)	-	-
		1,371.7	1,359.1	-	-
Intangible assets	11	-	0.2	-	-
Investments:	12				
Investments in joint ventures:					
Share of gross assets		172.3	168.7	-	-
Share of gross liabilities		(172.6)	(169.8)	-	-
Loans		14.5	15.8	-	-
Listed investments at market value		1.1	0.8	-	-
Other tangible fixed assets	13	16.8	16.9	5.5	5.4
		1,403.8	1,391.7	5.5	5.4
<b>Current assets</b>					
Housing properties, stock for sale and work in progress	14	145.2	158.5	-	-
Debtors*	15	50.4	43.6	109.4	75.7
Investments	16	43.4	8.4	-	-
Cash at bank and in hand		27.9	49.5	-	0.7
		266.9	260.0	109.4	76.4
<b>Creditors:</b> amounts falling due within one year	17	(87.1)	(79.1)	(39.1)	(81.6)
<b>Net current assets/(liabilities)</b>		179.8	180.9	70.3	(5.2)
<b>Total assets less current liabilities</b>		1,583.6	1,572.6	75.8	0.2

\* including Group £1.3m (2009: £8.0m); Company £73.1m (2009: £nil) due after more than one year.

# Balance sheets At 31 March 2010

	Note	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
<b>Creditors: amounts falling due after more than one year</b>	18	(1,385.0)	(1,387.8)	(76.9)	(0.4)
<b>Provisions for liabilities</b>	19	(3.6)	(4.0)	-	-
<b>Net assets/(liabilities) excluding pension liabilities</b>		<b>195.0</b>	<b>180.8</b>	<b>(1.1)</b>	<b>(0.2)</b>
<b>Pension liabilities</b>	25	<b>(9.9)</b>	<b>(9.4)</b>	<b>(9.9)</b>	<b>(9.4)</b>
<b>Net assets/(liabilities) including pension liabilities</b>		<b>185.1</b>	<b>171.4</b>	<b>(11.0)</b>	<b>(9.6)</b>
<b>Reserves</b>					
Negative goodwill	20	49.0	51.7	-	-
Revaluation reserve	21	6.7	2.5	-	-
Designated reserves	21	-	7.3	-	-
Restricted reserves	21	1.1	0.8	-	-
Revenue reserve	21	128.3	109.1	(11.0)	(9.6)
		<b>185.1</b>	<b>171.4</b>	<b>(11.0)</b>	<b>(9.6)</b>

Notes on pages 32 to 83 form part of the financial statements.

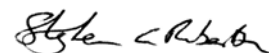
These financial statements were approved by the board of directors on 27 July 2010 and were signed on its behalf on 27 July 2010 by:



**Adrian Bell**  
Group Chair



**Mark Gayfer**  
Group Director of Finance



**Stephen Robertson**  
Group Company Secretary

# Consolidated cash flow statement

Year ended 31 March 2010

	Note	2010 £m	2009 £m
<b>Reconciliation of operating surplus to net cash flow from operating activities</b>			
Operating surplus		36.9	22.8
Depreciation charges and impairment		13.1	13.2
Amortisation of negative goodwill		(3.9)	(0.4)
Goodwill written off		0.2	-
Profit on sale of first tranche sales		(6.0)	(1.9)
Profit on sale of properties sold outright		(0.9)	-
(Profit)/loss on investments and other fixed assets		(0.3)	0.5
Decrease/(increase) in stocks		-	(1.0)
(Increase)/decrease in debtors		(10.8)	32.2
(Decrease)/increase in creditors		(6.8)	11.5
Decrease in provisions		(0.4)	(0.6)
Adjustment for pension funding		(0.6)	-
<b>Net cash inflow from operating activities</b>		<b>20.5</b>	<b>76.3</b>
<b>Cash flow statement</b>			
Cash flow from operating activities		20.5	76.3
Returns on investments and servicing of finance	26	(53.1)	(72.7)
Capital expenditure and financial investment (net)	26	41.7	(205.0)
Acquisitions	26	1.1	(5.0)
Cash inflow/(outflow) before management of liquid resources and financing		10.2	(206.4)
Management of liquid resources	26	(35.0)	(0.6)
Financing	26	3.5	257.8
<b>(Decrease)/increase in cash in the period</b>		<b>(21.3)</b>	<b>50.8</b>
<b>Reconciliation of net cash flow to movement in net debt</b>			
(Decrease)/increase in net cash in period	27	(21.3)	50.8
Cash used to increase liquid resources		35.0	0.6
Net change in borrowing		(3.5)	(257.8)
Non-cash changes		(0.6)	(0.7)
<b>Movement in net debt in the period</b>		<b>9.6</b>	<b>(207.1)</b>
<b>Net debt at the start of the period</b>		<b>(1,313.6)</b>	<b>(1,106.5)</b>
<b>Net debt at the end of the period</b>		<b>(1,304.0)</b>	<b>(1,313.6)</b>



# Statement of total recognised surpluses and deficits

Year ended 31 March 2010

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
<b>Surplus for the financial year</b>	<b>12.7</b>	<b>0.7</b>	<b>0.1</b>	<b>0.1</b>
Unrealised increase/(decrease) on revaluation of joint ventures investment properties	5.2	(34.1)	-	-
Actuarial loss recognised in the pension schemes	(1.5)	(6.5)	(1.5)	(6.5)
<b>Total recognised surpluses and deficits relating to the financial year</b>	<b>16.4</b>	<b>(39.9)</b>	<b>(1.4)</b>	<b>(6.4)</b>

# Note of historical cost surpluses and deficits

Year ended 31 March 2010

	2010 £m	2009 £m
<b>Group</b>		
<b>Reported surplus/(deficit) on ordinary activities before taxation</b>	<b>17.7</b>	<b>(1.4)</b>
Realisation of property revaluation gains of previous years	1.0	1.2
<b>Historical cost surplus/(deficit) on ordinary activities before taxation</b>	<b>18.7</b>	<b>(0.2)</b>
<b>Historical cost surplus for the year retained after taxation</b>	<b>13.7</b>	<b>1.9</b>

# Notes to the financial statements Year ended 31 March 2010

## 1 | Accounting policies

The following accounting policies will be applied consistently in dealing with items which are considered material in relation to the financial statements.

### **Basis of preparation**

The financial statements have been prepared on the going concern basis and in accordance with applicable accounting standards, the Statement of Recommended Practice 'Accounting by Registered Social Landlords' 2008, under the historical cost accounting rules with the exception of listed investments which are included at market value and comply with the Accounting Requirements for Registered Social Landlords General Determination 2006.

### **Basis of consolidation**

The consolidated accounts incorporate the financial statements of Genesis Housing Group Limited, its subsidiaries, associates and joint ventures. Further details of the subsidiaries, associates and joint ventures are disclosed in note 12. The results of subsidiaries are included in the consolidated Income and Expenditure account from the date of incorporation or acquisition. Subsidiaries acquired during the year are consolidated using the acquisition method. Intra-group surpluses or deficits are eliminated on consolidation. For newly acquired legal entities where the difference between the cost of acquisition of its shares and the fair value of the separable net assets acquired gives rise to goodwill, this is capitalised and written off on a straight line basis over its estimated economic life. Provision is made for impairment where appropriate.

All subsidiaries financial statements are made up to 31 March except Silver Property Development Company Limited, whose financial year ends on 31 October.

### **Negative goodwill**

Negative goodwill arises where the value of the separable net assets of a legal entity acquired exceeds the cost of acquisition. It is included within reserves and released to the Income and Expenditure account in the periods in which the fair values of the non-monetary assets purchased on the same acquisition are recovered, whether through depreciation, sale or conversion to cash.

### **Investments**

Investments in subsidiary undertakings and loans to joint ventures are stated at cost less any impairment or write offs.

Joint ventures and associated undertakings are accounted for under the equity accounting method recognising the Group's share of the results and net assets on consolidation.

Listed investments are stated at their market value.

### **Intangible fixed assets and amortisation**

Intangible assets arising as part of an acquisition are capitalised at their fair value where this can be measured reliably. Goodwill is amortised over 10 years or written off to the Income and Expenditure account when there has been a permanent diminution in its value.

### **Fixed assets and depreciation**

#### **Housing properties**

Housing properties constructed or acquired on the open market are stated at cost less the amount of grants received towards their cost and depreciation. Cost includes the cost of acquiring land and buildings, development costs, interest capitalised during the

development period, directly attributable administration costs, and expenditure incurred in improving or reinvesting in existing properties. Capitalised interest is the interest on borrowings specifically financing the development or construction of those properties payable during the period of construction.

Expenditure on major refurbishment to properties is capitalised where the works increase the net rental stream over the life of the property. An increase in the net rental stream may arise through an increase in the net rental income, a reduction in future maintenance costs, or a subsequent extension in the life of the property. All other repair and replacement expenditure is charged to the Income and Expenditure account.

Donated land is accounted for as both a cost incurred to acquire land and grant received where the land is donated by a public body. Where the land is donated by a private donor then the excess value is recognised in turnover.

Freehold land is not depreciated. Depreciation is charged so as to write down the value of freehold housing properties, other than freehold land, to their estimated residual value on a straight line basis over their remaining expected useful economic life. Useful economic life is estimated between 80 and 125 years.

Housing properties in the course of construction, excluding the estimated cost of the element of shared ownership properties expected to be sold in first tranche, are included in fixed assets and held at cost (less any impairment), and are transferred to completed properties when ready for letting.

# Notes to the financial statements Year ended 31 March 2010

## 1 | Accounting policies (continued)

Leasehold housing properties owned by the Group are stated at cost and are depreciated on a straight line basis over the period of the lease except where the expected useful economic life is shorter than the lease in which case they are depreciated separately over their expected useful life.

Impairment reviews are carried out annually. Other assets are reviewed for impairment if there is an indication that impairment may have occurred. Where there is evidence of impairment, fixed assets are written down to higher of value in use and the net recoverable amount. Any impairment charge is recognised in the Income and Expenditure account.

When housing properties are developed for sale to another social landlord, the cost less any related capital grant is dealt with in current assets under housing properties and stock for sale.

Completed housing properties in subsidiaries acquired are valued at existing use value for social housing at the date of acquisition, plus related social housing grant.

### Low cost home ownership housing properties and staircasing

Under low cost home ownership arrangements, the Group disposes of a long lease on low cost home ownership housing units for a share ranging between 25% and 75% of value. The buyer has the right to purchase further proportions and up to 100% based on the market valuation of the property at the time each purchase transaction is completed.

Low cost home ownership properties are split proportionately between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover. The remaining element, "staircasing element", is classed as a fixed asset and included in completed housing property at cost less Social Housing Grants ("SHG") and any provision for impairment. Sales of subsequent tranches are treated as a part disposal of a fixed asset. Such staircasing sales may result in capital grant being deferred or abated and any abatement is credited in the sale account in arriving at the surplus or deficit.

The properties are not depreciated on the expectation that the net realisable value at the time of disposal will be in excess of the historical cost.

### Social Housing Grant

SHG received from the HCA is utilised to reduce the capital cost of housing properties, including the cost portion attributable to land. SHG due from the HCA or received in advance is included as a current asset or liability. SHG received in respect of revenue expenditure is credited to the Income and Expenditure account in the same period as the expenditure to which it relates.

SHG is subordinated to the repayment of secured loans by agreement with the HCA. SHG released on sale of property may be repayable but is normally available to be recycled and is credited to the Recycled Capital Grant Fund or Disposal Proceeds Fund.

### Recycled Capital Grant Fund

On the occurrence of certain relevant events, primarily the sale of dwellings, the HCA can direct the Association to recycle capital grants or to make repayments of the recoverable amount. The Group adopts a policy of recycling, for which a separate fund is maintained. If unused within a three year period, it will be repayable to the HCA with interest. Any unused recycled capital grant held within the recycled capital grant fund, which it is anticipated will not be used within one year is disclosed in the balance sheet under "creditors due after more than one year". The remainder is disclosed under "creditors due within one year".

### Other fixed assets and depreciation

Tangible fixed assets other than housing properties are stated at cost less accumulated depreciation. Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets on a straight line basis over the expected useful life of the asset.

### The annual depreciation rates are as follows:

	per annum
Freehold office premises and commercial premises	1 $\frac{1}{3}$ %
Office improvements	15%
Motor vehicles	25%
Office furniture and computer equipment	25%
Key workers' furniture	25%
Tenants' furniture	33 $\frac{1}{3}$ %
No depreciation is provided on freehold land.	

# Notes to the financial statements Year ended 31 March 2010

## 1 | Accounting policies (continued)

### **Supported housing schemes**

The Group receives Supporting People grant from a number of London Boroughs and County Councils. The grants received in the period as well as costs incurred by the Group in the provision of support services have been included in the Income and Expenditure account. Any excess of cost over the grant received is borne by the Group where it is not recoverable from tenants.

### **Service charges**

The Group adopts the variable method for calculating and charging service charges to its tenants and leaseholders. Expenditure is recorded when a service is provided and charged to the relevant service charge account or to a sinking fund. Income is recorded based on the estimated amounts chargeable.

### **Management of units owned by others**

Management fees receivable and reimbursed expenses are shown as income and included in management fees receivable. Costs of carrying out the management contracts and rechargeable expenses are included in operating costs.

### **Schemes managed by agents**

Income is shown as rent receivable and management fees payable to agents are included in operating costs.

### **Leases**

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the Income and Expenditure account on a straight line basis over the period of the lease.

### **Post-retirement benefits**

The Group participates in four pension schemes.

### **Defined benefit schemes**

The assets are held separately from those of the Group. Pension scheme assets are measured using market values. Pension liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges and finance items which are recognised in the Income and Expenditure account and, in the statement of total recognised surpluses and deficits, actuarial gains and losses.

### **The Social Housing Pension Scheme ("SHPS")**

The Group participates in SHPS which is a multi-employer pension scheme providing benefits based on final pensionable pay and more recently career averaged revalued earnings. The assets of the scheme are held separately from those of the Group. The Group is unable to identify its share of the underlying assets of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged in the Income and Expenditure account represents the contributions payable to the scheme in respect of the financial year.

# Notes to the financial statements Year ended 31 March 2010

## 1 | Accounting policies (continued)

### Money purchase scheme

The Group also participates in a defined contribution scheme where the amount charged to the Income and Expenditure account represents the contributions payable to the scheme in respect of the financial year.

### Housing properties, stock for sale and work in progress

Housing properties, stocks for sale and work in progress are stated at the lower of cost and net realisable value. Cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

### Long term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the Income and Expenditure account, after deducting foreseeable losses and payments on account not matched with turnover. Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

### Provisions

Provisions are made to meet liabilities which are expected to arise in future years but are of uncertain timing or amounts. Arrears provisions are made and systematically reviewed on an ongoing basis taking into consideration current market conditions, historical write offs and other particular known factors which can affect payment of the amounts.

### Taxation

The Group is VAT registered. As a large proportion of its income, including rents, is exempt, this gives rise to a partial exemption calculation. Expenditure is therefore shown gross of value added tax, where applicable.

The charge for taxation is based on the surplus for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised on a prudent basis, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19 "Deferred tax".

### Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year (other than cash), government securities and investments in money market managed funds.

### Financial instruments

The impact of financial instruments such as interest rate swap is recorded in the Income and Expenditure account only in respect of current passing payments and on an accruals basis. Neither the market values of such instruments nor movements in them during the year are recorded in the Balance Sheet or the Income and Expenditure account, but disclosed by way of a note.

### Turnover

Turnover represents rental income, service charge income receivable, management fees (excluding Value added tax), revenue grants, first tranche sales of low cost home ownership properties and other income including sales of properties developed for outright sale. All turnover arose in the United Kingdom.

# Notes to the financial statements Year ended 31 March 2010

## 2 | Turnover, operating costs and operating surplus

	2010					2009				
	Turnover	Cost of sales	Impairment	Other operating costs	Operating surplus/ (deficit)	Turnover	Cost of sales	Impairment	Other operating costs	Operating surplus/ (deficit)
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Social housing lettings</b>										
General needs	86.5	-	-	(61.1)	25.4	75.1	-	-	(51.4)	23.7
Temporary housing	67.7	-	-	(64.6)	3.1	69.8	-	-	(66.6)	3.2
Supported housing	25.8	-	-	(25.8)	-	24.5	-	(0.3)	(23.7)	0.5
Low cost home ownership	7.2	-	-	(4.5)	2.7	5.9	-	-	(2.6)	3.3
Keyworker accommodation (NHS)	6.8	-	-	(4.0)	2.8	6.7	-	-	(4.5)	2.2
	<b>194.0</b>	<b>-</b>	<b>-</b>	<b>(160.0)</b>	<b>34.0</b>	<b>182.0</b>	<b>-</b>	<b>(0.3)</b>	<b>(148.8)</b>	<b>32.9</b>
<b>Other social housing activities</b>										
First tranche sales	37.7	(31.7)	-	-	6.0	32.1	(30.2)	-	-	1.9
Supporting people contract	2.4	-	-	(2.1)	0.3	3.2	-	-	(2.7)	0.5
Development administration	-	-	-	(2.5)	(2.5)	-	-	-	(2.1)	(2.1)
Non social lettings	3.9	-	-	(4.1)	(0.2)	4.2	-	-	(4.0)	0.2
Outright sales	25.1	(24.2)	(0.4)	-	0.5	4.8	(4.8)	-	-	-
Other activities	8.5	(2.1)	(5.5)	(2.1)	(1.2)	6.0	(2.4)	(6.6)	(7.6)	(10.6)
	<b>271.6</b>	<b>(58.0)</b>	<b>(5.9)</b>	<b>(170.8)</b>	<b>36.9</b>	<b>232.3</b>	<b>(37.4)</b>	<b>(6.9)</b>	<b>(165.2)</b>	<b>22.8</b>

# Notes to the financial statements Year ended 31 March 2010

## 3 | Income and expenditure from social housing lettings

	General needs	Temporary housing	Supported housing	Low cost home ownership	Key worker accommodation (NHS)	Total 2010	Total 2009
	£m	£m	£m	£m	£m	£m	£m
<b>Turnover from social housing lettings</b>							
Rents receivable net of identifiable service charges	73.4	68.2	12.2	5.9	6.7	166.4	157.7
Service charges	6.9	-	9.3	1.6	-	17.8	14.7
Gross rental income	80.3	68.2	21.5	7.5	6.7	184.2	172.4
Rent and service charge losses from voids	(2.3)	(2.5)	(0.5)	(0.3)	(0.3)	(5.9)	(5.2)
<b>Net rental income</b>	78.0	65.7	21.0	7.2	6.4	178.3	167.2
Management fees receivable	6.8	1.1	0.1	-	0.2	8.2	11.7
Supporting people grant	-	-	4.0	-	-	4.0	4.0
Grants from local authorities and other agencies	-	-	0.7	-	-	0.7	0.9
Other income	1.7	0.9	-	-	0.2	2.8	(1.8)
<b>Total turnover from social housing lettings</b>	86.5	67.7	25.8	7.2	6.8	194.0	182.0
<b>Operating costs on social housing lettings</b>							
Housing management	(29.8)	(9.2)	(7.2)	(1.5)	(3.1)	(50.8)	(42.9)
Care and support	(0.2)	-	(4.0)	-	-	(4.2)	(3.6)
Service charges	(7.0)	-	(8.1)	(1.6)	-	(16.7)	(13.6)
Routine maintenance	(10.4)	(2.9)	(3.7)	(0.3)	(0.4)	(17.7)	(16.1)
Planned maintenance	(4.5)	-	(0.5)	(0.7)	-	(5.7)	(4.2)
Major repairs expenditure	(3.9)	-	(1.4)	-	-	(5.3)	(8.4)
Rent losses from bad debts	(0.5)	(0.4)	(0.5)	(0.2)	(0.1)	(1.7)	(2.5)
Landlords rents	(0.1)	(52.5)	(0.1)	-	-	(52.7)	(54.1)
Property depreciation and amortisation	(4.7)	-	(0.3)	(0.2)	(0.4)	(5.6)	(4.0)
Impairment	-	-	-	-	-	-	(0.3)
Dilapidations	-	0.4	-	-	-	0.4	0.6
<b>Total operating costs on social housing lettings</b>	(61.1)	(64.6)	(25.8)	(4.5)	(4.0)	(160.0)	(149.1)
<b>Operating surplus</b>	25.4	3.1	-	2.7	2.8	34.0	32.9

# Notes to the financial statements Year ended 31 March 2010

## 4 | Notes to the income and expenditure account

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
<b>Surplus on ordinary activities before taxation is stated after charging/(crediting):</b>				
Depreciation and other amounts written off tangible fixed assets:				
Owned	7.2	6.3	1.5	0.9
Net impairment charge	5.9	6.9	-	-
Amortisation of negative goodwill	(3.9)	(0.4)	-	-
Capitalised interest written off as part of impairment	-	1.6	-	-
Operating leases:				
Land and buildings – temporary housing	50.6	54.0	-	-
Land and buildings – offices	1.6	1.8	1.3	1.2
Hire of other assets	0.1	0.2	-	-

### Auditors' remuneration:

	Group 2010 £000	Group 2009 £000
Amounts receivable by the auditors and their associates in respect of:		
Audit of these financial statements and of consolidated financial statements and financial statements of subsidiaries pursuant to legislation	303	270
Additional fees in respect of prior year audit	142	-
Other services relating to taxation	28	46
Services relating to corporate finance advice	40	78
Other services	72	43

Auditors' remuneration for the audit of the company's financial statements amounts to £16,000 (2009: £ 16,000).



# Notes to the financial statements Year ended 31 March 2010

## 5 | Remuneration of directors

Remuneration disclosed includes remuneration of the Board Members, the Group Chief Executive and the Executive Officers.

	2010 £000	2009 £000
Non Executive Board Members	51	61
Executives' emoluments (including pension contributions)	817	970
Compensation for loss of office (including pension contributions)	360	92
	<b>1,228</b>	<b>1,123</b>

The aggregate of emoluments of the highest paid director comprised salary of £134,460 (2009: £194,000) and pension contributions of £10,098 (2009: £ 46,000) which were made to a defined contribution scheme. (2009: defined benefit scheme).

	2010 No.	2009 No.
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	2	1
Defined benefit schemes	2	3

The present Chief Executive is a member of the defined contribution pension scheme with no special elements.

# Notes to the financial statements Year ended 31 March 2010

## 6 | Staff numbers and costs

The average number of persons (expressed as full time equivalents) employed (including directors) during the year, analysed by category, was as follows:

	<b>Group</b> <b>2010</b> <b>No.</b>	<b>Group</b> <b>2009</b> <b>No.</b>	<b>Company</b> <b>2010</b> <b>No.</b>	<b>Company</b> <b>2009</b> <b>No.</b>
Administration	172	169	150	148
Development	62	55	62	55
Housing management	597	601	547	497
Care and support	524	501	-	-
Community development and fundraising	36	24	36	24
	<b>1,391</b>	<b>1,350</b>	<b>795</b>	<b>724</b>

The aggregate payroll costs of these persons were as follows:

	<b>Group</b> <b>2010</b> <b>£m.</b>	<b>Group</b> <b>2009</b> <b>£m</b>	<b>Company</b> <b>2010</b> <b>£m</b>	<b>Company</b> <b>2009</b> <b>£m</b>
Wages and salaries	39.6	35.2	24.6	27.2
Social security costs	3.6	3.5	2.4	2.7
Employees insurance costs	0.1	0.1	0.1	0.1
Other pension costs	1.7	2.3	1.2	1.8
	<b>45.0</b>	<b>41.1</b>	<b>28.3</b>	<b>31.8</b>

Included in the above is £1.9m relating to Eastwards Trust, which joined the Group on 1 April 2009.

# Notes to the financial statements Year ended 31 March 2010

## 7 | Surplus on sale of properties

	No. of units	Sales value	Cost of sales	Surplus/ (deficit) 2010	Surplus/ (deficit) 2009
		£m	£m	£m	£m
<b>Group</b>					
Sales of previously rented properties	144	27.4	(8.5)	18.9	11.0
Sales to regeneration agencies	108	14.3	(15.4)	(1.1)	-
Staircasing of shared ownership properties	35	2.9	(2.2)	0.7	1.3
Right to buy and right to acquire	1	0.2	(0.1)	0.1	-
Homes for outright sale	15	3.5	(2.9)	0.6	-
Other	-	-	-	-	(0.2)
Surplus on sale		48.3	(29.1)	19.2	12.1

## 8 | Net interest payable and similar charges

### a) Income from other fixed asset investments

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Income from joint ventures	-	0.3	-	-

# Notes to the financial statements Year ended 31 March 2010

## 8 | Net interest payable and similar charges

### b) Other interest receivable and similar income

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Bank interest	0.5	1.7	-	-
Other	1.2	1.7	-	-
	1.7	3.4	-	-
<b>Share of joint ventures</b>	-	0.1	-	-

### c) Other finance income

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Expected return on pension scheme assets	-	2.4	-	2.4
Interest on pension scheme liabilities	-	(2.4)	-	(2.4)
	-	-	-	-

### d) Other finance costs

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Expected return on pension scheme assets	1.9	-	1.9	-
Interest on pension scheme liabilities	(2.4)	-	(2.4)	-
	(0.5)	-	(0.5)	-

# Notes to the financial statements Year ended 31 March 2010

## 8 | Net interest payable and similar charges (continued)

### e) Interest payable and similar charges

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
On bank loans and overdrafts	(58.2)	(70.3)	-	-
Less capitalised interest (see below)	22.6	37.1	-	-
Loan amortisation of loan premium on consolidation	0.9	0.9	-	-
Amortisation of loan arrangement costs	(0.6)	(0.7)	-	-
Other interest	(0.1)	-	-	-
	<b>(35.4)</b>	<b>(33.0)</b>	<b>-</b>	<b>-</b>
<b>Share on joint ventures:</b> on bank loans, overdrafts and other loans	<b>(7.8)</b>	<b>(10.6)</b>	<b>-</b>	<b>-</b>

Interest has been capitalised into tangible fixed assets at a rate of 4.25% (2009: 6.0%).

### f) Net interest payable and similar charges

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Income from other fixed asset investments	-	0.3	-	-
Other interest receivable and similar income	1.7	3.4	-	-
Other finance income	-	-	-	-
Other finance costs	(0.5)	-	(0.5)	-
Interest payable and similar charges	(35.4)	(33.0)	-	-
<b>Net interest payable and similar charges</b>	<b>(34.2)</b>	<b>(29.3)</b>	<b>(0.5)</b>	<b>-</b>
<b>Share of joint ventures</b>	<b>(7.8)</b>	<b>(10.5)</b>	<b>-</b>	<b>-</b>

# Notes to the financial statements Year ended 31 March 2010

## 9 | Taxation

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
<b>Analysis of charge in period</b>				
UK corporation tax:				
Current tax on income for the period	-	-	-	-
Adjustments in respect of prior periods	-	-	-	-
<b>Total current tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Deferred tax (see note 15)				
Origination of timing differences	-	(2.1)	-	-
Adjustments to estimated recoverable amount of deferred tax assets arising in previous periods	5.0	-	-	-
<b>Total deferred tax</b>	<b>5.0</b>	<b>(2.1)</b>	<b>-</b>	<b>-</b>
<b>Tax on surplus on ordinary activities</b>	<b>5.0</b>	<b>(2.1)</b>	<b>-</b>	<b>-</b>

### Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2009: higher) than the standard rate of corporation tax in the UK of 28% (2009: 28%). The differences are explained below:

### Current tax reconciliation

Surplus/(deficit) on ordinary activities before tax	17.7	(0.7)	-	0.2
Current tax at 28% (2009: 28%)	5.0	(0.2)	-	0.1
Effects of:				
Expenses not deductible for tax purposes	1.8	-	-	-
Surplus covered by charitable exemption	(2.4)	(3.0)	-	-
Income not subject to corporation tax	(5.0)	-	-	-
Capital allowances for period in excess of depreciation	-	(0.1)	-	(0.1)
Depreciation in excess of capital allowances	0.1	-	0.2	-
Utilisation of tax losses	(0.5)	(0.1)	(0.2)	(0.1)
Unutilised losses carried forward	1.0	3.3	-	-
Adjustment – pension contributions	-	0.1	-	0.1
<b>Total current tax charge (see above)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Notes to the financial statements Year ended 31 March 2010

## 10 | Tangible fixed assets – the Group

	Housing properties held for letting £m	Housing properties under construction £m	Short leasehold held for letting £m	Shared ownership housing properties £m	Shared ownership housing properties under construction £m	Total £m
<b>Cost</b>						
At beginning of year	1,480.8	517.4	1.5	224.3	96.1	2,320.1
Additions – work done	4.0	131.9	-	-	73.2	209.1
Disposals	(27.9)	(4.0)	-	(34.7)	-	(66.6)
Transfers between items	(11.8)	15.2	-	17.9	(21.3)	-
Transfers between asset classes	(5.7)	(11.3)	-	(11.0)	26.8	(1.2)
Properties completed	265.5	(265.5)	-	134.7	(134.7)	-
<b>At end of year</b>	<b>1,704.9</b>	<b>383.7</b>	<b>1.5</b>	<b>331.2</b>	<b>40.1</b>	<b>2,461.4</b>
<b>Capital grant</b>						
At beginning of year	710.5	99.6	0.7	96.2	18.0	925.0
Received during year	0.6	103.3	-	-	27.4	131.3
On disposals	(11.6)	-	-	(1.8)	-	(13.4)
Transfers between items	28.0	(0.5)	-	(14.4)	(13.1)	-
Transfers on completion	127.2	(127.2)	-	25.8	(25.8)	-
<b>At end of year</b>	<b>854.7</b>	<b>75.2</b>	<b>0.7</b>	<b>105.8</b>	<b>6.5</b>	<b>1,042.9</b>
<b>Depreciation and impairment</b>						
At beginning of year	28.8	7.1	0.1	-	-	36.0
Depreciation charge	5.0	-	-	-	-	5.0
Impairment	-	7.2	-	-	-	7.2
On disposals	(0.4)	(0.4)	-	-	-	(0.8)
Transfers between asset classes	-	(0.6)	-	-	-	(0.6)
<b>At end of year</b>	<b>33.4</b>	<b>13.3</b>	<b>0.1</b>	<b>-</b>	<b>-</b>	<b>46.8</b>
<b>Net book value</b>						
At 31 March 2010	816.8	295.2	0.7	225.4	33.6	1,371.7
At 31 March 2009	741.5	410.7	0.7	128.1	78.1	1,359.1

# Notes to the financial statements Year ended 31 March 2010

## 10 | Tangible fixed assets (continued)

<b>Properties completed</b>	<b>No of units</b>	<b>Cost 2010 £m</b>	<b>SHG 2010 £m</b>	<b>Net 2010 £m</b>
General needs	667	179.4	104.9	74.5
Shared ownership	534	134.7	25.8	108.9
Intermediate rent	142	38.2	22.3	15.9
Homes for outright sale	154	41.4	-	41.4
Commercial units	24	6.5	-	6.5
	<b>1,521</b>	<b>400.2</b>	<b>153.0</b>	<b>247.2</b>

The policy is to recognise units as completed for accounting purposes only when a development is completed and all homes in a phase handed over. A further 541 properties have been completed, but have not been transferred to completed properties as other units in the phase are still under development at 31 March 2010.

Housing properties have been subject to an impairment review. Value in use is based upon net present values, using a discount rate of 5% and an appraisal period of 30 years and properties are written down to the higher of value in use or net realisable value. The charge for the year arises as follows:

	<b>2010 £m</b>	<b>2009 £m</b>
<b>Tangible fixed assets</b>		
Landbank	6.6	3.3
<b>Housing properties and stock for resale (note 14)</b>		
Outright sale properties	0.4	-
Commercial properties	0.6	-
Completed housing properties	-	3.6
Landbank	(1.7)	-
<b>At end of year</b>	<b>5.9</b>	<b>6.9</b>



# Notes to the financial statements Year ended 31 March 2010

## 10 | Tangible fixed assets (continued)

### The net book value of land and buildings comprises:

	2010 £m	2009 £m
Freehold	1,314.6	1,300.9
Leasehold	57.1	58.2
	1,371.7	1,359.1

### Capitalisation of major repairs

During the year, expenditure on major repairs and improvements were capitalised into the fixed assets, as follows:

	2010 £m	2009 £m
Spend on major repairs on existing properties	9.3	14.9
Capitalised	(4.0)	(6.5)
Expensed through the income and expenditure account	5.3	8.4

## 11 | Intangible fixed assets

Group	Goodwill £m
<b>Cost and net book value</b>	
At beginning of year	0.2
Written off during year	(0.2)
At end of year	-

The fair values of intangible assets acquired as part of a business are determined by reference to market value. Goodwill is amortised over 10 years, being the period over which the Group is expected to derive benefit or is written off to the Income and Expenditure account where there has been a permanent diminution in its value.

# Notes to the financial statements Year ended 31 March 2010

## 12 | Fixed asset investments

### a) Subsidiary undertakings

The undertakings in which the company's interest at the year end is more than 20% are as follows:

Subsidiary undertakings	Country of incorporation	Principal activity	Class and percentage of sales held
<b>1. Paddington Churches Housing Association Limited</b>	United Kingdom	Registered provider	Nil – managed on a unified basis
<b>2. Pathmeads Housing Association Limited</b>	United Kingdom	Registered provider	Nil – managed on a unified basis
<b>3. Springboard Housing Association Limited</b>	United Kingdom	Registered provider	Nil – managed on a unified basis
<b>4. Genesis Community Foundation</b>	United Kingdom	Charity – social regeneration	Nil – managed on a unified basis
<b>5. Genfinance Limited</b>	United Kingdom	Treasury	Ordinary – 100%
<b>6. Genfinance II plc</b>	United Kingdom	Bond issuance	Ordinary – 100%
<b>7. Geninvest Limited</b>	United Kingdom	Non-regulated investments	Ordinary – 100%
<b>8. Genesis Purchasing Limited</b>	United Kingdom	Procurement	Ordinary – 100%
<b>9. Larden New Homes Limited*</b>	United Kingdom	Acquisition and development of site at Larden Road	Ordinary – 100%
<b>10. PCHA Building Services Limited*</b>	United Kingdom	In the process of being struck off	Ordinary – 100%
<b>11. PCHA Management Services Limited*</b>	United Kingdom	In the process of being struck off	Ordinary – 100%
<b>12. Cymbeline Court Residents Association Limited*</b>	United Kingdom	In the process of being struck off	Ordinary – 100%
<b>13. European Urban St Pancras 2 Limited*</b>	United Kingdom	Property development	Ordinary – 100%
<b>14. Pathmeads Residential Limited*</b>	United Kingdom	Property management	Ordinary – 100%

\* held indirectly

# Notes to the financial statements Year ended 31 March 2010

## 12 | Fixed asset investments (continued)

### a) Subsidiary undertakings (continued)

Subsidiary undertakings	Country of incorporation	Principal activity	Class and percentage of sales held
<b>15. Central Chelmsford Development Agency Limited*</b>	United Kingdom	Property development and investment	Ordinary – 100%
<b>16. Stoke Quay New Homes Limited*</b>	United Kingdom	Property development and investment	Ordinary – 100%
<b>17. Choices for Grahame Park Limited*</b>	United Kingdom	Acquisition and development of site at Grahame Park	Ordinary – 100%
<b>18. Pathmeads Property Services Limited*</b>	United Kingdom	Property repairs and maintenance	Ordinary – 100%
<b>19. Genesis Housing Management Limited*</b>	United Kingdom	Dormant	Ordinary – 100%
<b>20. Silver Property Development Company Limited*</b>	United Kingdom	Property development and investment	Ordinary – 100%
<b>21. St. Matthew Housing Limited*</b>	United Kingdom	Registered provider	Nil – managed on a unified basis
<b>22. Eastwards Trust*</b>	United Kingdom	Charity	Nil – managed on a unified basis
<b>23. Shenstone Services Limited* +</b>	United Kingdom	Property repairs and maintenance	Ordinary – 100%
<b>24. Genesis Homes Development LLP*</b>	United Kingdom	Property development	100%

\* held indirectly +merged with Pathmeads Property Services Limited on 3 January 2010

# Notes to the financial statements Year ended 31 March 2010

## 12 | Fixed asset investments (continued)

On 1 April 2009 the Group acquired Eastwards Trust, an incorporated charity. The resulting negative goodwill of £1.2m has been credited to the Group's Income and Expenditure account in the year as the net assets acquired consisted mainly of cash and net short term receivables.

	Book value £m	Revaluation £m	Fair value £m
<b>Fixed assets</b>			
Other tangible fixed assets	-	-	-
<b>Current assets</b>			
Debtors	0.5	-	0.5
Cash at bank and in hand	1.1	-	1.1
<b>Total assets</b>	<b>1.6</b>	<b>-</b>	<b>1.6</b>
<b>Liabilities</b>			
<b>Creditors</b>	<b>(0.4)</b>	<b>-</b>	<b>(0.4)</b>
<b>Total liabilities</b>	<b>(0.4)</b>	<b>-</b>	<b>(0.4)</b>
<b>Net assets</b>	<b>1.2</b>	<b>-</b>	<b>1.2</b>
<b>Purchase consideration and costs of acquisition</b>			<b>-</b>
<b>Negative goodwill recognised in the Group's Income and Expenditure account</b>			<b>1.2</b>

In the financial year to 31 March 2010, Eastwards Trust made a surplus of £408k.

# Notes to the financial statements Year ended 31 March 2010

## 12 | Fixed asset investments (continued)

### b) Associated undertakings

Participating interests	Country of incorporation	Principal activity	Class and percentage of sales held
<b>Logic Homes Limited</b>	United Kingdom	Joint venture with house builders and architects	Ordinary – 12.5%
<b>Low C Living Limited*</b>	United Kingdom	Property development	Ordinary – 33.3%

\* held indirectly

### c) Joint ventures

	Country of incorporation	Principal activity	Percentage
<b>Grainger Geninvest LLP*</b>	United Kingdom	Property investment	50%
<b>Grainger Geninvest No. 2 (2006) LLP*</b>	United Kingdom	Property investment	50%
<b>Gentect Ridgemoor Park LLP*</b>	United Kingdom	In the process of being struck off	25%
<b>Quintessential Homes (Wembley) LLP*</b>	United Kingdom	Property development	25%
<b>Bishopsgate Apartments LLP*</b>	United Kingdom	Property development	50%

\* held indirectly

# Notes to the financial statements Year ended 31 March 2010

## 12 | Fixed asset investments (continued)

The Group's share of assets and liabilities of these joint ventures is as follows:

	2010 £m	2009 £m
<b>Share of assets</b>		
Share of fixed assets	141.2	139.8
Share of current assets	31.1	28.9
	<b>172.3</b>	<b>168.7</b>
<b>Share of liabilities</b>		
Liabilities due within one year or less	(42.8)	(9.8)
Liabilities due after more than one year	(129.8)	(160.0)
	<b>(172.6)</b>	<b>(169.8)</b>
<b>Share of net liabilities</b>	<b>(0.3)</b>	<b>(1.1)</b>

On 24 June 2010, Grainger Geninvest LLP extended the maturity of its bank loan to 30 September 2011 of which the Group's share was £26.2m.

The following joint ventures do not have co terminus year ends with the Group:

	Year end	Capital & reserves £m	Results £m
<b>Grainger Geninvest LLP</b>	30 September 2009	5.4	(2.8)
<b>Grainger Geninvest No. 2 (2006) LLP</b>	30 September 2009	(19.5)	(8.5)
<b>Grainger Geninvest LLP</b>	30 September 2008	4.7	(3.8)
<b>Grainger Geninvest No. 2 (2006) LLP</b>	30 September 2008	(10.9)	(10.9)

# Notes to the financial statements Year ended 31 March 2010

## 12 | Fixed asset investments (continued)

	Group 2010 £m
Loans to joint ventures	
At beginning of year	15.8
Net repayments	(1.3)
<hr/>	
At end of year	14.5

The liabilities of the joint ventures (including bank loans) are without recourse to Genesis Housing Group Limited or its subsidiaries.

### d) Listed investments at market value

	Group 2010 £m
At beginning of year	0.8
Net gains	0.3
<hr/>	
At end of year	1.1
<hr/>	
Historical cost at 31 March 2010	1.3

# Notes to the financial statements Year ended 31 March 2010

## 13 | Other fixed assets – the Group

	Commercial properties	Freehold office premises	Office improvements	Motor vehicles	Office furniture and computer equipment	Key workers' furniture	Tenants' furniture	Total
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Cost</b>								
At beginning of year	3.3	9.0	3.3	0.3	7.3	0.8	1.7	25.7
Additions	-	-	0.3	-	1.6	-	0.2	2.1
Disposals	-	-	-	(0.1)	-	-	-	(0.1)
At end of year	3.3	9.0	3.6	0.2	8.9	0.8	1.9	27.7
<b>Capital grant</b>								
At beginning and end of year	-	1.3	-	-	-	-	-	1.3
<b>Depreciation and impairment</b>								
At beginning of year	0.1	1.4	1.7	0.2	2.5	0.7	0.9	7.5
Charge for year	-	0.1	0.3	0.1	1.5	-	0.2	2.2
On disposals	-	-	-	(0.1)	-	-	-	(0.1)
At end of year	0.1	1.5	2.0	0.2	4.0	0.7	1.1	9.6
<b>Net book value</b>								
<b>At 31 March 2010</b>	3.2	6.2	1.6	-	4.9	0.1	0.8	16.8
At 31 March 2009	3.2	6.3	1.6	0.1	4.8	0.1	0.8	16.9



# Notes to the financial statements Year ended 31 March 2010

## 13 | Other fixed assets – the Company

	Office improvements	Other furniture and computer equipment	Total
	£m	£m	£m
<b>Cost</b>			
At beginning of year	2.8	4.9	7.7
Additions	0.3	1.3	1.6
At end of year	<b>3.1</b>	<b>6.2</b>	<b>9.3</b>
<b>Depreciation</b>			
At beginning of year	1.2	1.1	2.3
Provided in year	0.3	1.2	1.5
At end of year	<b>1.5</b>	<b>2.3</b>	<b>3.8</b>
<b>Net book value</b>			
<b>At 31 March 2010</b>	<b>1.6</b>	<b>3.9</b>	<b>5.5</b>
At 31 March 2009	1.6	3.8	5.4

# Notes to the financial statements Year ended 31 March 2010

## 14 | Housing properties, stock for resale and work in progress – the Group

	2010 Unit nos	2009 Unit nos	2010 £m	2009 £m
<b>Cost</b>				
Low cost home ownership properties –for sale	533	340	42.3	31.3
Low cost home ownership properties –under construction			20.4	46.6
Outright sale properties –for sale	71	14	23.4	6.1
Outright sale properties –under construction			24.3	58.2
Commercial properties – for sale	18	-	5.5	-
Commercial properties – under construction			15.8	-
Other			18.1	21.6
			<b>149.8</b>	<b>163.8</b>
<b>Impairment</b>				
At beginning of year			5.3	1.7
Charge for year			1.0	3.6
Reversal of impairment during year			(1.7)	-
At end of year			4.6	5.3
<b>Net book value</b>			<b>145.2</b>	<b>158.5</b>

# Notes to the financial statements Year ended 31 March 2010

## 15 | Debtors

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
<b>Amounts receivable within one year:</b>				
Rent and service charge arrears	28.1	23.9	-	-
Provision for bad and doubtful debts	(12.6)	(9.9)	-	-
	15.5	14.0	-	-
Amounts owed by group undertakings	-	-	31.4	74.1
Amounts owed by undertakings in which the Group/Company has a participating interest	11.9	6.9	-	-
Trade debtors	3.3	6.0	-	-
Other debtors	12.4	7.5	4.2	1.3
Prepayments and accrued income	6.0	1.2	0.7	0.3
	49.1	35.6	36.3	75.7

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
<b>Amounts receivable after more than one year:</b>				
Amounts owed by group undertakings	-	-	73.1	-
Other debtors	1.3	1.3	-	-
Deferred tax assets	-	5.0	-	-
Prepayments and accrued income	-	1.7	-	-
	1.3	8.0	73.1	-

# Notes to the financial statements Year ended 31 March 2010

## 15 | Debtors (continued)

### Deferred tax assets

	Group 2010 £m	Group 2009 £m
<b>In respect of tax losses</b>		
At beginning of year	5.0	2.9
(Debit)/credit to the income and expenditure account for the year	(5.0)	2.1
At end of year	-	5.0

In view of the current external economic environment, an assessment has been made of the likelihood of the recoverability of the deferred tax assets arising from trading losses of the joint ventures in which the Group has an interest. This review concluded that it would no longer be prudent to recognise these assets, and accordingly, the outstanding balance has been charged to the income and expenditure account. As mentioned above, it is not envisaged that these tax losses will be capable of being utilised in the foreseeable future.

## 16 | Investments (held as current assets)

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Other investments	43.4	8.4	-	-

Included in the above are cash at bank and investments charged to lenders of £41.3m (2009: £5.9m) and cash at bank held for leaseholders of £2.1m (2009: £2.1m). It is anticipated that the cash at bank and investments charged to lenders will be released from charge within one year.

# Notes to the financial statements Year ended 31 March 2010

## 17 | Creditors: amounts falling due within one year

	<b>Group</b> <b>2010</b> <b>£m</b>	Group 2009 £m	<b>Company</b> <b>2010</b> <b>£m</b>	Company 2009 £m
Housing loans	<b>9.6</b>	2.0	-	-
Guaranteed non-recourse housing loans	<b>1.0</b>	1.0	-	-
<b>Total housing loans (see note 18a and 18b)</b>	<b>10.6</b>	3.0	-	-
Bank overdrafts	-	0.3	-	-
Trade creditors	<b>10.8</b>	13.4	<b>0.7</b>	1.0
Amounts owed to Group undertakings	-	-	<b>34.2</b>	75.8
Amounts owed to undertakings in which the Group/Company has a participating interest	<b>2.0</b>	2.2	-	-
Taxation and social security	<b>2.3</b>	1.3	<b>1.0</b>	0.6
Other creditors	<b>27.6</b>	35.2	<b>0.2</b>	1.1
Recycled capital grant fund (note 18d)	<b>1.0</b>	0.3	-	-
Disposal proceeds fund in respect of right to acquire sales (note 18d)	<b>2.0</b>	0.9	-	-
Accruals and deferred income	<b>30.8</b>	22.5	<b>3.0</b>	3.1
	<b>87.1</b>	79.1	<b>39.1</b>	81.6

# Notes to the financial statements Year ended 31 March 2010

## 18 | Creditors: amounts falling due after more than one year

	<b>Group 2010 £m</b>	Group 2009 £m	<b>Company 2010 £m</b>	Company 2009 £m
Housing loans	<b>1,157.0</b>	1,360.5	-	-
Guaranteed non-recourse housing loans	<b>7.7</b>	7.7	-	-
Bonds	<b>200.0</b>	-	-	-
<b>Total housing loans (see note 18a)</b>	<b>1,364.7</b>	1,368.2	-	-
Amounts owed to Group undertakings	-	-	<b>76.4</b>	-
Other creditors	<b>4.4</b>	6.4	<b>0.5</b>	0.4
Recycled capital grant fund (see note 18d)	<b>10.8</b>	6.0	-	-
Disposal proceeds fund in respect of right to acquire sales (see note 18d)	<b>0.7</b>	3.5	-	-
Cyclical and major repairs fund	<b>3.8</b>	3.7	-	-
Shared ownership sinking fund	<b>0.6</b>	-	-	-
	<b>1,385.0</b>	1,387.8	<b>76.9</b>	0.4

# Notes to the financial statements Year ended 31 March 2010

## 18 | Creditors: amounts falling due after more than one year (continued)

The maturity of the housing loans is as follows:

### Group

#### a) Housing loans

Housing loans from local authorities, building societies and other lending institutions are secured by specific charges on the Group's housing properties and are repayable at varying rates of interest as follows:

	Nominal value	Loan premium	Deferred interest	Fair value adjustment	Less capitalised loan costs	2010	2009
	£m	£m	£m	£m	£m	£m	£m
<b>Repayable by instalments</b>							
Within one year	0.2	-	-	0.9	-	1.1	0.9
In the second to fifth years	1.5	-	-	3.4	-	4.9	30.9
Over five years	1,000.8	1.5	-	12.8	(8.8)	1,006.3	1,099.6
	<b>1,002.5</b>	<b>1.5</b>	<b>-</b>	<b>17.1</b>	<b>(8.8)</b>	<b>1,012.3</b>	<b>1,131.4</b>
<b>Not repayable by instalments</b>							
Within one year	8.5	-	-	-	-	8.5	1.1
In the second to fifth years	4.8	-	-	-	-	4.8	107.0
Over five years	139.9	-	1.4	-	(0.3)	141.0	123.0
	<b>153.2</b>	<b>-</b>	<b>1.4</b>	<b>-</b>	<b>(0.3)</b>	<b>154.3</b>	<b>231.1</b>

#### b) Guaranteed non-recourse housing loans

These loans have been guaranteed by local authorities and relate to specific properties. The rental stream receivable from the local authorities is guaranteed by them to cover the loans and interest payments. They are index-linked and are secured by fixed charges on the relevant properties. They are repayable as follows:

	2010	2009
	£m	£m
<b>Repayable by instalments</b>		
Within one year	1.0	1.0
In the second to fifth years	3.0	3.0
Over five years	4.7	4.7
	<b>8.7</b>	<b>8.7</b>

# Notes to the financial statements Year ended 31 March 2010

## 18 | Creditors: amounts falling due after more than one year (continued)

### c) Bonds

	2010 £m	2009 £m
<b>Not repayable by instalments</b>		
Issued during year	200.0	-

On 21 December 2009, Genfinance II plc issued £250m of bonds repayable on 21 December 2039 with interest payable at a fixed rate of 6.064%. £200m of these bonds were secured by a first fixed charge on properties owned by PCHA and sold at par to institutional investors. The remaining £50m is held in reserve, unsecured and are available for sale at a later date.

### d) Recycled capital grant fund and disposal proceeds fund in respect of right to acquire sales

	2010 £m	2009 £m
<b>Recycled capital grant fund:</b>		
Due within one year	1.0	0.3
Due after more than one year	2.0	6.0
<b>Disposal proceeds fund in respect of right to acquire sales:</b>		
Due within one year	10.8	0.9
Due after more than one year	0.7	3.5
	<b>14.5</b>	<b>10.7</b>

Amount due for repayment to the Homes and Communities Agency	-	-
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#### Reconciliation of movement during year:

	£m
At beginning of year	10.7
Grants recycled	7.0
Interest accrued	0.1
New build	(3.2)
Major repairs and works to existing stock	(0.1)
At end of year	<b>14.5</b>



# Notes to the financial statements Year ended 31 March 2010

## 18 | Creditors: amounts falling due after more than one year (continued)

### e) Derivative transactions

The Group has entered into financial derivative contracts as follows:

	Standalone		Embedded		Total 2010		Total 2009	
	Notional principal	Fair value	Notional principal	Fair value	Notional principal	Fair value	Notional principal	Fair value
	£m	£m	£m	£m	£m	£m	£m	£m
RPI swaps	139.0	(30.7)	11.0	(2.2)	150.0	(32.9)	150.0	(20.0)
Interest rate swaps without options	-	-	35.0	(2.2)	35.0	(2.2)	35.0	(3.1)
Basis swap	-	-	-	-	-	-	70.0	(0.3)
Interest rate swaps with options	70.0	(11.4)	130.0	(17.4)	200.0	(28.8)	160.0	(38.0)
<b>Total</b>	<b>209.0</b>	<b>(42.1)</b>	<b>176.0</b>	<b>(21.8)</b>	<b>385.0</b>	<b>(63.9)</b>	<b>415.0</b>	<b>(61.4)</b>

The fair values of the financial derivative contracts have not been recognised in either the Group's income and expenditure account or balance sheet.

#### RPI swaps

The Group pays RPI plus a margin and receives three month LIBOR with the RPI rate reset annually in April based on the rate effective in the previous September.

#### Basis swap

The basis swap matured in April 2009.

#### Interest rate swaps with options

The interest rate swap counterparties have an option to double the notional principal of all £70m on the standalone swaps and on £50m of the embedded swaps or cancel the transactions in January 2012, the first exercise date, and to cancel at fixed dates thereafter. The counterparty can only double the notional amount on the first exercise date. Once cancelled there are no further commitments. During the year the option on £40m of nominal principal on embedded swaps was exercised and the amount doubled up to £80m nominal principal. The counterparty still has the option to cancel every three months.

#### Security

Security has been provided by way of first fixed charges over completed housing properties in respect of the negative fair values of the standalone financial derivatives but no addition of security is required in respect of embedded derivatives.

# Notes to the financial statements Year ended 31 March 2010

## 18 | Creditors: amounts falling due after more than one year (continued)

### Hedging position

At 31 March 2010 the Group's borrowings were hedged as follows:

	Principal 2010 £m		Principal 2010 £m	
Interest rates fixed for more than 12 months	791.5	58%	544.9	40%
Interest rates linked to RPI	157.9	12%	157.9	12%
Fixed interest rates with lender's option to cancel	250.0	18%	210.0	15%
	<b>1,199.4</b>	<b>88%</b>	912.8	67%
Floating rate (interest rates fixed for less than 12 months)	179.9	12%	458.4	33%
	<b>1,379.3</b>	<b>100%</b>	1,371.2	100%

Included within loans with fixed interest rates with lender's option to cancel is a £50m LOBO loan, where the options on the fixed rate embedded contracts allow the counterparties to cancel or re-price the contracts. The first re-price date on the fixed rate with re-price option loan is March 2018 and then every two years thereafter. The Group does not have to accept the re-price on this transaction.

## 19 | Provisions for liabilities

	2010 £m
<b>Group</b>	
At beginning of year	4.0
Utilised during year	(0.5)
Charge to the income and expenditure account for the year	0.1
At end of year	<b>3.6</b>

The Group has an obligation under certain leases with landlords to make good dilapidations to properties under short leasehold for letting when they are handed back. The provision is based on the Group's estimated liability for dilapidation costs over the term of the lease.

# Notes to the financial statements Year ended 31 March 2010

## 20 | Negative goodwill

	2010 £m
<b>Group</b>	
<b>Cost</b>	
At beginning of year	53.7
Addition	1.2
At end of year	54.9
<b>Amortisation</b>	
At beginning of year	2.0
Amortised in year	2.7
Addition recognised in the income and expenditure account during year	1.2
At end of year	5.9
<b>Net book value</b>	
<b>At 31 March 2010</b>	<b>49.0</b>
At 31 March 2009	51.7

Negative goodwill arising on the acquisition of Springboard Housing Association Limited in April 2005, St. Matthew Housing Limited in April 2008 and Eastwards Trust in April 2009 represents the excess of the fair value of the assets acquired over the nil purchase price paid. An amount equal to the fair value of the non-monetary assets acquired is being released to the Income and Expenditure account commensurate with the recovery of the non-monetary assets acquired, whether through depreciation or sale. In the absence of property sales, negative goodwill relating to the acquisition of Springboard Housing Association Limited and St. Matthew Housing Limited is amortised over the remaining useful lives of the underlying housing properties, being 100 years. Negative goodwill arising on the acquisition of Eastwards Trust in April 2009 has been credited to the Income and Expenditure account as the assets acquired consisted of cash and net short term receivables.

# Notes to the financial statements Year ended 31 March 2010

## 21 | Reserves

	Revaluation reserve (investment properties)	Designated reserves	Restricted reserves	Revenue reserve	Total
	£m	£m	£m	£m	£m
<b>Group</b>					
At beginning of year	2.5	7.3	0.8	109.1	<b>119.7</b>
Surplus for the year	-	-	0.3	12.4	<b>12.7</b>
Actuarial loss recognised in the pension schemes	-	-	-	(1.5)	<b>(1.5)</b>
Unrealised surplus on revaluation of joint ventures investment properties	5.2	-	-	-	<b>5.2</b>
Transfers	(1.0)	(7.3)	-	8.3	-
<b>At end of year</b>	<b>6.7</b>	<b>-</b>	<b>1.1</b>	<b>128.3</b>	<b>136.1</b>
<b>Company</b>					
At beginning of year	-	-	-	(9.6)	<b>(9.6)</b>
Surplus for the year	-	-	-	0.1	<b>0.1</b>
Actuarial loss recognised in the pension schemes	-	-	-	(1.5)	<b>(1.5)</b>
<b>At end of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11.0)</b>	<b>(11.0)</b>

### Revaluation reserve

The revaluation reserve represents the Group's share of the revaluation surplus of the joint ventures' investment properties.

### Designated reserves

The Board has reviewed the accounting policies and concluded that the designation of surpluses for self insurance and major repairs is no longer appropriate. As a result the balances of the designated reserves as at 31 March 2010 have been transferred to the revenue reserve.

### Restricted reserves

Restricted reserves relate to funds received by Genesis Community Foundation which will be used in the furtherance of the charitable objectives of the donor, The Knowles Charitable Trust.

# Notes to the financial statements

Year ended 31 March 2010

## 22 | Members

	2010 No.	2009 No.
<b>Company</b>		
At beginning of year	39	57
Shares cancelled	(3)	(18)
Share issued	1	-
At end of year	37	39

The company is limited by guarantee and is registered under the Companies Act 1985. In the event of winding up, members' liability is limited to £1 each.

# Notes to the financial statements Year ended 31 March 2010

## 23 | Commitments

### a) Capital commitments at the end of the financial year for which no provision has been made

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Contracted for and not provided	225.7	240.6	-	-
Authorised by the Board and not yet contracted for	337.2	5.0	-	-

#### The Group expects to finance the above contracted commitments by:

	2010 £m	2009 £m
Proceeds from property sales	86.8	57.6
Capital grant receivable	72.3	94.0
Cash and available loan facilities	66.6	89.0
	225.7	240.6

The commitments authorised by the Board but not yet contracted for comprise the High Street, Stratford development, which was contracted for in May 2010 and later phases of development at Grahame Park, Barnet and Woodberry Down, Hackney.

At 31 March 2010, the Group has cash and borrowing facilities available of £333m.

# Notes to the financial statements Year ended 31 March 2010

## 23 | Commitments (continued)

### b) Annual commitments under non-cancellable operating leases

	2010 Land and buildings £m	2010 Other £m	2009 Land and buildings £m	2009 Other £m
<b>Group</b>				
Operating leases which expire:				
- Within one year	14.9	0.1	5.7	-
- In the second to fifth years inclusive	36.1	0.1	40.7	0.1
- Over five years	1.2	-	1.9	-
	<b>52.2</b>	<b>0.2</b>	<b>48.3</b>	<b>0.1</b>
<b>Company</b>				
Operating leases which expire:				
- Within one year	-	-	-	-
- In the second to fifth years inclusive	0.4	-	-	-
- Over five years	0.9	-	1.3	-
	<b>1.3</b>	<b>-</b>	<b>1.3</b>	<b>-</b>

# Notes to the financial statements Year ended 31 March 2010

## 24 | Housing units and bedspaces – Group

	2010 Units	2009 Units
<b>Group</b>		
<b>Under development on site at end of year</b>		
Units for rent	1,552	2,093
Low cost home ownership units	746	893
Outright sales units	1,211	724
	3,509	3,710
<b>Under management at end of year</b>		
General needs owned	13,743	12,984
General needs managed on behalf of others	7,957	7,948
Supported housing and housing for older people	2,762	2,547
Temporary housing units	3,844	4,265
Low cost home ownership and other leased units	9,655	8,156
Key worker accommodation	1,389	1,482
Other – non social housing:		
– Market let	509	351
– Protected rent	986	1,098
– Leaseholders	126	89
– Intermediate rent	439	337
– Managed for private landlords	583	457
	41,993	39,714
<b>Units owned but managed by others</b>	228	708



# Notes to the financial statements

Year ended 31 March 2010

## 25 | Pension schemes

During the year the Group was involved with four pension schemes.

Genesis Housing Group operated two schemes:

**a)** A scheme which is closed to new employees with effect from 1 June 1996, which is a defined benefit scheme (the PCHA 2001 Pension Scheme) with Scottish Widows plc. Contributions to the scheme are determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

A full actuarial valuation was carried out as at 1 June 2007. At that date, the funding level was 89.5% with a past service deficit of £3.7m. The trustees have agreed a Statement of Funding Principles for a future service contribution rate of 24.4% for the sponsoring employer and an annual contribution of £485,000 from 1 June 2007 over a period of ten years to fund the past service deficit. Various options are being reviewed regarding this scheme in order to limit the future liability of the Group.

The Group contributions to the scheme amounted to £819,000 (2009: £1,028,000), which includes an annual contribution of £485,000 (2009: £485,000).

**b)** A scheme, open to all employees starting from 1 June 1996, which is a money purchase scheme with AXA into which the employee and the Group each contribute between 3.5% and 7.5% of salary. Employees in this scheme are contracted into the State Earnings Related Pension Scheme.

The charge to the Group for the year was £730,000 (2009: £640,000).

In addition, Genesis Housing Group participated in the following two schemes:

**c)** A defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 1997, as amended. The last actuarial valuation was at 31 March 2007, with the next formal triennial valuation due as at 31 March 2010, and is based on the projected unit method. The Group contributions to the London Pensions Fund Authority Scheme ("LPFA") for two groups of staff amounted to £86,000 (2009: £78,000).

**d)** The Social Housing Pension Scheme ("SHPS"), which is a multi-employer defined benefit scheme including Genesis Housing Group Limited and Springboard Housing Association Limited. The Scheme is funded and is contracted out of the state scheme. The total contributions for the year amounted to £463,000 (2009: £512,000).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

# Notes to the financial statements Year ended 31 March 2010

## 25 | Pension schemes (continued)

### PCHA 2001 Pension Scheme

#### Employee benefit obligations

The amounts recognised in the balance sheet are as follows:

	2010 £m	2009 £m
Present value of funded obligations	37.3	32.7
Fair value of planned assets	(30.7)	(24.6)
<b>Net liability</b>	<b>6.6</b>	<b>8.1</b>
Amounts in the balance sheet		
Liabilities	(6.6)	(8.1)

The amounts recognised in surplus are as follows:

	2010 £m	2009 £m
Current service cost	0.4	0.4
Interest on obligation	1.5	1.9
Expected return on plan assets	(1.9)	(1.9)
<b>Total</b>	<b>-</b>	<b>0.4</b>
Actual return on plan assets	5.9	(8.4)

Changes in the present value of the defined benefit obligation are as follows:

	2010 £m	2009 £m
Opening defined benefit obligation	32.7	31.9
Service cost	0.4	0.4
Interest cost	1.9	1.9
Actuarial losses/(gains)	3.2	(0.8)
Benefits paid	(0.9)	(0.7)
<b>Closing defined benefit obligation</b>	<b>37.3</b>	<b>32.7</b>

# Notes to the financial statements Year ended 31 March 2010

## 25 | Pension schemes (continued)

### PCHA 2001 Pension Scheme (continued)

#### Changes in the fair value of plan assets are as follows:

	2010 £m	2009 £m
Opening fair value of plan assets	24.6	28.9
Expected return	1.5	1.9
Actuarial gains/(losses)	4.5	(6.6)
Contributions by members	0.1	0.1
Contributions by employer	0.9	1.0
Benefits paid	(0.9)	(0.7)
	30.7	24.6

The Group expects to contribute £0.8m in 2011.

#### The major categories of plan assets as a percentage of total plan assets are as follows:

	2010 %	2009 %
UK Equities	30%	40%
FTSE guaranteed equity notes	17%	11%
Overseas equities	3%	1%
Overseas notes	-	4%
Bonds	37%	18%
Property notes	-	3%
Property	1%	-
Other	10%	-
Cash	2%	23%

# Notes to the financial statements Year ended 31 March 2010

## 25 | Pension schemes (continued)

### PCHA 2001 Pension Scheme (continued)

#### Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2010	2009
	%	%
Discount rate at 31 March	5.6%	5.8%
Expected return on plan assets at 31 March	6.0%	6.0%
Future salary increases	4.5%	4.0%
Future pension increases	3.5%	3.0%

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

	2010	2009	2008	2007	2006
	£m	£m	£m	£m	£m
Defined benefit obligation	(37.3)	(32.7)	(31.9)	(29.7)	(28.5)
Plan assets	30.7	24.6	28.9	30.3	28.7
Surplus/(deficit)	(6.6)	(8.1)	(3.0)	0.6	0.2
Experience adjustments on plan liabilities	(0.1)	(0.1)	0.9	(0.3)	(0.3)
Experience adjustments on plan assets	(1.8)	(6.5)	(3.3)	(0.3)	3.6

# Notes to the financial statements Year ended 31 March 2010

## 25 | Pension schemes (continued)

### LPFA

#### Employee benefit obligations

The amounts recognised in the balance sheet are as follows:

	2010 £m	2009 £m
Present value of funded obligations	11.9	7.3
Fair value of planned assets	(8.7)	(6.1)
	3.2	1.2
Present value of unfunded obligations	0.1	0.1
Net liability	3.3	1.3

Amounts in the balance sheet

Liabilities	(3.3)	(1.3)
Assets	-	-
Net liability	(3.3)	(1.3)

The amounts recognised in surplus are as follows:

	2010 £m	2009 £m
Current service cost	0.1	0.1
Interest on obligation	0.5	0.5
Expected return on plan assets	(0.4)	(0.5)
Gain on curtailments and settlements	(0.8)	-
Total	(0.6)	0.1
Actual return on plan assets	1.8	(1.6)

# Notes to the financial statements Year ended 31 March 2010

## 25 | Pension schemes (continued)

### LPFA (continued)

#### Changes in the present value of the defined benefit obligation are as follows:

	2010 £m	2009 £m
Opening defined benefit obligation	7.4	7.7
Service cost	0.1	0.1
Interest cost	0.5	0.5
Actuarial losses/(gains)	4.2	(0.8)
Benefits paid	(0.2)	(0.1)
Contributions by scheme participants	-	-
Unfunded pension payments	-	-
<b>Closing defined benefit obligation</b>	<b>12.0</b>	<b>7.4</b>

In the year to 31 March 2010, the estimated amount of unfunded pensions paid was £4,000.

#### Changes in the fair value of plan assets are as follows:

	2010 £m	2009 £m
Opening fair value of plan assets	6.1	7.8
Expected return	0.4	0.5
Actuarial gains/(losses)	1.4	(2.2)
Contributions by members	-	-
Contributions by employer	0.1	0.1
Benefits paid	(0.2)	(0.1)
Gain on curtailments and settlements	0.9	-
<b>Closing fair value of plan assets</b>	<b>8.7</b>	<b>6.1</b>

The Group expects to contribute £0.1m in 2011.

# Notes to the financial statements Year ended 31 March 2010

## 25 | Pension schemes (continued)

### LPFA (continued)

#### The major categories of plan assets as a percentage of total plan assets are as follows:

	2010	2009
	%	%
Equities	70%	57%
Bonds	10%	10%
Alternative assets	14%	25%
Cash	5%	8%
Corporate bonds	1%	-

#### Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2010	2009
	%	%
Discount rate at 31 March	5.5%	6.9%
Expected return on plan assets at 31 March	6.7%	6.4%
Future salary increases	5.4%	4.6%
Future pension increases	3.9%	3.1%

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

	2010	2009	2008	2007	2006
	£m	£m	£m	£m	£m
Defined benefit obligation	(12.0)	(7.4)	(7.7)	(6.5)	(6.3)
Plan assets	8.6	6.1	7.8	5.7	5.1
Surplus/(deficit)	(3.4)	(1.3)	0.1	(0.8)	(1.2)
Experience adjustments on plan liabilities	-	-	(2.2)	-	-
Experience adjustments on plan assets	1.4	(2.2)	1.7	0.1	0.7

# Notes to the financial statements Year ended 31 March 2010

## 25 | Pension schemes (continued)

### **Social Housing Pension Scheme (“SHPS”)**

The Group participates in SHPS (the Scheme). The Scheme is funded and is contracted-out of the State Pension 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 £1,527m. The valuation revealed a shortfall of assets compared with the value of liabilities of £663m, equivalent to a past service funding level of 70%.

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

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.

The Group has operated the career average revalued earnings (CARE) with a 1/60th accrual rate benefit structure for active members as at 1 April 2007. This does not reflect any benefit structure changes made from April 2010.

During the accounting period the Group paid contributions at the rate of 14.7% and member contributions varied between 5.3% and 7.3%.

As at the balance sheet date there were 116 active members of the Scheme employed by the Group. The annual pensionable payroll in respect of these members was £2.9m. This scheme is now closed to new employees.

### **Potential employer debt is treated as a contingent liability**

The Group has been notified by The Pensions Trust of the estimated employer debt on withdrawal from SHPS based on the financial position of the Scheme as at 30 September 2009. As of this date the estimated employer debt was £42.9m.



# Notes to the financial statements Year ended 31 March 2010

## 26 | Analysis of cash flows

<b>Group</b>	2010 £m	2009 £m
<b>Returns on investment and servicing of finance</b>		
Income from investments	-	0.3
Interest received	0.7	3.4
Interest paid	(53.8)	(76.4)
	<b>(53.1)</b>	<b>(72.7)</b>
<b>Capital expenditure and financial investment</b>		
Cash paid for construction and purchase of housing properties	(199.9)	(342.8)
Purchase of other tangible fixed assets	(2.1)	(2.9)
Sale of housing properties	111.1	53.7
Capital grant received	131.3	87.5
Net repayment from/(loan) to joint ventures	1.3	(0.5)
	<b>41.7</b>	<b>(205.0)</b>
<b>Acquisitions</b>		
Purchase of subsidiary undertakings	-	(4.5)
Net cash/(overdrafts) acquired with subsidiaries	1.1	(0.5)
	<b>1.1</b>	<b>(5.0)</b>
<b>Management of liquid resources</b>		
Increase in current asset investments	(35.0)	(0.6)
<b>Financing</b>		
New borrowings	228.3	279.4
Repayment of borrowings	(221.8)	(19.2)
Additional loan costs	(3.0)	(2.4)
	<b>3.5</b>	<b>257.8</b>

# Notes to the financial statements Year ended 31 March 2010

## 26 | Analysis of cash flows (continued)

<b>Purchase of subsidiary undertaking</b>	<b>2010</b>
	<b>£m</b>
<b>Net assets acquired:</b>	
Debtors	0.5
Cash at bank and in hand	1.1
Creditors	(0.4)
<hr/>	
	1.2
Goodwill	(1.2)
<hr/>	
	-
<hr/>	
Discharged by:	
Cash paid	-
<hr/>	

# Notes to the financial statements Year ended 31 March 2010

## 27 | Analysis of net debt

	At beginning of year £m	Cash flow £m	Other non cash changes £m	At end of year £m
<b>Group</b>				
Cash in hand and at bank	49.5	(21.6)	-	27.9
Overdrafts	(0.3)	0.3	-	-
	49.2	(21.3)	-	27.9
Debt due after one year	(1,368.2)	2.6	0.9	(1,364.7)
Debt due within one year	(3.0)	(7.0)	(0.6)	(10.6)
	(1,322.0)	(25.7)	0.3	(1,347.4)
Current asset investments	8.4	35.0	-	43.4
Total	(1,313.6)	9.3	0.3	(1,304.0)

The subsidiary undertaking acquired during the year contributed £562k to the Group's net operating cash flows.

Non cash changes are the amortisation of the loan costs and the loan premiums.

## 28 | Post balance sheet events

There are no post balance sheet events.

# Notes to the financial statements Year ended 31 March 2010

## 29 | Related party disclosures

For the year ending 31 March 2010, the following related parties had traded with the Group as follows:

### Transactions with associates

Logic Homes Limited invoiced the Group £nil (2009: £134,000) for its running costs and £4,000 (2009: £nil) for professional fees. The Group invoiced Logic Homes Limited £10,000 (2009: £8,000) for office facilities. Logic Homes Limited is an associate of the Group. At 31 March 2010, there were no amounts due to or due by Genesis Housing Group (2009: £nil).

The Group recharged £700 (2009: £nil) in respect of professional fees to Low C Living Limited. Low C Living Limited is an associate of the Group. At 31 March 2010, Low C Living Limited owed £4,000 (2009: £3,000) to the Group.

### Transactions with joint ventures

Grainger Geninvest LLP had been invoiced by the Group £187,000 (2009: £186,000) and £30,000 (2009: £30,000) for management fees and accounting fees respectively.

Grainger Geninvest No. 2 (2006) LLP had been invoiced by the Group £821,000 (2009: £831,000) and £52,000 (2009: £54,000) for management fees and accounting fees respectively.

Grainger Geninvest LLP was charged by the Group interest of £704,000 (2009: £704,000) on loan notes held by Geninvest Limited.

Grainger Geninvest No. 2 (2006) LLP was charged by the Group interest of £340,000 (2009: £340,000) on loan notes held by Geninvest Limited.

Grainger Geninvest LLP and Grainger Geninvest No. 2 (2006) LLP had been invoiced by the Group £261,000 (2009: £155,000) and £729,000 respectively (2009: £349,000) for maintenance services carried out by Pathmeads Property Services Limited.

The Group provided working capital of £251,000 (2009: £525,000) to Bishopsgate Apartments LLP. Bishopsgate Apartments LLP repaid £1,500,000 of its loan from the Group.

At 31 March 2010 the following related parties had outstanding balances with the Group:

Grainger Geninvest LLP owed the Group £5,327,000 (2009: £4,184,000). The Group owed £10,000 (2009: £3,000) to Grainger Geninvest LLP.

Grainger Geninvest No. 2 (2006) LLP owed the Group £6,513,000 (2009: £2,670,000). The Group owed £1,915,000 (2009: £2,245,000) to Grainger Geninvest LLP No. 2 (2006) LLP.

Grainger Geninvest LLP owed the Group £6,399,000 (2009: £6,399,000) on the loan notes.

Grainger Geninvest No. 2 (2006) LLP owed the Group £4m (2009: £4m) on the loan notes.

Bishopsgate Apartments LLP owed the Group £4,130,000 (2009: £5,379,000) in respect of a loan and £nil (2009: £5,000) in respect of expenses paid on its behalf.

The following related parties had outstanding balances at 31 March 2010 and had transactions during the year with Genesis Housing Group Limited (the Company):

Grainger Geninvest LLP owed the company £1,924,000 (2009: £1,113,000). It was invoiced £30,000 (2009: £30,000) for accounting fees.

Grainger Geninvest No. 2 (2006) LLP owed £2,130,000 (2009: was owed £471,000) to the company. It was invoiced £52,000 (2009: £54,000) for accounting fees.

# Notes to the financial statements Year ended 31 March 2010

## **30 |** Legislative provisions

Genesis Housing Group Limited is incorporated under the Companies Act 1985 as a company limited by guarantee (No 3802456) and is registered with the Tenant Services Authority (No L4286).





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