
**ORIGIN HOUSING GROUP
LIMITED**

ANNUAL ACCOUNTS

◆ *Year ended 31 March 2010* ◆

| CONTENTS | PAGE |
|-----------------------------------------------------------------------------|------|
| BOARD MEMBERS, EXECUTIVE DIRECTORS, ADVISORS AND BANKERS | 1 |
| REPORT OF THE BOARD | 2 |
| OPERATING AND FINANCIAL REVIEW | 7 |
| TABLE 1 – FIVE-YEAR SUMMARY | 12 |
| STATEMENT OF RESPONSIBILITIES OF THE BOARD | 13 |
| INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ORIGIN HOUSING GROUP LIMITED | 14 |
| CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT | 15 |
| ASSOCIATION INCOME AND EXPENDITURE ACCOUNT | 16 |
| STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS | 17 |
| RECONCILIATION OF MOVEMENTS IN GROUP'S AND ASSOCIATION'S FUNDS | 17 |
| CONSOLIDATED BALANCE SHEET | 18 |
| ASSOCIATION BALANCE SHEET | 19 |
| CONSOLIDATED CASH FLOW STATEMENT | 20 |
| NOTES TO THE FINANCIAL STATEMENTS | 21 |

BOARD MEMBERS, EXECUTIVE DIRECTORS, ADVISORS AND BANKERS**Board Members**

Board members to the 31 March 2010 are listed below. From 1 April 2010 the Association ceased trading, its assets and liabilities were transferred to Origin Housing Limited (formerly St Pancras and Humanist Housing Association Limited) by a transfer of engagements. The board members resigned on 1 April 2010.

| | |
|-------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Chairman | Colin Sherriff (from 25 April 2009) |
| Vice Chairman | Mike De'Ath |
| Other Members | Sudhin Chatterji Katie Bosdet Richard Mais Michael Dear (Griffin nominee appointed 2 July 2009) David Fryman (OPL nominee) Alison Lowton (SPH nominee) Paul Dack (SPH nominee) John Beha (Co-opted 25 April 2009) Karen Wilson Chris Trebilcock |
| Chair of Audit, Risk & Scrutiny Committee | Richard Mais |
| Chair of Group Remuneration, Selection & Nominations Committee | Alison Lowton |
| Resigned during the year | Andrew Potter (resigned 7 May 2009) Stephen Hargrave (resigned 14 September 2009) John Beha (resigned 25 April 2009; co-opted 25 April 2009) |

Executive Directors

| | |
|------------------------------------------------------|-------------------------------------------------------|
| Group Chief Executive | Karen Wilson |
| Group Finance & ICS Director | Chris Trebilcock |
| Group Director of Development | Gareth Jones |
| Group Director of Human Resources & Communication | Tracy Webb (resigned and post deleted 1 January 2010) |
| SPH Housing Services Director | Kate Farley |
| SPH Care & Support Services Director | Cathy McCarthy |

Registered office

St Richards House
110 Eversholt Street
London NW1 1BS

Registered number

Registered as a non-charitable social landlord under the Industrial and Provident Societies Acts, No: 24898R

Registered by the Tenant Services Authority, No SL3596

Auditors

BDO LLP
Emerald House
East Street
Epsom, Surrey
KT17 1HS

Internal Auditors

| | |
|----------------------|--------------------|
| Until 31 March 2010 | From 1 April 2010 |
| Mazars | Beever & Struthers |
| The Atrium | Alpertons House |
| Park Street West, | Bridgewater Road, |
| Luton | Wembley |
| Bedfordshire LU1 3BE | Middlesex HA0 1EH |

Principal Solicitors

Trowers & Hamblins
Sceptre Court, 40 Tower Hill, London, EC3N 4DX
Batchelors Solicitors
Charles House, 35 Widmore Road, Bromley, Kent BR1 1RW

Bankers

Royal Bank of Scotland
189-191 Camden High Street
London NW1 7BP

REPORT OF THE BOARD

The Board presents its report and the Group's audited financial statements for the year ended 31 March 2010.

Principal activities

Origin Housing Group Limited ('the Association') is a non charitable registered provider of social housing administered by a voluntary board. The Association's principal activities are to act as the holding company and the provision of administration and support services to subsidiaries. Origin Housing Group ('the Group') consists of the Association and the subsidiaries listed in note 14, 'Investment in subsidiaries', to the financial statements. The activities of the Group are detailed in the Operating and Financial Review on pages 7 to 11 of the financial statements.

Business review

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

Legal status

The Association is registered under the Industrial and Provident Societies Act 1965 and is registered with the Tenant Services Authority as a social landlord.

Housing property assets

Details of changes to the Group's housing property assets are shown in note 11 to the financial statements. Housing property values are considered in the Operating and Financial Review.

Reserves

After transfer of the surplus for the year of £8.6m (2009: £1.4m), at the year-end Group reserves amounted to £72.5m (2009: £63.9m).

Donations

The Group did not make any donations during this or the previous financial year.

Payment of creditors

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

Financial instruments

The Group's approach to financial risk management is outlined in the Operating and Financial Review.

Employees

The strength of the Group lies in the quality of all its employees. In particular, our ability to meet our objectives and commitments to tenants in an efficient and effective manner depends on their contribution.

The Group shares information on its objectives, progress and activities through regular office and departmental meetings involving board members, the senior management team and staff.

We are committed to equal opportunities and in particular we support the employment of disabled people, both in recruitment and in the retention of employees who become disabled whilst in the employment of the Group.

Severance and Redundancy Payments

The total severance and redundancy payments made during the year were £53,577 relating to 7 individuals.

Health and safety

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

Board members and executive directors

The board members and the executive directors of the Group together with changes that have occurred during the year are set out on page 1. The board members are drawn from a wide background bringing together professional, commercial and local experience.

Group insurance policies indemnify board members and officers against liability when acting for the Group.

Service contracts

The chief executive is appointed on a permanent contract on 6 months notice. The other executive directors are employed on 3 months notice. Details of the executive directors' remuneration packages are included in note 9 to the audited financial statements.

REPORT OF THE BOARD (CONTINUED)

Pensions

The executive directors and other senior staff are members of the Social Housing Pension Scheme defined benefit final salary pension scheme. They participate in the scheme on the same terms as all other eligible staff. The Association contributes to the scheme on behalf of its employees. The details of the scheme are explained in note 8 to the accounts.

Directors' Interests

Origin maintains a Register of Interests for the directors. Those directors with registered interests are listed below, all other directors have no registered interests:

| Name | Membership of RSLs | Directorships of companies (public and private) | Offices in voluntary, other public organisations | Interest in other organisations receiving/ providing services to Origin |
|------------------|-------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|
| John Beha | None | <i>The Co-operative Housing Finance Society Ltd</i> | <i>Trinity URC – Camden Town (Hon Treasurer) Regent Square URC – Interim Mission Board (Hon Treasurer)</i> | None |
| Sudin Chatterji | None | <i>SXC Developments Ltd Peachcroft Properties Ltd</i> | None | None |
| Paul Dack | <i>Joseph Rowntree Foundation incorporating Joseph Rowntree Housing Trust</i> | <i>New Earswick Community Trading Company Ltd</i> | <i>Trustee – Hartings Oaks Charitable Trust</i> | None |
| Peter Davey | None | <i>Thames Reach HA Interchange Trust Hamden Trust Stonewell HA Edward Carpenter Community Trust</i> | None | None |
| Suzanne Davies | None | <i>Linden Chase Residents Ltd London Early Year Foundation</i> | <i>Chair – Friends of Bromley valley Gymnastics Club</i> | None |
| Phillip Dawson | None | <i>Fraser Brown Mackenna Ltd (architects working within the social housing sector) Esca Properties Ltd</i> | <i>Governor of Carterhatch Junior School, Enfield Governor of Walker Primary School, Southgate</i> | <i>Partner is a Councillor of LB Enfield (Henry Lamprecht)</i> |
| Michael Dear | None | None | <i>Committee Member Elamstead Astronomical Society</i> | None |
| Mike De'Ath | None | <i>Director HTA Architects</i> | None | None |
| Ruth Edwards | None | None | None | <i>Legal work undertaken for Tamil Community Housing Association</i> |
| Stephen Hargrave | None | <i>London Farmers Markets Ltd Independent Power Southern Africa PLC</i> | <i>Trustee, Reform Research Trust Trustee, The Hargrave Foundation Governor, Argyle School</i> | None |
| Alison Lowton | None | None | <i>Lay member of Adjudication Panel for England Trustee of Coram Family</i> | None |
| Richard Mais | None | <i>Mais Management Ltd CNP Management Ltd</i> | None | None |
| Cathy McCarthy | None | None | None | <i>Origin use tool provided by Substance Ltd, which employs a relative</i> |

REPORT OF THE BOARD (CONTINUED)

Directors' Interests (continued)

| Name | Membership of RSLs | Directorships of companies (public and private) | Offices in voluntary, other public organisations | Interest in other organisations receiving/ providing services to Origin |
|------------------|---------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|
| Barry Neaves | Shareholding member of Kelsey HA Board member of Medina HA | Non-Executive Director of Southampton City Primary Care Trust | Trustee and Treasurer of Home Start, Eastleigh Treasurer of League of Friends of Romsey Hospital | None |
| Nicola Njie | None | KNN Consulting Ltd | None | |
| Patricia Rushton | Co-op Homes (South) Ltd Innisfree HA | None | Board Member (non exec director) of Hillingdon Hospital NHS Trust Trustee of SPH Friends Member of Group Audit Committee of Richmond Housing Partnership | None |
| Colin Sherriff | Shareholder – Sentinel housing Group | None | Occasional work for Savills, Tribal and Campbell Tickell | Occasional work for Savills and for Campbell Tickell. Wife works for Savills. |
| Laurie Soden | Octavia Housing & Care Board member Chair Development on Governance & Urgency Committees | Kensal Enterprises Ltd Chapelend Developments Ltd Connaught Securities Ltd Greater London Enterprise Ltd GLEI Ltd | Trustee - Octavia Foundation Trustee - Westminster Almshouses | Octavia |
| John Toomey | None | None | Somers Town Community Association | None |
| Karen Wilson | None | Home Connections Lettings Ltd | None | None |

NHF code of governance and code of conduct

The Group complies with the NHF code of conduct and code of governance.

Tenant involvement

The Group encourage tenants' involvement in decision-making by promoting mechanisms of tenant involvement. Examples include the recently established Residents' Forum. In addition the board has opened its meetings to representatives of this Forum to attend as observers in the open sessions. The Group had three tenant board members during the year. As at 1 April 2010 the Group had one tenant board member and a vacancy for one further member.

Internal controls assurance

The Board is responsible for maintaining a sound system of internal controls within the Group/ Association and for reviewing its effectiveness. It delegates the ongoing review of controls to the Group Audit, Risk and Scrutiny Committee and the Board receives an annual report from the Executive and Audit, Risk and Scrutiny Committee.

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

In fulfilling these responsibilities the Board has ensured that the process for identifying, evaluating and managing the significant risks faced by the Association is a continuing process and is embedded in the day to day management and governance processes. This has been in place for the year under review and up to the date of the approval of these accounts and report.

The Board has agreed a number of key policies designed to ensure effective internal controls including;

- a Risk Management Policy and Framework
- the Rules and Standing Orders of the Association (including terms of reference for boards and committees)
- a set of delegated powers detailing responsibilities for expenditure and authorisation of payments
- a comprehensive set of financial and operating policies and procedures covering all aspects of the business
- a risk based approach to internal audit reviews
- code of conduct for Board members and staff
- a policy on regular performance reporting to the Board
- Treasury Management Policy and Strategy with reviews included in the quarterly performance report

REPORT OF THE BOARD (CONTINUED)**Internal controls assurance (continued)**

The Board has in place a comprehensive process to review the effectiveness of the Association's system of internal controls. This includes all of the following elements;

Identifying and evaluating key risks and the control environment

- reviews of the risk management framework
- a strategic risk register linked to the Association's key business plan objectives
- an annual review of the strategic risk register and internal controls by the Group Audit, Risk and Scrutiny Committee, reported to the Board
- a strategic risk register reviewed quarterly by the Executive
- a 5 year Business plan developed from a 30 year planning model
- a specific review of high level business plan risks as part of the annual review of the business plan
- reports to the Group Audit, Risk and Scrutiny Committee and Board on any significant changes affecting key risks
- an Executive Investment Panel and a Board Investment Committee which reviews the financial and other risks attached to all new business initiatives within parameters agreed by the Board
- a Risk Assessment Panel which reviews other risks apart from new business initiatives

Information and reporting systems

- an annual budget agreed before the beginning of each financial year
- quarterly performance reports to boards
- quarterly management accounts to the Board
- a monthly balanced scorecard report reviewed by the Executive and senior managers covering all key performance areas
- an annual review of performance and setting of new targets by the Board
- an annual review of the Business Plan by the Board
- minutes of the Group Audit, Risk and Scrutiny Committee considered by the Board
- reports to the Board on any fraudulent activity
- staff and Board Code of Conduct
- reports from the Tenant Services Authority on regulatory matters are reviewed by the Board

Monitoring arrangements on control issues

- a regular programme of internal audit reviews based on the risk map and reported to the Group Audit, Risk and Scrutiny Committee consisting of non executive directors and independent co-opted members.
- an annual report from the internal Auditor to the Group Audit, Risk and Scrutiny Committee an the Board
- a regular review by the internal Auditor of the completion of internal audit recommendations, reported to the Group Audit, Risk and Scrutiny Committee
- review of external audit management letters and action taken by officers
- an annual review of risks and controls by the Group Audit, Risk and Scrutiny Committee
- a quarterly review by the Executive of strategic risks
- the annual report by the Executive team to the Audit, Risk and Scrutiny Committee and Board on the effectiveness of internal Controls

This process culminates in an Annual Report by the Executive team on the effectiveness of internal Controls to the Group Audit, Risk and Scrutiny Committee and a subsequent report from the Group Audit, Risk and Scrutiny Committee to the Board.

Information on the process adopted for addressing material control aspects or significant problems disclosed in the annual report and accounts:

Following consideration of the Annual Report from the Executive team, the Board received a report from the Group Audit, Risk and Scrutiny Committee which enables the Board to state that no weaknesses in internal controls have resulted in any material losses, contingencies or uncertainties which would require disclosure.

REPORT OF THE BOARD (CONTINUED)**Going concern**

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

Annual general meeting

The annual general meeting will be held on 26 August 2010 at St. Richards House, 110 Eversholt Street, London, NW1 1BS.

Disclosure of information to auditors


At the date of making this report each of the Association's board members, as set out on page 1, confirm the following:

- so far as each board member is aware, there is no relevant information needed by the Association's auditors in connection with preparing their report of which the Association's auditors are unaware
- each board member has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant information needed by the Association's auditors in connection with preparing their report and to establish that the Association's auditors are aware of that information.

External auditors

BDO LLP will be proposed for reappointment at the forthcoming annual general meeting.

The Report of the Board was approved by the Board of Origin Housing Limited on 26 August 2010 and signed on its behalf by:



C Waterer
Company Secretary

OPERATING AND FINANCIAL REVIEW

Background

Activities

Origin Housing Group Limited ("Origin") came into effect in 2004 and consisted of a non-asset holding parent (Origin Housing Group Limited) and two charitable subsidiaries, St Pancras & Humanist Housing Association Limited and Griffin Housing Association Limited. The group also includes a property investment vehicle, Origin Properties Limited and a financing vehicle, Origin Finance Limited.

Origin is a dynamic and diverse organisation providing high quality housing and support services across London and the Home Counties. It owns and manages over 5,000 homes, including:

- general needs housing for rent, primarily by families who are unable to rent or buy at open market rates;
- supported housing and care for people who need additional housing-related support or additional care;
- intermediate rented housing for key workers including NHS staff; and
- low-cost home ownership, primarily shared ownership where residents purchase a share in the equity of their homes and pay rent to the Association on the remainder.

As well as owning and managing these properties, Origin is a major developer of new affordable housing and through its Connected Partnership is one of the associations selected by the Homes and Communities Agency as development partners.

On 1 April 2010, St Pancras and Humanist Housing Association Limited acquired the assets and liabilities of Griffin Housing Association Limited and its parent Origin Housing Group Limited. This was carried out under a transfer of engagements, as provided by Section 51 of the Industrial and Provident Societies Act 1965. Both Griffin Housing Association Limited and Origin Housing Group Limited ceased trading on that date.

On the same date St Pancras and Humanist Housing Association Limited changed its name to Origin Housing Limited.

The board believes that the new structure will provide better and more efficient services to tenants and customers.

External influences and the Operating Environment

The state of the British economy has continued to have a major impact on the housing market as the country comes out of the recession. There is still uncertainty about the economic prospects and the factors affecting the housing sector in general and Origin are:

Loan Finance

Loan finance is now more readily available than a year ago but the margins being charged by lenders are significantly higher than those of several years ago and this has obviously had, and will continue to have, an impact on the cost of borrowing.

Sales

Shared ownership sales and outright sales have been more buoyant than anticipated a year ago but profits are in some cases lower than forecast due to the decline in house prices.

Impairment in the Value of Properties

Origin has taken a prudent approach to impairment and has reviewed the value of its properties based on their predicted income streams. As a result certain of Origin's assets have been revalued downwards by £3.0m. This mainly relates to one scheme being built at the year end where the anticipated shared ownership sales will not be taking place due to a significant decline in market values. The homes will now be let on an intermediate rent. The resulting lower cash receipts in the early years of the scheme's life have reduced the value of the property.

Commercial properties were all reviewed last year and no further reduction in their carrying value is required. Origin has not acquired any land for land-banking and consequently no exposure to reduced asset values from this activity results.

Impact of Negative Inflation

The fourth significant impact on the social housing sector has been negative inflation and the impact on rent increases.

Rents for General Needs, Sheltered and Supported accommodation are regulated, and rent increases in each financial year are largely determined by RPI in the preceding September. The RPI for September 2009 which is used as the base to set the rental figures for 2010-11 was a negative 1.4% compared to a positive 3.9% in September 2008. This has resulted in many associations having to reduce their rents for the financial year 2010-11. Origin has taken a prudent approach and made changes to the rent policy to ensure medium and long term viability.

Pension Fund Valuations

All organisations providing defined benefit pensions have been affected by the decline in the expected returns on the pension scheme investments. This has been an ongoing issue that has been worsened by the recent macro-economic problems. As detailed under Pension Costs at the end of this report, Origin's pension provider has identified potential shortfalls and Origin has put measures in place to deal with these.

OPERATING AND FINANCIAL REVIEW (CONTINUED)**Objectives and strategy**

The objectives and strategies are set out in a business plan that is reviewed annually and approved by the board.

Performance

Despite the adverse economic conditions Origin is well placed to deliver its objectives including developing more affordable housing and in delivering a service that fits our tenants' and customers' needs. Origin's business plan sets out the goals and objectives for the continued growth of the business, the delivery of an excellent service to our customers, decent homes and financial stability.

As part of Origin's stock rationalisation policy to provide the best possible service to our customers, during the year Origin transferred 342 units to other social landlords. The transfers took place after consultation with tenants and staff to ensure the best possible outcome for all parties. Of these units, 213 were retirement housing units.

Also during the year Origin's property investment vehicle, Origin Properties Limited sold its only asset. This was a 53 unit building that was acquired for the purpose of refurbishment and eventual sale at a profit.

The key indicators used by senior management and the Board to monitor achievement of Origin's objectives are set out below. The Board agrees targets each year that are designed to manage development and deliver continuous service improvement.

| | Objective | Indicator |
|-------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Service quality | <ul style="list-style-type: none"> • Improve the core services that are most important to our customers • Ensure customer service is consistently delivered well • Develop a neighbourhood approach that tailors services and sets priorities to meet local customer • Provide an effective range of customer engagement opportunities | <ul style="list-style-type: none"> • Customer satisfaction with repair services, anti-social behaviour, customer care and tenant involvement • Audit commission • Quality Assessment Framework |
| Development | <ul style="list-style-type: none"> • Secure opportunities to develop up to 400 new homes each year • Protect and expand provision of supported housing services | <ul style="list-style-type: none"> • Cumulative new units into management by stock type to achieve up to 2,000 over life of plan |
| Asset management | <ul style="list-style-type: none"> • Focus on core activities in North London and Hertfordshire • All homes comply with decent homes standards • Ensure our housing schemes meet customer and stakeholder expectations • Maximise returns from our commercial property portfolio | <ul style="list-style-type: none"> • Successful sale of non core units • Proportion of units meeting Decent Homes Standard • Customers satisfied with the quality of accommodation • Returns on commercial portfolio |
| Finance | <ul style="list-style-type: none"> • Achieve operating surpluses from all the core activities of Origin • Ensure income collection and void property management processes are running efficiently and cost effectively • Deliver ongoing business efficiencies • Ensure liquidity and banking relationships are maintained, and loans complied with | <ul style="list-style-type: none"> • Results compared to budget and business plans • Arrears levels and income collection • Annual efficiency gains and activity cost comparisons • Performance against loan covenants |

OPERATING AND FINANCIAL REVIEW (CONTINUED)**Service quality**Resident Involvement

As part of Origin's goal of ensuring tenants involvement in the key decisions that affect services, Origin has established a Residents' Forum to work with Origin senior officers to involve residents in the strategic decisions of the organisation, develop policies and service improvement.

The Board and Residents Forum have agreed on Origin's approach to the development of Local Offers for 2010-11. Origin will develop local offers on three levels:

- a) For all customers - services where all tenants will have the same standard of service e.g. the basic responsive repairs service.
- b) For certain customer groups - services provided to particular groups of customers e.g. the Handyman Service that is provided for older and vulnerable customers.
- c) For certain estates or schemes - services that are tailored at a scheme or estate level e.g. those services funded by service charges.

Consultation with residents will both identify priorities for Local Offers and shape how they are delivered. Residents will be involved in the review and monitoring of Local Offers in 2011 to ensure they are delivered with positive outcomes.

During the year there were three resident board members. As at 1 April 2010 the Group had one tenant board member and a vacancy for one further member.

Customer service

An independent assessment of the service provided for its customers has resulted in Origin achieving Assured Excellence Certification from Quality Housing Services, an organisation that works closely with the Tenants' Services Authority. The year long assessment included mystery shopping and on-site inspections.

It is a priority to achieve further improvements to customer service in 2010-11 and to consolidate activities as part of the group structure rationalisation.

Neighbourhoods

Grant funding has been secured for a number of projects run by Origin including youth based activities, community projects and financial inclusion. During the year grant funding contributed £131k to activities undertaken in the year.

In 2010 we will focus on improving the care and upkeep of estates and upon securing further grant funding to support residents into training and employment and to support community engagement.

Tenant satisfaction

The STATUS survey is carried out every three years and the next survey is due in 2011. The results from the 2008 survey, which showed improvements on the previous one, were:

- Tenant satisfaction overall 72%
- Tenant satisfaction with views taken into account 52%
- Tenant satisfaction with repairs and maintenance 65%

Maintenance

In conjunction with residents, the 2009 maintenance service was redesigned. This is being imbedded to ensure their requirements are being met.

The percentage of gas safety certificates obtained was at 99.4% as at the end of the year.

Origin is on target to deliver the Decent Homes agenda by the 2010 deadline, with 93% of our stock currently meeting the Decent Homes Standard.

Supported housing services performance

Our supporting people review scores continue to show improvement with 79% of schemes meeting the target of at least a level 'B' in all Quality Assessment Framework areas. We are continuing to strive to at least meet level B across all areas and have action plans in place to achieve this.

Development

During the year 134 new homes were completed and transferred into management by the end of March 2010 with a further programme of 229 homes on site.

During 2010-11 239 units will be completed, 292 will start on site, with an anticipated spend of £37.7m.

OPERATING AND FINANCIAL REVIEW (CONTINUED)**Asset management**

In focusing on our core business activities and key geographic locations, Origin has transferred some of its outlying schemes to other social landlords. In line with Origin policies and regulatory requirements, tenants and employees were consulted. During 2009-10, 213 units in Surrey and South west London and 129 units in west London were transferred. During 2010-11 152 units in Kent will be transferred to other social landlords.

In the coming years the focus will continue to be on our core activities and our core geographic regions.

Finance

It is the aim of Origin to maintain a stable operating surplus over the coming years, with efficiency savings planned through service reviews and initiatives ensuring resources can be reallocated to improve service delivery. The performance for this financial year delivered satisfactory results, with rental increases in line with the Tenant Services Authority guidance on rent restructuring and costs moving in line with increases in services.

The sale of the building owned by Origin Properties Limited for £18.0m had a material impact on the turnover figure for Origin. This contributed a profit, after associated interest of £1.4m. In addition the transfer of schemes to other landlords contributed £4.2m to the net surplus of Origin.

The impairment of new schemes resulted in a charge to the Income & Expenditure account of £3.0m.

We are pleased to report an operating surplus before taxation of £10,266k (2009: £7,608k) which together with our surplus on the sale of fixed assets of £4,793k (2008: £1,492k) contributed to the year-end funds of £72.5m (2009: £63.9m).

The voids available to let during 2009/10 have shown improvements over the prior year across the various business streams, despite the continued economic downturn. Arrears performance for the group, including commercial rentals has also improved since last year with the arrears for rents and service charges dropping from 7.3% to 6.5%.

Since the year end Origin has successfully negotiated new funding of £50.0m at competitive rates securing the continuation of our development programme.

Governance

Rationalisation of the Origin group structure provided an opportunity to reshape governance and board membership. Members of the new Origin Housing Board were selected from the previous boards with some external recruitment to fill identified skills gaps. The board is now supported by an Investment Committee, an Audit Committee and a Remuneration Committee.

Risks and uncertainties

The overall objective of the Risk Strategy in Origin is to encourage properly controlled risk taking which is necessary to ensure Origin achieves its business objectives. The risk management framework is designed to ensure that Origin has in place policies and procedures that identify and manage risks that may adversely affect the organisation's ability to meet its business objectives or impact its ability to execute its strategies successfully. To assist in the management of risk, each operational function of Origin has an identified risk trigger. The appropriateness of the trigger points is reviewed annually by the Board. The executive team measures performance against these trigger points. If a trigger point is breached, the matter is referred for review at board level.

Financial position

The financial results for Origin are set out on pages 15 to 41. The following paragraphs highlight key features of Origin's financial position at 31 March 2010:

Accounting policies

Origin's accounting policies are set out on pages 21 to 23. The accounting policies that are most critical to the financial results relate to accounting for housing properties and include: capitalisation of interest and development costs; deduction of capital grant from the cost of assets; housing property depreciation; and the treatment of shared ownership properties.

Housing properties

At 31 March 2010 Origin owned and managed 5,493 housing properties. This is lower than the 2009 figure of 5,956 as a number of units were transferred to other social landlords as part of the group rationalisation and some shared keyworker housing properties were remodelled. The properties are carried in the balance sheet at cost (after depreciation and capital grant) of £209.4m (2009: £180.4m).

Our investment in housing properties this year was funded through a mixture of Social Housing Grant, loan finance and working capital where we show a strong net current asset balance, an important indicator of liquidity. Origin's treasury management arrangements are considered below.

OPERATING AND FINANCIAL REVIEW (CONTINUED)**Pension costs**

Origin participates in the Social Housing Pension Scheme ('SHPS'). The scheme is funded, and is contracted out of the state scheme. SHPS is a multi-employer defined benefit scheme which means there is no requirement to reflect any potential long term liability in the financial statements.

SHPS carried out a consultation exercise with participating employers during the autumn of 2008. The purpose of this consultation was the need to control and provide some predictability of pension costs and the need to continue to provide a choice of benefit structures.

After considering all the responses, the Trustees agreed that from April 2010 the rules under which the pension provision is offered will be amended. Various options were presented to employers.

Origin carefully considered these options and sought advice both from the Pensions Trust and from independent advisers. After consulting staff it was agreed that all employees in the final salary schemes and those in the career average revalued earnings (CARE) scheme would be offered pension salary sacrifice as part of their remuneration packages. All employees bar one agreed to take up this offer. It was also decided to close the CARE scheme to new entrants from 1 October 2010 and offer a SHPS managed defined contributions scheme from that date.

Capital structure and treasury policy

Origin's development programme is funded through a mix of grant and loan funding. At the year end Origin had loan facilities of £204.6m in place. During the year it drew down a net £13.9m to develop general needs, intermediate rent, shared ownership units and market rent units, bringing the total borrowings to £179.2m (further details on the terms and repayment dates can be found in note 20). Since the year end a further £50m facility has been negotiated with Santander. The five-year summary in table 1 (page 12) shows a healthy performance regarding interest cover of 2.32 (2009: 1.18) and gearing 65.9% (2009: 65.0%).

Treasury management is reviewed annually by the Board where the approach towards additional funding and interest rate management is agreed. Origin borrows and lends only in Sterling and is therefore not exposed to any currency risk.

Cash flows

Cash inflows and outflows during the year are shown in the consolidated cash flow statement on page 20.

The net cash inflow from operating activities was £33,019k (2009: £2,002k cash inflow).

Liquidity

Origin has the ability to fund its current and future operations.

Statement of compliance

In preparing this Operating and Financial Review, the Board has followed the principles set out in Part 3 of the SORP 'Accounting by Registered Social Landlords 2008'.

TABLE 1 – FIVE-YEAR SUMMARY

| For the year ended 31 March | 2010 | 2009 | 2008 | 2007 | 2006 |
|-------------------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Group income and expenditure account | £'000 | £'000 | £'000 | £'000 | £'000 |
| Turnover | 59,961 | 37,070 | 32,545 | 28,596 | 26,773 |
| Cost of sales | (19,172) | (1,687) | (373) | - | - |
| Operating costs | (30,523) | (27,775) | (24,777) | (22,542) | (20,943) |
| Operating surplus | 10,266 | 7,608 | 7,395 | 6,054 | 5,830 |
| Surplus for the financial year | 8,583 | 1,406 | 1,945 | 3,159 | 1,362 |
| Group balance sheet | £'000 | £'000 | £'000 | £'000 | £'000 |
| Housing properties at cost | 401,676 | 364,250 | 332,371 | 297,131 | 273,044 |
| Social Housing Grant and other capital grants | (192,232) | (183,833) | (176,954) | (161,146) | (156,929) |
| Housing properties net of grants | 209,444 | 180,417 | 155,417 | 135,985 | 116,115 |
| Other tangible fixed assets at cost | 29,893 | 29,288 | 36,503 | 31,270 | 20,841 |
| Tangible fixed assets | 239,337 | 209,705 | 191,920 | 167,255 | 136,956 |
| Net current assets/(liabilities) | 7,628 | 15,315 | (2,421) | 158 | 1,588 |
| Total assets less current liabilities | 246,965 | 225,020 | 189,499 | 167,413 | 138,544 |
| Creditors: amounts falling due after more than one year | 174,448 | 161,090 | 119,128 | 98,702 | 83,381 |
| Provision for liabilities and charges | - | - | - | 353 | 353 |
| Reserves | | | | | |
| Revaluation reserve | 16,418 | 16,442 | 24,289 | 24,082 | 13,627 |
| Revenue reserve | 51,173 | 42,555 | 41,125 | 39,057 | 35,897 |
| Negative goodwill | 4,102 | 4,186 | 4,271 | 4,621 | 4,722 |
| Designated reserve | 824 | 747 | 686 | 598 | 564 |
| | 72,517 | 63,930 | 70,371 | 68,358 | 54,810 |
| | 246,965 | 225,020 | 189,499 | 167,413 | 138,544 |
| Accommodation figures | No | No. | No. | No. | No. |
| Housing stock - Social | 5,013 | 5,370 | 5,210 | 5,036 | 4,947 |
| Housing stock - Non-social | 480 | 586 | 495 | 465 | 293 |
| Managed Stock | - | - | 10 | 10 | 72 |
| | 5,493 | 5,956 | 5,715 | 5,511 | 5,312 |
| Statistics | | | | | |
| Surplus as % of turnover | 14.3% | 3.8% | 6.0% | 11.0% | 5.1% |
| Rent loss % of rent and service charge | 6.6% | 6.4% | 4.2% | 4.3% | 3.3% |
| Rent arrears % of rent and service charge | 6.5% | 7.3% | 6.2% | 5.8% | 1.4% |
| Interest cover (<i>surplus before interest divided by interest payable</i>) | 2.32 | 1.18 | 1.29 | 1.60 | 1.25 |
| Liquidity (<i>current assets divided by current liabilities</i>) | 1.5 | 1.8 | 0.9 | 1.0 | 1.2 |
| Gearing (<i>total debt as % of capital grants plus reserves</i>) | 65.9% | 65.0% | 48.2% | 43.0% | 39.4% |
| Total reserves per home owned | £13,202 | £10,734 | £12,335 | £12,426 | £10,460 |

STATEMENT OF RESPONSIBILITIES OF THE BOARD**Statement of the responsibilities of the Board for the report and financial statements**

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

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

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

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

The board members are responsible for keeping adequate accounting records that are sufficient to show and explain the association's transactions and disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, the Housing Act 1996 (to 31 March 2010), the Housing and Regeneration Act 2008 (from 1 April 2010) and the Accounting Requirements for Registered Social Landlords General Determination 2006. They are also responsible for safeguarding the assets of the association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board is responsible for ensuring that the report of the board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social landlords (2008).

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ORIGIN HOUSING GROUP LIMITED

We have audited the financial statements of Origin Housing Group Limited for the year ended 31 March 2010 which comprise the income and expenditure account, the balance sheet, the statement of total recognised surpluses and deficits, the cashflow statement, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the Board and auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing Act 1996 (to 31 March 2010), the Housing and Regeneration Act 2008 (from 1 April 2010) and the Accounting Requirements for Registered Social Landlords General Determination 2006. We also report to you if, in our opinion, the Association has not kept proper accounting records, a satisfactory system of control over transactions has not been maintained, or if we have not received all the information and explanations we require for our audit.

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

Our report has been prepared pursuant to the requirements of the Housing Act 1996 (to 31 March 2010), the Housing and Regeneration Act 2008 (from 1 April 2010) and Section 9 of the Friendly and Industrial and Provident Societies Act 1968 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the above statutes or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

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

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

Opinion

In our opinion the Association's financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Association's affairs as at 31 March 2010 and of its results for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing Act 1996 (to 31 March 2010), the Housing and Regeneration Act 2008 (from 1 April 2010) and the Accounting Requirements for Registered Social Landlords General Determination 2006.

BDO LLP

BDO LLP, statutory auditor

Epsom, Surrey

United Kingdom

Date

26 August 2010

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

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2010

| | Note | 2010 £ '000 | 2009 £ '000 |
|-------------------------------------------------------|------|----------------|----------------|
| Turnover | 2 | 59,961 | 37,070 |
| Cost of sales | 2 | (19,172) | (1,687) |
| Operating costs | 2 | (30,523) | (27,775) |
| Operating surplus | 2 | 10,266 | 7,608 |
| Surplus on sale of fixed assets – housing properties | 5 | 4,793 | 1,492 |
| Interest receivable and other income | 6 | 150 | 215 |
| Interest payable and similar charges | 7 | (6,501) | (7,906) |
| Surplus on ordinary activities before taxation | | 8,708 | 1,409 |
| Tax on surplus on ordinary activities | 10 | (125) | (3) |
| Surplus for the financial year | 24 | 8,583 | 1,406 |

There is no material difference between the result reported above and that which would be reported on a historical cost basis.

Turnover and operating surplus for the current and prior years relate to continuing activities.

ASSOCIATION INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2010

| | Note | 2010 £ '000 | 2009 £ '000 |
|-----------------------------------------------------------------|------|----------------|----------------|
| Turnover | 2 | 5,678 | 5,258 |
| Operating costs | 2 | (5,671) | (5,255) |
| Operating surplus: continuing activities | 2 | 7 | 3 |
| Interest receivable and other income | 6 | - | 4 |
| Interest payable and similar charges | 7 | - | - |
| Gift aid | | (30) | - |
| (Deficit)/surplus on ordinary activities before taxation | | (23) | 7 |
| Tax on surplus on ordinary activities | 10 | (15) | (1) |
| (Deficit)/surplus for the financial year | 24 | (38) | 6 |

Historical cost surpluses and deficits were identical to those shown in the income and expenditure account.

Turnover and operating surplus for the current and prior years relate to continuing activities.

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS

For the year ended 31 March 2010

| | Note | Group | | Association | |
|---------------------------------------------------------------------------|------|----------------|----------------|----------------|----------------|
| | | 2010 £ '000 | 2009 £ '000 | 2010 £ '000 | 2009 £ '000 |
| Surplus/ (deficit) for the financial year | | 8,583 | 1,406 | (23) | 6 |
| Unrealised revaluation deficit on commercial properties | 12 | - | (7,665) | - | - |
| Unrealised surplus/(deficit) on revaluation of investments | 24 | 4 | (182) | - | - |
| Total recognised surpluses/(deficits) since the last financial statements | | <u>8,587</u> | <u>(6,441)</u> | <u>(23)</u> | <u>6</u> |

RECONCILIATION OF MOVEMENTS IN GROUP'S AND ASSOCIATION'S FUNDS

For the year ended 31 March 2010

| | Group | | Association | |
|------------------------------------------------------------|----------------|----------------|----------------|----------------|
| | 2010 £ '000 | 2009 £ '000 | 2010 £ '000 | 2009 £ '000 |
| At 1 April 2009 | 63,930 | 70,371 | 38 | 32 |
| Total recognised surpluses/(deficits) relating to the year | 8,587 | (6,441) | (23) | 6 |
| At 30 March 2010 | <u>72,517</u> | <u>63,930</u> | <u>15</u> | <u>38</u> |

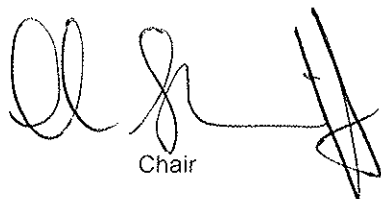
ASSOCIATION BALANCE SHEET

As at 31 March 2010

| | Note | 2010 £ '000 | 2009 £ '000 |
|-------------------------------------------------------|------|----------------|----------------|
| Other tangible fixed assets | 13 | 938 | 684 |
| Investments in subsidiaries | 14 | - | - |
| Current assets | | | |
| Debtors | 16 | 358 | 2,549 |
| Deferred tax | 10 | 46 | 63 |
| Cash at bank and in hand | | 1 | 88 |
| | | 405 | 2,700 |
| Creditors: amounts falling due within one year | 18 | (1,343) | (3,346) |
| Net current liabilities | | (938) | (646) |
| Total assets less current liabilities | | - | 38 |
| Capital and reserves | | | |
| Non-equity share capital | 23 | - | - |
| Revenue reserve | 24 | - | 38 |
| | 24 | - | 38 |

The notes on pages 21 to 41 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 26 August 2010 and signed on its behalf by:



Chair



Board Member



Secretary

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2010

| | Note | 2010 £ '000 | 2009 £ '000 |
|-------------------------------------------------------------|------|-----------------|-----------------|
| Net cash inflow/ (outflow) from operating activities | 27 | 33,019 | 2,002 |
| Returns on investments and servicing of finance | | | |
| Interest received | | 150 | 215 |
| Interest paid | | (8,419) | (9,062) |
| Proceeds from the sale of investments | | 597 | |
| | | <u>(7,672)</u> | <u>(8,847)</u> |
| Corporation tax paid | | (8) | (20) |
| Capital expenditure | | | |
| Proceeds from sale of housing properties | 5 | 8,972 | 2,062 |
| Payments to acquire and develop housing properties | | (53,374) | (33,869) |
| Capital grants received | | 23,349 | 10,434 |
| Capital grants paid | | (6,405) | (860) |
| Payments to acquire commercial properties | | (198) | (114) |
| Payments to acquire other fixed assets | | (1,080) | (1,186) |
| | | <u>(28,736)</u> | <u>(23,533)</u> |
| Net cash outflow before financing | | <u>(3,397)</u> | <u>(30,398)</u> |
| Financing | | | |
| Loans received | | 23,032 | 36,797 |
| Loans repaid | | (9,145) | (1,329) |
| | | <u>13,887</u> | <u>35,468</u> |
| Increase/ (decrease) in cash | 28 | <u>10,490</u> | <u>5,070</u> |

NOTES TO THE FINANCIAL STATEMENTS**1 Accounting policies****Basis of accounting**

The financial statements of the Group and the Association are prepared under the historic cost convention, modified for by the revaluation of commercial properties; in accordance with applicable accounting standards and the Statement of Recommended Practice ('SORP'): accounting by Registered Social Landlords 2008; and comply with the Accounting Requirements for Registered Social Landlords General Determination 2006.

The Association has not prepared group accounts as it and its subsidiaries are consolidated into Origin Housing Group Limited, the ultimate parent company and controlling entity. Origin Housing Group Limited is registered as a non-charitable social landlord under the Industrial and Provident Societies Acts, no. 24898R.

Basis of consolidation

The Group accounts consolidate the accounts of the Association and all its subsidiaries at 31 March using acquisition accounting.

Turnover

Turnover comprises rental income receivable in the year, income from sales of first tranche shared ownership sales and outright sales, other services included at the invoiced value (excluding value added tax) of goods and services supplied in the year and revenue grants receivable in the year.

Deferred taxation

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

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

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

Value added tax

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

Interest payable

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

- a) interest on borrowings specifically financing the development programme after deduction of interest on Social Housing Grant received in advance; or
- b) interest on borrowings of the Association as a whole after deduction of interest on Social Housing Grant received in advance to the extent that they can be deemed to be financing the development programme.

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

Derivatives

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

Pensions

The Group contributes to a defined benefit final salary pension for staff that were in post before 1 April 2007 and to a career average earnings scheme for other new staff.

The Group participates in the Social Housing Pension Scheme ('SHPS') a multi-employer defined benefit scheme.

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

Supporting people

Charges for support services funded under supporting people are recognised as they fall due under the contractual arrangements with administering authorities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**1 Accounting policies (continued)****Housing properties**

Housing properties are principally properties available for rent, including the retained equity in shared ownership properties, and are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

Works to existing properties are works which result in an increase in the net rental income, such as a reduction in future maintenance costs, or result in a significant extension of the useful economic life of the property in the business beyond the previously assessed standard of performance when the asset was first constructed, last improved or last revalued. Only the direct overhead costs associated with new developments or improvements are capitalised.

Shared ownership and staircasing

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

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

Proceeds of sale of first tranches are accounted for as turnover in the income and expenditure account, with the apportioned cost being shown within operating results as the cost of sale.

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

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

Commercial properties

Commercial properties are stated at market value less depreciation and impairment. A valuation was carried out by external valuers Tuckerman in accordance with RICS appraisal and valuation standards (PS 5.1) and on market basis as at 31 March 2007. In accordance with FRS15 an interim valuation was performed at 31 March 2009. The rolling valuation method has been adopted for valuations. The historic cost of these properties is £8.4m.

Market value is defined as the estimated amount for which the property should exchange on the valuation between a willing buyer and a willing seller in an arms length transaction after proper marketing wherein the parties had each acted 'knowledgably, prudently and without compulsion'.

Social Housing Grant

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

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

Other grants

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

Depreciation of housing and commercial properties

Freehold land is not depreciated. Buildings are depreciated over their estimated useful economic life of 100 years.

Properties held on leases are amortised over the shorter of life of the lease or their estimated useful economic lives.

Depreciation of other tangible fixed assets

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. The expected useful lives of other assets are:

| | |
|----------------------------------|----------|
| Tenant furniture | 3 years |
| Furniture, fixtures and fittings | 15 years |
| Computers and office equipment | 4 years |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**1 Accounting policies (continued)****Impairment**

Properties which are depreciated over a period in excess of 50 years are subject to annual impairment reviews. Other assets are reviewed for impairment if there is an indication that impairment may have occurred.

Where there is evidence of impairment, fixed assets are written down to their recoverable amount. Any such write down is charged to operating surplus, unless a revaluation reserve exists for the asset, in which case the amount of the impairment is deducted from the revaluation reserve up to the balance of the reserve for the asset. Any remaining impairment is then charged to operating surplus.

Leased assets

Rentals payable under operating leases are charged to the income and expenditure account on a straight-line basis over the lease term.

Properties for sale

Properties for outright sale and shared ownership first tranche developments are valued at the lower of cost and net realisable value, regardless of whether they are completed or still under construction. Cost comprises materials, direct labour, direct development overheads and attributable interest on borrowings. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Homebuy loans and grants

Under these arrangements the Association receives Social Housing Grant representing a maximum of 30% of the open market purchase price of a property in order to advance interest free loans of the same amount to a homebuyer. The buyer meets the balance of the purchase price from a combination of personal mortgage and savings. Loans advanced by the Association under these arrangements are disclosed in the investments section of the balance sheet.

In the event that the property is sold on, the Association recovers the equivalent loaned percentage value of the property at the time of the sale. The grant becomes recyclable when the loans are repaid up to the amount of the original grant and to the extent the proceeds permit. The Association is able to retain any surplus proceeds less sale costs attributable to the equivalent loaned percentage share of the value of the property. If there is a fall in the value of the property the shortfall of the proceeds is offset against the recycled grant. There are no circumstances in which the Association will suffer any capital loss.

Current asset investments

Current asset investments are readily disposable liquid resources stated at market value. They include some money market deposits, held for more than 24 hours that can only be withdrawn without penalty on maturity or by giving notice of more than one working day.

Reserves

The Group establishes restricted reserves for specific purposes where their use is subject to external restrictions and designated reserves where reserves are earmarked for a particular purpose.

Negative goodwill

Negative goodwill arising from business acquisitions is written back over 100 years, representing the life of the underlying assets acquired.

Revaluation reserve

The difference between the market value of commercial properties and the historical cost carrying value is credited to the revaluation reserve. Any impairment on commercial properties is debited against the revaluation reserve up to the balance of the reserve.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

| | Group 2010 | | | |
|----------------------------------------|--------------------|----------------------------|------------------------------|--------------------------------|
| | Turnover £ '000 | Cost of sales £ '000 | Operating costs £ '000 | Operating surplus £ '000 |
| Social housing lettings | 33,675 | - | (26,045) | 7,630 |
| Other social housing activities | | | | |
| Shared ownership first tranche sales | 2,561 | (2,079) | - | 482 |
| Supporting people contract income | 1,285 | - | (1,848) | (563) |
| Community development | 140 | - | (596) | (456) |
| Care & repair | 591 | - | (642) | (51) |
| | <u>4,577</u> | <u>(2,079)</u> | <u>(3,086)</u> | <u>(588)</u> |
| Non-social housing activities | | | | |
| Properties for outright sale | 18,995 | (17,093) | - | 1,902 |
| Commercial activities | 1,989 | - | (844) | 1,145 |
| Other (non-housing) | 725 | - | (548) | 177 |
| | <u>21,709</u> | <u>(17,093)</u> | <u>(1,392)</u> | <u>3,224</u> |
| | <u>59,961</u> | <u>(19,172)</u> | <u>(30,523)</u> | <u>10,266</u> |

| | Group 2009 | | | |
|----------------------------------------|--------------------|----------------------------|------------------------------|--------------------------------|
| | Turnover £ '000 | Cost of sales £ '000 | Operating costs £ '000 | Operating surplus £ '000 |
| Social housing lettings | 30,267 | - | (23,950) | 6,317 |
| Other social housing activities | | | | |
| Shared ownership first tranche sales | 1,374 | (1,276) | - | 98 |
| Supporting people contract income | 1,084 | - | (1,430) | (346) |
| Community development | 105 | - | (518) | (413) |
| Care & repair | 366 | - | (395) | (29) |
| | <u>2,929</u> | <u>(1,276)</u> | <u>(1,316)</u> | <u>690</u> |
| Non-social housing activities | | | | |
| Properties for outright sale | 843 | (411) | - | 432 |
| Commercial activities | 1,578 | - | (895) | 683 |
| Other (non-housing) | 1,453 | - | (587) | 866 |
| | <u>3,874</u> | <u>(411)</u> | <u>(1,482)</u> | <u>1,980</u> |
| | <u>37,070</u> | <u>(1,687)</u> | <u>(27,775)</u> | <u>7,608</u> |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

| | Association 2010 | | |
|----------------------------------------|--------------------|------------------------------|--------------------------------|
| | Turnover £ '000 | Operating costs £ '000 | Operating surplus £ '000 |
| Other social housing activities | | | |
| Management services | 5,678 | (5,671) | 7 |
| | <u>5,678</u> | <u>(5,671)</u> | <u>7</u> |

| | Association 2009 | | |
|----------------------------------------|--------------------|------------------------------|--------------------------------|
| | Turnover £ '000 | Operating costs £ '000 | Operating surplus £ '000 |
| Other social housing activities | | | |
| Development services | 127 | (127) | - |
| Management services | 5,131 | (5,128) | 3 |
| | <u>5,258</u> | <u>(5,255)</u> | <u>3</u> |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Particulars of income and expenditure from social housing lettings

| Group | General needs housing £'000 | Supported housing and housing for older people £'000 | Care accommodation £'000 | Key worker housing £'000 | Shared ownership £'000 | Rent to homebuy £'000 | 2010 Total £'000 | 2009 Total £'000 |
|---------------------------------------------------------------|-----------------------------|------------------------------------------------------|--------------------------|--------------------------|------------------------|-----------------------|------------------|------------------|
| Rent receivable net of identifiable service charges | 18,878 | 3,302 | 164 | 3,068 | 839 | 296 | 26,547 | 23,419 |
| Service income | 1,165 | 1,447 | 105 | 56 | 85 | 3 | 2,861 | 3,419 |
| Charges for support services | - | 1,366 | - | - | - | - | 1,366 | 941 |
| Net rental income | 20,043 | 6,115 | 269 | 3,124 | 924 | 299 | 30,774 | 27,779 |
| Other income | 700 | 1,035 | 816 | 342 | 8 | - | 2,901 | 2,488 |
| Turnover from social housing lettings | 20,743 | 7,150 | 1,085 | 3,466 | 932 | 299 | 33,675 | 30,267 |
| Management Services | 3,519 | 1,512 | 88 | 1,220 | 569 | 13 | 6,921 | 7,431 |
| Routine maintenance | 1,295 | 4,171 | 1,461 | 1,483 | 94 | 33 | 8,537 | 8,338 |
| Planned maintenance | 2,891 | 751 | 46 | 434 | 10 | 1 | 4,133 | 4,317 |
| Bad debts | 1,345 | 18 | 2 | 62 | - | - | 1,427 | 1,669 |
| Depreciation of housing properties | 11 | - | - | (15) | - | - | (4) | 332 |
| Impairment of housing properties | 1,585 | 349 | - | 34 | 16 | 1 | 1,985 | 1,715 |
| Operating costs on social housing lettings | 10,646 | 6,801 | 1,597 | 6,216 | 737 | 48 | 26,045 | 23,950 |
| Operating surplus/(deficit) on social housing lettings | 10,097 | 349 | (512) | (2,750) | 195 | 251 | 7,630 | 6,317 |
| Void losses | (457) | (296) | (22) | (1,162) | - | - | (1,937) | (1,567) |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Particulars of income and expenditure from commercial property lettings

| Group | 2010 £'000 | 2009 £'000 |
|----------------------------------------------------------|---------------|---------------|
| Rent receivable net of identifiable service charges | 1,878 | 1,423 |
| Service income | 41 | 61 |
| Net rental income | <u>1,919</u> | <u>1,484</u> |
| Other income | 70 | 94 |
| Turnover from commercial activities | <u>1,989</u> | <u>1,578</u> |
| Management | 208 | 400 |
| Services | 452 | 175 |
| Routine maintenance | 65 | 10 |
| Planned maintenance | 78 | 5 |
| Bad debts | - | 85 |
| Depreciation of commercial housing properties | 94 | 167 |
| Impairment of commercial housing properties | (53) | 53 |
| Total expenditure on commercial property lettings | <u>844</u> | <u>895</u> |
| Operating surplus on commercial property lettings | <u>1,145</u> | <u>683</u> |
| Void losses | <u>(206)</u> | <u>(327)</u> |

3 Accommodation in management

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

| Group | 2010 No. | 2009 No. |
|----------------------------------------------------|--------------|--------------|
| Social housing | | |
| General needs housing | 3,175 | 3,149 |
| Supported housing and housing for older people | 765 | 1,025 |
| Shared ownership | 265 | 252 |
| Keyworker housing | 734 | 878 |
| Rent to homebuy | 39 | 31 |
| Residential care homes | 35 | 35 |
| Total managed | <u>5,013</u> | <u>5,370</u> |
| Non-social housing | | |
| Commercial/ Right to buy/ Leasehold/ Market rented | 480 | 586 |
| Total owned and managed | <u>5,493</u> | <u>5,956</u> |

The Group owns 38 supported housing units (2009: 72) that are managed on its behalf, under management agreements, by other bodies who contract with Supporting People Administering Authorities and carry the financial risk relating to the supported housing units.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Operating surplus

This is arrived at after charging:

| | Group | | Association | |
|------------------------------------------------------------|---------------|---------------|---------------|---------------|
| | 2010 £'000 | 2009 £'000 | 2010 £'000 | 2009 £'000 |
| Depreciation of housing properties | 1,655 | 1,369 | - | - |
| Depreciation of commercial properties | 94 | 167 | - | - |
| Depreciation of other tangible fixed assets | 632 | 630 | 283 | 267 |
| Impairment | 2,993 | 201 | - | - |
| Operating lease rentals for office equipment and computers | 51 | 64 | 51 | 64 |
| Auditors' remuneration | | | | |
| - for audit services | 48 | 48 | 13 | 13 |
| - for non-audit services | 36 | 36 | 17 | 17 |

5 Surplus on sale of fixed assets – housing properties

| | Group | | Association | |
|--------------------------------|---------------|---------------|---------------|---------------|
| | 2010 £'000 | 2009 £'000 | 2010 £'000 | 2009 £'000 |
| Disposal proceeds | 8,972 | 2,062 | - | - |
| Carrying value of fixed assets | (4,179) | (570) | - | - |
| | 4,793 | 1,492 | - | - |

6 Interest receivable and other income

| | Group | | Association | |
|----------------------------|---------------|---------------|---------------|---------------|
| | 2010 £'000 | 2009 £'000 | 2010 £'000 | 2009 £'000 |
| Bank interest receivable | 18 | 165 | - | 4 |
| Dividend income receivable | 26 | 25 | - | - |
| Sinking fund interest | - | 12 | - | - |
| Other interest receivable | 106 | 13 | - | - |
| | 150 | 215 | - | 4 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 Interest payable and similar charges

| | Group | | Association | |
|---------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|
| | 2010 £'000 | 2009 £'000 | 2010 £'000 | 2009 £'000 |
| Loans and bank overdrafts | 8,408 | 8,883 | - | - |
| RCGF interest | 11 | 167 | - | - |
| Sinking fund interest | - | 12 | - | - |
| | 8,419 | 9,062 | - | - |
| Interest capitalised on housing properties under construction | (1,918) | (1,156) | - | - |
| | 6,501 | 7,906 | - | - |
| Capitalisation rate used to determine the finance costs capitalised during the period | 4.72% | 5.78% | - | - |

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

8 Employees

Average monthly number of employees expressed in full time equivalents:

| | Group | | Association | |
|---------------------------|-------------|-------------|-------------|-------------|
| | 2010 No. | 2009 No. | 2010 No. | 2009 No. |
| Administration | 53 | 44 | 48 | 38 |
| Development | 8 | 9 | 8 | 9 |
| Housing, support and care | 206 | 222 | - | - |
| | 267 | 275 | 56 | 47 |

Employee costs:

| | Group | | Association | |
|-----------------------|---------------|---------------|---------------|---------------|
| | 2010 £'000 | 2009 £'000 | 2010 £'000 | 2009 £'000 |
| Wages and salaries | 8,324 | 8,044 | 2,187 | 2,025 |
| Social security costs | 727 | 725 | 213 | 197 |
| Other pension costs | 248 | 277 | 141 | 142 |
| | 9,299 | 9,046 | 2,541 | 2,364 |

The Association participates in the Social Housing Pension Scheme (SHPS). The Scheme is funded and is contracted out of the state scheme.

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

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 Employees (Continued)

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 70.0%.

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

9 Board members and executive directors

| Group and Association | Basic salary £ '000 | Benefits in kind £ '000 | Pension contr'ns £ '000 | 2010 Total £ '000 | 2009 Total £ '000 |
|-----------------------|------------------------|----------------------------|----------------------------|----------------------|----------------------|
| Aggregate emoluments | 521 | 12 | 59 | 592 | 647 |

In addition redundancy/ ex-gratia payments of £22,736 were made to executive directors as a result of restructuring. Except for the Chair who received £10,004 none of the Board members received emoluments. Expenses paid during the year to board members amount to £15,176 (2009: £13,711)

The emoluments of the highest paid director, the Chief Executive, excluding pension contributions, were £126,671 (2009: £124,009). The Chief Executive is a member of the Social Housing Pension Scheme. She is an ordinary member of the pension scheme and no enhanced or special terms apply. The Association does not make any further contribution to an individual pension arrangement for the Chief Executive.

| Group and Association | Basic salary £ '000 | Benefits in kind £ '000 | Pension contr'ns £ '000 | 2010 Total £ '000 | 2009 Total £ '000 |
|-----------------------------------------------|------------------------|----------------------------|----------------------------|----------------------|----------------------|
| Aggregate emoluments of highest paid director | 127 | - | 16 | 143 | 139 |

10 Tax on surplus on ordinary activities

The Association, Origin Properties Limited and Origin Finance Limited are subject to corporation tax. St Pancras Street Properties Limited is subject to Corporation Tax but it is a dormant company. St Pancras & Humanist Housing Association Limited and Griffin Housing Association Limited have Charitable Objects and are exempt from corporation tax on their charitable activities. However, during the year Griffin Housing Association Limited incurred corporation tax on profits made from the sale of properties.

| | Group | | Association | |
|------------------------------------------------|----------------|----------------|----------------|----------------|
| | 2010 £ '000 | 2009 £ '000 | 2010 £ '000 | 2009 £ '000 |
| United Kingdom Corporation Tax | | | | |
| Current tax on income for the year | 110 | 3 | - | 1 |
| Adjustments in respect of prior periods | (2) | - | (2) | - |
| Current tax charge for the period | 108 | 3 | (2) | 1 |
| Deferred tax | | | | |
| Origination and reversal of timing differences | 17 | - | 17 | - |
| | 125 | 3 | 15 | 1 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 Tax on surplus on ordinary activities (continued)

Factors affecting the tax charge for the period

| | Group | | Association | |
|------------------------------------------------|----------------|----------------|----------------|----------------|
| | 2010 £ '000 | 2009 £ '000 | 2010 £ '000 | 2009 £ '000 |
| Surplus/(deficit) for the year before taxation | 8,708 | 1,409 | (23) | 7 |
| Corporation tax at 21% (2009: 21%) | 1,829 | 295 | - | 1 |
| <i>Effects of:</i> | | | | |
| Expenditure not deductible for tax purposes | 1 | - | - | - |
| Surpluses in the charitable entities | (1,698) | (292) | - | - |
| Tax charged at higher rate (28%) | 27 | - | - | - |
| Accelerated capital allowances | (28) | - | - | - |
| Other timing differences | 1 | - | - | - |
| Adjustments in respect of prior years | (2) | - | - | - |
| Gift aid | (32) | - | - | - |
| Utilised trade losses | 10 | - | - | - |
| Marginal relief | - | - | - | - |
| | 108 | 3 | - | 1 |

The Group had a deferred tax asset of £46k as at 31 March 2010 (2009: £63k) in relation to tax losses and accelerated capital allowances.

Deferred tax

| | Group | | Association | |
|-----------------------------------------------------|----------------|----------------|----------------|----------------|
| | 2010 £ '000 | 2009 £ '000 | 2010 £ '000 | 2009 £ '000 |
| Accelerated capital allowances | (11) | (57) | (11) | (57) |
| Other short term timing differences | (5) | (6) | (5) | (6) |
| Losses | (30) | - | (30) | - |
| | (46) | (63) | (46) | (63) |
| <i>Movement in provision:</i> | | | | |
| Provision/ (asset) at start of period | (63) | (63) | (63) | (63) |
| Deferred tax credit to Income & Expenditure account | 17 | - | 17 | - |
| Provision/ (asset) at the end of the period | (46) | (63) | (46) | (63) |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 Tangible fixed assets – housing properties

| | Social housing properties held for letting £'000 | Non-social housing properties held for letting £'000 | Social housing to let properties under construction £'000 | Shared ownership properties completed £'000 | Shared ownership properties under construction £'000 | Total £'000 |
|--------------------------------------------------------|-----------------------------------------------------|---------------------------------------------------------|--------------------------------------------------------------|------------------------------------------------|---------------------------------------------------------|----------------|
| Cost | | | | | | |
| At 1 April 2009 | 295,265 | 2,059 | 48,427 | 20,614 | 8,227 | 374,592 |
| Reclassification | 14,767 | 20 | (12,868) | 3,105 | (5,228) | (204) |
| Additions – new properties/ construction | - | - | 45,967 | 124 | 3,498 | 49,589 |
| Additions – works to existing properties | 4,620 | - | - | - | - | 4,620 |
| Schemes completed | 23,408 | - | (23,408) | 3,451 | (3,451) | - |
| Transfer from current assets | - | - | 1,130 | 1,085 | - | 2,215 |
| Abortive costs | - | - | - | (255) | (180) | (435) |
| Disposals | (13,653) | - | - | (721) | - | (14,374) |
| At 31 March 2010 | 324,407 | 2,079 | 59,248 | 27,403 | 2,866 | 416,003 |
| Accumulated depreciation and impairment | | | | | | |
| At 1 April 2009 | 9,611 | 104 | - | 627 | - | 10,342 |
| Reclassification | (12) | 4 | - | (196) | - | (204) |
| Depreciation charge | 1,591 | 13 | - | 51 | - | 1,655 |
| Impairment charge | - | - | 2,998 | 48 | - | 3,046 |
| Disposals | (472) | - | - | (40) | - | (512) |
| At 31 March 2010 | 10,718 | 121 | 2,998 | 490 | - | 14,327 |
| Depreciated cost | | | | | | |
| At 1 April 2009 | 285,654 | 1,955 | 48,427 | 19,987 | 8,227 | 364,250 |
| At 31 March 2010 | 313,689 | 1,958 | 56,250 | 26,913 | 2,866 | 401,676 |
| Social Housing Grant | | | | | | |
| At 1 April 2009 | 151,841 | - | 18,492 | 9,089 | 870 | 180,292 |
| Reclassification | 3,155 | - | (3,236) | 573 | (492) | - |
| Additions | - | - | 20,610 | - | 112 | 20,722 |
| Recycled during the year | - | - | 1,755 | - | - | 1,755 |
| Grants repayable | (4,212) | - | - | - | - | (4,212) |
| Schemes completed in the year | 9,516 | - | (9,516) | 490 | (490) | - |
| Disposals | (9,436) | - | - | (182) | - | (9,618) |
| At 31 March 2010 | 150,864 | - | 28,105 | 9,970 | - | 188,939 |
| Other Grants | | | | | | |
| At 1 April 2009 | 3,161 | - | 380 | - | - | 3,541 |
| Reclassification | 380 | - | (380) | - | - | - |
| Disposals | (248) | - | - | - | - | (248) |
| At 31 March 2010 | 3,293 | - | - | - | - | 3,293 |
| Net book value | | | | | | |
| At 1 April 2009 | 130,652 | 1,955 | 29,555 | 10,898 | 7,357 | 180,417 |
| At 31 March 2010 | 159,532 | 1,958 | 28,145 | 16,943 | 2,866 | 209,444 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 Tangible fixed assets – housing properties (continued)

The Association conducted a review of its properties in March 2010 to identify any which had suffered a permanent diminution in value to the extent that a provision for impairment was required. The impairment charged in the year is reflected above.

Expenditure on works to existing properties

| Group | 2010 £ '000 | 2009 £ '000 |
|---------------------------------------------------|------------------------------|------------------------------|
| Amounts capitalised | 4,620 | 6,457 |
| Amounts charged to income and expenditure account | 1,427 | 1,669 |
| Total expenditure on works to existing properties | <u>6,047</u> | <u>8,126</u> |

Social housing and other grants

| | 2010 £ '000 | 2009 £ '000 |
|------------------------------------------------------|------------------------------|------------------------------|
| Total accumulated grants receivable at 31 March was: | | |
| Social Housing Grant | 188,939 | 180,292 |
| Other grants | 3,293 | 3,541 |
| | <u>192,232</u> | <u>183,833</u> |

No accumulated Social Housing Grant has been accounted for as revenue grant during this or the prior financial year.

The Association does not currently analyse its properties between freehold, long leasehold and short leasehold and as such this disclosure is not made in these financial statements.

12 Tangible fixed assets – commercial properties

| | 2010 £ '000 | 2009 £ '000 |
|------------------------------------------------|------------------------------|------------------------------|
| Cost or valuation | | |
| At 1 April | 26,286 | 33,837 |
| Additions | 198 | 114 |
| Revaluation deficit | - | (7,665) |
| At 31 March | <u>26,484</u> | <u>26,286</u> |
| Accumulated depreciation and impairment | | |
| At 1 April | 340 | 120 |
| Depreciation charged in the year | 94 | 167 |
| Impairment (released)/ charged in the year | (53) | 53 |
| At 31 March | <u>381</u> | <u>340</u> |
| Net book value | | |
| At 1 April | <u>25,946</u> | <u>33,717</u> |
| At 31 March | <u>26,103</u> | <u>25,946</u> |

The Association conducted a review of its properties in March 2010 for impairment and as a result £53k was released (2009: £53k impairment charge) during the year.

The date of the last full external valuation was as at 31 March 2007, with an interim valuation at 31 March 2009. Details of valuations are disclosed in the accounting policies note (page 22).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 Tangible fixed assets - other

| Group | Tenant furniture £'000 | Furniture, fixtures and fittings £'000 | Computers and office equipment £'000 | Total £'000 |
|---------------------------------|------------------------------|-------------------------------------------------|-----------------------------------------------|---------------------------------------------------------|
| Cost | | | | |
| At 1 April 2009 | 866 | 5,810 | 5,016 | 11,692 |
| Additions | - | 537 | 543 | 1,080 |
| Disposals | (1) | - | (40) | (41) |
| At 31 March 2010 | 865 | 6,347 | 5,519 | 12,731 |
| Accumulated depreciation | | | | |
| At 1 April 2009 | 857 | 3,183 | 4,310 | 8,350 |
| Charged in year | 9 | 328 | 295 | 632 |
| Disposals | (1) | - | (40) | (41) |
| At 31 March 2010 | 865 | 3,511 | 4,565 | 8,941 |
| Net book value | | | | |
| At 1 April 2009 | 9 | 2,627 | 706 | 3,342 |
| At 31 March 2010 | - | 2,836 | 954 | 3,790 |
| Association | | | | Computers and office equipment £'000 |
| Cost | | | | |
| At 1 April 2009 | | | | 3,777 |
| Additions | | | | 543 |
| At 31 March 2010 | | | | 4,320 |
| Accumulated depreciation | | | | |
| At 1 April 2009 | | | | 3,093 |
| Depreciation charged in year | | | | 289 |
| At 31 March 2010 | | | | 3,382 |
| Net book value | | | | |
| At 1 April 2009 | | | | 684 |
| At 31 March 2010 | | | | 938 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 Investment in subsidiaries

The Association owns 1 ordinary £1 share in each of St Pancras & Humanist Housing Association Limited (1% of issued share capital), Griffin Housing Association Limited (13% of issued share capital) and Origin Finance Limited (100% of issued share capital).

St Pancras & Humanist Housing Association Limited owns 3 ordinary £1 shares (75% of issued share capital) and Griffin Housing Association Limited owns 1 ordinary £1 share (25% of issued share capital) in Origin Properties Limited.

St Pancras & Humanist Housing Association Limited owns 999 ordinary £1 shares (99.9% of issued share capital) in St Pancras Street Properties Limited.

The country of incorporation for all these companies was England and the activities of each entity are detailed in the Operating and Financial Review on pages 7 to 11.

As required by statute, the financial statements consolidate the results of St Pancras & Humanist Housing Association Limited, Griffin Housing Association Limited, Origin Finance Limited and Origin Properties Limited which were members of the Group for the whole of the year. The Association has the right to appoint members to the boards of the Group members and thereby exercises control over them. Origin Housing Group Limited is the ultimate parent undertaking.

During the year the Association provided management services for St Pancras & Humanist Housing Association Limited, Griffin Housing Association Limited and Origin Properties Limited.

15 Properties for sale

| Group | 2010 £ '000 | 2009 £ '000 |
|-------------------------------|----------------|----------------|
| Properties under construction | 955 | 1,575 |
| Completed properties | 502 | 17,864 |
| | <u>1,457</u> | <u>19,439</u> |

16 Debtors

| | Group | | Association | |
|--------------------------------------------|----------------|----------------|----------------|----------------|
| | 2010 £ '000 | 2009 £ '000 | 2010 £ '000 | 2009 £ '000 |
| Rent and service charges receivable | 2,896 | 3,573 | - | - |
| Provision for bad and doubtful debts | (1,146) | (1,799) | - | - |
| | <u>1,750</u> | <u>1,774</u> | <u>-</u> | <u>-</u> |
| Social Housing Grant receivable | - | 2,643 | - | - |
| Commercial rent and service charge arrears | 378 | 377 | - | - |
| Amounts due to group companies | - | - | 236 | 2,404 |
| Prepayments and accrued income | 840 | 1,313 | 101 | 125 |
| Other debtors | 1,625 | 2,225 | 19 | 20 |
| | <u>4,593</u> | <u>8,332</u> | <u>356</u> | <u>2,549</u> |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17 Current asset investments

| Group | 2010 £ '000 | 2009 £ '000 |
|-----------------|----------------|----------------|
| COIF Account | - | 467 |
| Investment Fund | 14 | 10 |
| | <u>14</u> | <u>477</u> |

Listed investments are carried at market value. The historic cost of the above investment is £14k.

18 Creditors: amounts falling due within one year

| | Group | | Association | |
|---------------------------------------|----------------|----------------|----------------|----------------|
| | 2010 £ '000 | 2009 £ '000 | 2010 £ '000 | 2009 £ '000 |
| Debt (note 20) | 4,434 | 3,673 | 62 | - |
| Trade creditors | 302 | 828 | 5 | 37 |
| Grants received in advance | 98 | 114 | - | - |
| Amounts owed to group companies | - | - | 814 | 2,814 |
| Recycled capital grant fund (note 21) | 599 | 1,084 | - | - |
| Capital grants repayable | 399 | 2,640 | - | - |
| Corporation tax | 110 | 10 | - | 8 |
| Other taxation and social security | 251 | 241 | 74 | 65 |
| Leaseholder sinking funds | 384 | 509 | - | - |
| Accrued interest | 1,428 | 2,263 | - | - |
| Capital accrual | 2,806 | 2,109 | - | - |
| Deferred income | 794 | 1,299 | - | - |
| Other creditors and accruals | 4,680 | 4,268 | 388 | 422 |
| | <u>16,285</u> | <u>19,038</u> | <u>1,343</u> | <u>3,346</u> |

Social Housing Grants received in advance will be utilised against capital expenditure in the next financial year.

Capital grants repayable relates to an overpayment by the Homes and Communities Agency.

19 Creditors: amounts falling due after more than one year

| Group | 2010 £ '000 | 2009 £ '000 |
|---------------------------------------|----------------|----------------|
| Debt (note 20) | 174,375 | 159,978 |
| Recycled capital grant fund (note 21) | 73 | 1,112 |
| | <u>174,448</u> | <u>161,090</u> |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 Debt

| Group | 2010 £'000 | 2009 £'000 |
|-------------------------------------|----------------|----------------|
| Due within one year | | |
| Bank overdraft | 1,339 | 68 |
| Bank loans | 3,126 | 3,636 |
| | <u>4,465</u> | <u>3,704</u> |
| Deferred financing costs | (31) | (31) |
| | <u>4,434</u> | <u>3,673</u> |
| Due after more than one year | | |
| Bank loans | 174,734 | 160,368 |
| Other loans | 50 | 50 |
| | <u>174,784</u> | <u>160,418</u> |
| Deferred financing costs | (409) | (440) |
| | <u>174,375</u> | <u>159,978</u> |
| Between one and two years | 965 | 2,880 |
| Between two and five years | 11,815 | 14,135 |
| In five or more years | 162,004 | 143,403 |
| | <u>174,784</u> | <u>160,418</u> |
| Deferred financing costs | (409) | (440) |
| | <u>174,375</u> | <u>159,978</u> |
| Within one year | 4,465 | 3,704 |
| Deferred financing costs | (31) | (31) |
| | <u>4,434</u> | <u>3,673</u> |

The bank loans are secured by fixed charges on individual properties.

The bank and other loans are repaid at various times of the year. The interest rates are a mixture of fixed and variable rates, and range from 0.82% to 21.54% (2009: 1.49% to 20.84%).

The interest of 21.54% relates to £2.2m which is repayable in August 2010. The interest payable is fully recoverable.

At 31 March 2010 the Group had undrawn loan facilities of £59.8m (2009: £77.8m) of which £35.5m (2009: £34.5m) has security in place. On 30 June 2010 the Group completed a new £50m loan facility.

21 Recycled capital grant fund

| Group | 2010 £'000 | 2009 £'000 |
|--------------------------------------------------------------|---------------|---------------|
| At 1 April | 2,196 | 4,870 |
| Grants recycled | 220 | 198 |
| Interest accrued | 11 | 167 |
| Purchase/ development of properties | (1,755) | (3,039) |
| At 31 March | <u>672</u> | <u>2,196</u> |
| Disclosed as: | | |
| Amounts falling due within one year (note 18) | 599 | 1,084 |
| Amounts falling due after more than one year (note 19) | 73 | 1,112 |
| | <u>672</u> | <u>2,196</u> |
| Amount due for repayment to the Homes and Communities Agency | - | - |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22 Provisions for liabilities and charges

The group had no provisions for liabilities and charges at the balance sheet date (2009: nil)

23 Non-equity share capital

| | 2010 £ | 2009 £ |
|------------------------------------------------|-----------|-----------|
| Association | | |
| Shares of £1 each issued and fully paid | | |
| At 1 April | 7 | 7 |
| Shares issued during the year | 1 | - |
| Shares surrendered during the year | (2) | - |
| At 31 March | <u>6</u> | <u>7</u> |

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

24 Reserves

| Group | Revaluation reserve £ '000 | Revenue reserve £ '000 | Negative goodwill/ Loan premium £ '000 | Designated reserve £ '000 | Total reserves £ '000 |
|--------------------------------------|----------------------------------|------------------------------|----------------------------------------------------|---------------------------------|-----------------------------|
| At 1 April 2009 | 16,442 | 42,555 | 4,186 | 747 | 63,930 |
| Surplus for the financial year | - | 8,583 | - | - | 8,583 |
| Revaluation deficit | - | - | - | - | - |
| Transfers from/ (to) revenue reserve | - | (42) | (35) | 77 | - |
| Unrealised surplus on investments | 4 | - | - | - | 4 |
| Realised gain on investments | (28) | 28 | - | - | - |
| Loan Premium | - | 49 | (49) | - | - |
| At 31 March 2010 | <u>16,418</u> | <u>51,173</u> | <u>4,102</u> | <u>824</u> | <u>72,517</u> |

The designated reserve is maintained for sheltered scheme commitments. This is reflected in the accounting policies on page 23. Amounts designated in prior years have not been used as there have been no renewals/replacements relating to these schemes during the year.

Association

| | Revenue reserve £'000 |
|--------------------------------|-----------------------------|
| At 1 April 2009 | 38 |
| Deficit for the financial year | (38) |
| At 31 March 2010 | <u>-</u> |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25 Financial commitments

Capital expenditure commitments were as follows:

| Group | 2010 £'000 | 2009 £'000 |
|-------------------------------------------------------------|---------------|---------------|
| Expenditure contracted for but not provided in the accounts | 3,716 | 36,455 |
| Expenditure authorised by the Board, but not contracted | 59,065 | 22,832 |
| | <u>62,781</u> | <u>59,287</u> |

The above commitments will be financed primarily through borrowings and Social Housing Grant.

Commitments under operating leases were as follows:

Office equipment and computers

| Group | 2010 £'000 | 2009 £'000 |
|--------------------------------|---------------|---------------|
| Operating leases which expire: | | |
| - Within one year | 12 | 15 |
| - One to five years | 52 | 56 |
| | <u>64</u> | <u>71</u> |

26 Contingent liabilities

The Group had contingent liabilities of £165k in relation to ongoing employment tribunals, supplier disputes and insurance claims (2009: nil). The Association had no contingent liabilities for this or the previous year.

27 Reconciliation of operating surplus to net cash flow from operating activities

| | 2010 £'000 | 2009 £'000 |
|-------------------------------------------|---------------|---------------|
| Operating surplus | 10,266 | 7,608 |
| Depreciation of housing properties | 1,749 | 1,536 |
| Depreciation of other fixed assets | 632 | 630 |
| Impairment of housing properties | 2,993 | 201 |
| Revaluation of investments | (130) | |
| | <u>15,510</u> | <u>9,975</u> |
| Working capital movements | | |
| Properties for sale | 17,982 | (15,071) |
| Debtors | 1,096 | 5,594 |
| Creditors | (1,569) | 1,504 |
| Net cash inflow from operating activities | <u>33,019</u> | <u>2,002</u> |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28 Reconciliation of net cash flow to movement in net debt

| | 2010 £'000 | 2009 £'000 |
|------------------------------------------|---------------|---------------|
| (Increase) in cash | (10,490) | (5,070) |
| Cash inflow from increase in debt | 13,887 | 35,468 |
| Increase in net debt from cash flows | 3,397 | 30,398 |
| Cash inflow from disposal of investments | 597 | |
| Change in market value of investments | (134) | 182 |
| Total changes in net debt for the period | 3,860 | 30,580 |
| Net debt at 1 April | 157,132 | 126,552 |
| Net debt at 31 March | 160,992 | 157,132 |

29 Analysis of net debt

| | 1 April 2009 £'000 | Cash Flow £'000 | Non-cash movement £'000 | 31 March 2010 £'000 |
|--------------------------|--------------------------|-----------------------|-------------------------------|---------------------------|
| Cash at bank and in hand | 6,042 | 11,761 | - | 17,803 |
| Bank Overdraft | (68) | (1,271) | - | (1,339) |
| Changes in cash | 5,974 | 10,490 | - | 16,464 |
| Current asset investment | 477 | (597) | 134 | 14 |
| Loans | (163,583) | (13,887) | - | (177,470) |
| Changes in net debt | (157,132) | (3,994) | 134 | (160,992) |

30 Financial assets and liabilities

Financial assets

Other than short-term debtors, financial assets held are cash deposits placed on money markets at call.

| Group | 2010 £'000 | 2009 £'000 |
|----------|---------------|---------------|
| Sterling | 14 | 477 |

Financial liabilities excluding trade creditors – interest rate risk profile

The Associations financial liabilities are sterling denominated. After taking into account various interest rate swaps, the interest rate profile of the Group's financial liabilities at 31 March was:

| | 2010 £'000 | 2009 £'000 |
|---------------|---------------|---------------|
| Floating rate | 26,927 | 66,985 |
| Fixed rate | 152,322 | 97,138 |
| Total | 179,249 | 164,123 |

The fixed rate financial liabilities have a weighted average interest rate of 6.51% (2009: 6.51%) including leasebacks and the average period for which it is fixed is 20 years (2009: 20 years).

The floating rate financial liabilities comprise bank loans and overdrafts that bear interest at rates based on the six-month LIBOR.

The debt maturity profile is shown in note 20.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**30 Financial assets and liabilities (continued)****Borrowing facilities**

The Group has undrawn committed borrowing facilities. The facilities available at 31 March in respect of which all conditions precedent had been met were as follows:

| | 2010 £'000 | 2009 £'000 |
|---------------------------------|---------------|---------------|
| Expiring in more than two years | 59,789 | 77,778 |

31 Related parties

The Association has taken the advantage of the exemption conferred by Financial Reporting Standard 8, *Related Party Disclosures*, that allows it not to disclose transactions.

There were three tenant members of the Board during the year, Michael Dear, John Toomey, and Paulette Rose. Their tenancies are on normal commercial terms and they are not able to use their position to their advantage.

32 Legislative provisions

The Association is incorporated under the Industrial and Provident Societies Act 1965 and is a Registered Provider of Social Housing registered with the Tenant Services Authority under the Housing and Regeneration Act 2008.

33 Post balance sheet events

On 1 April 2010, St Pancras and Humanist Housing Association Limited acquired, under a transfer of engagements, as provided by Section 51 of the Industrial and Provident Societies Act 1965, the assets and liabilities of Griffin Housing Association Limited, a fellow subsidiary, and Origin Housing Group Limited, its ultimate holding company. Both Griffin Housing Association Limited and Origin Housing Group Limited ceased trading on that date.

On the same date St Pancras and Humanist Housing Association Limited changed its name to Origin Housing Limited.