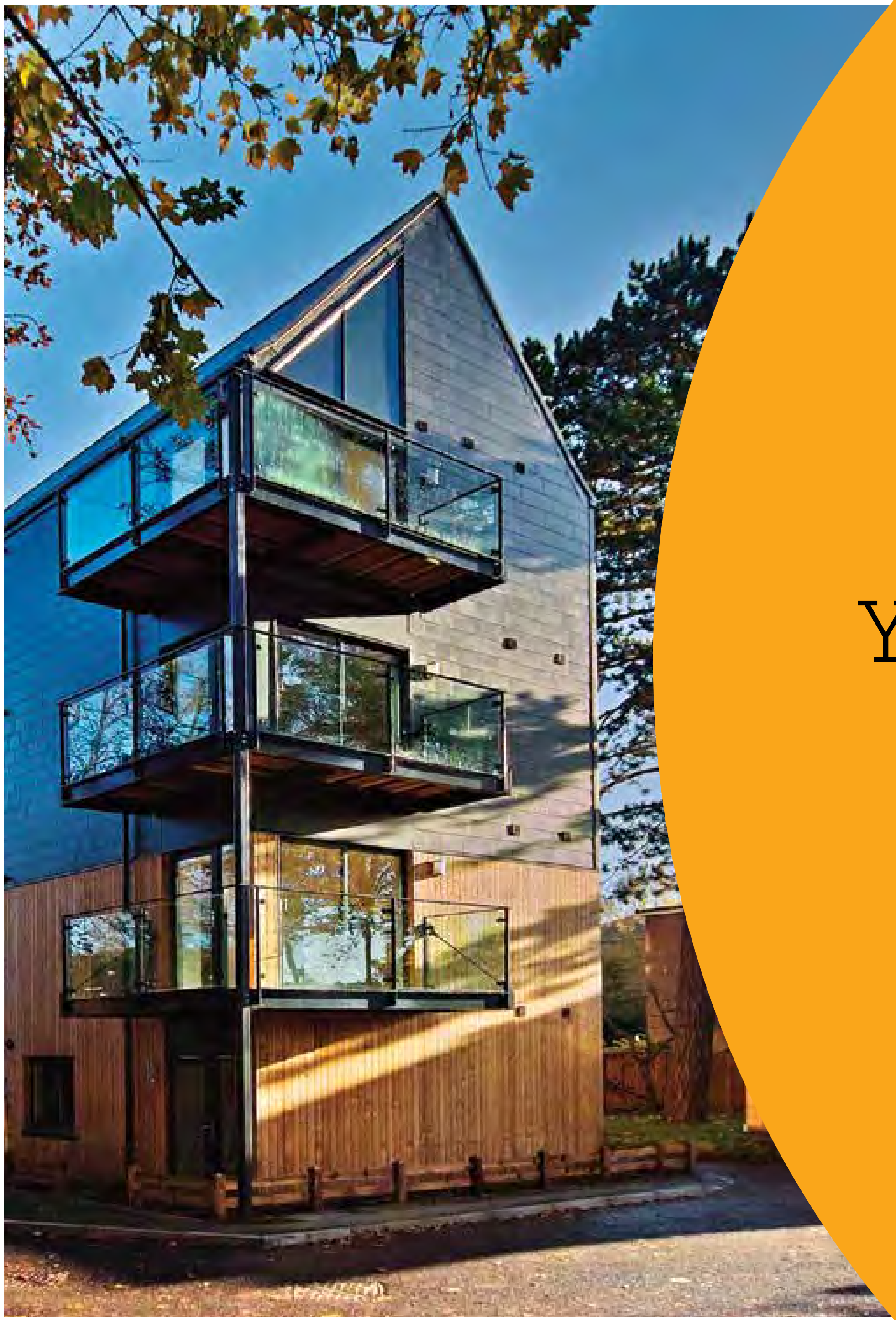


Circle Anglia Limited

Report of the Board and Financial Statements Year ended 31 March 2013

Circle
Enhancing Life Chances

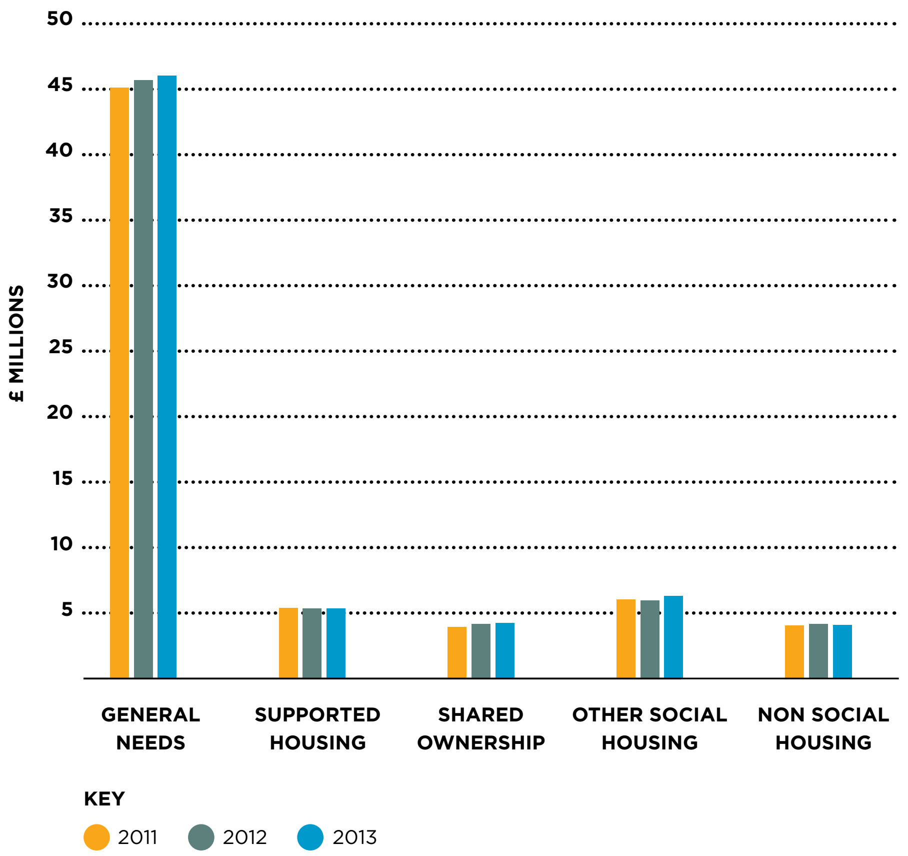
Circle's housing properties

Circle's housing property profile

as at 31 March 2013

	2013	2012	2011
Social and Affordable housing rented	51,376	51,073	50,540
Low cost ownership	4,257	4,171	3,947
Intermediate rent	786	488	500
Leasehold	6,173	6,138	6,205
Staff Accomodation	66	63	65
Non-social rented	1,901	1,912	1,755
Other non-social	12	44	84
Garages	1,494	1,530	1,532
Total stock owned	66,065	65,419	64,628
Accomodation managed on behalf of others	74	170	291
Less: Stock owned but not managed	(849)	(611)	(3,541)
Total stock managed	65,290	64,978	61,378

HOUSING STOCK OWNED



Where our housing associations operate

A. **Mercian Housing Association**
Owns 3,400 properties in the greater Birmingham area

B. **Roddons Housing Association**
Owns 3,900 properties including 14 sheltered schemes in Cambridgeshire

C. **Wherry Housing Association**
Owns 7,200 homes in Norfolk, Suffolk, Lincolnshire and Cambridgeshire

D. **South Anglia Housing**
Owns 7,350 homes across 26 local authorities in Hertfordshire, Bedfordshire and Essex

E. **Circle 33, Merton Priory Homes and Old Ford**

Circle 33 owns 17,100 homes across London and in 48 local authority areas

Merton Priory Homes owns 9,000 properties in South West London

Old Ford Housing Association owns 4,600 properties in Tower Hamlets and Havering

F. **Mole Valley Housing Association**
Owns 3,900 homes in Surrey

G. **Russet**
Owns 8,600 properties in Kent

1. **Ealing**
2. **Harrow**
3. **Brent**
4. **Hammersmith**
5. **Barnet**
6. **Kensington & Chelsea**
7. **Westminster**
8. **Camden**
9. **City**
10. **Islington**
11. **Haringey**
12. **Enfield**
13. **Hackney**
14. **Tower Hamlets**
15. **Waltham Forest**
16. **Newham**
17. **Redbridge**
18. **Barking & Dagenham**
19. **Havering**
20. **Merton**
21. **Wandsworth**
22. **Lambeth**
23. **Southwark**
24. **Lewisham**
25. **Croydon**

Contents

Board members and Group Executive Officers

The day-to-day activity of Circle is carried out by Executive Directors on behalf of the Board. As at 31 March 2013 the Board of Circle Anglia Limited comprised:

BOARD MEMBERS

Sir Robin Young
Group Chair and independent member

Simon Braid
Independent member

Tania Brisby
Independent member

Jane Clarkson JP
Independent member

Murray Foster
South Anglia Housing Limited

Stephen Jacobs
Circle Care and Support Limited
- appointed 9 October 2012

Baroness Jones of Whitchurch
Independent member

Brenda Reynolds
Roddons Housing Association

Mark Rogers
Group Chief Executive

Brian Stewart OBE
Wherry Housing Association
- appointed 9 October 2012

The following served as Board Members, but resigned during the year to 31 March 2013:

Robert Burgin
Resigned 31 July 2012

Jane Gurney-Read
Resigned 31 July 2012

GROUP EXECUTIVE OFFICERS

Mark Rogers
Group Chief Executive

Francesco Elia
Executive Director (Commercial and Marketing) – appointed 1 July 2013

Sasha Harrison
Executive Director (Customer Service)
– appointed 8 July 2013

Robert Kerse
Executive Director (Finance)
– appointed 8 July 2013

Sarah Trota
Executive Director (People and Business Transformation)

Deborah Upton
Executive Director (Governance)

Mike Ward
Executive Director (Property)
– appointed 8 July 2013

The following served as Group Executive Officers, but resigned during the year to 31 March 2013:

Calum Mercer
Executive Director (Finance)
– resigned 1 September 2012

Maria Heckel
Executive Director (Business Development, Marketing and Communications) – resigned 12 April 2013

Rosemary Boot
Executive Director (Commercial)
– appointed 25 June 2012 and resigned 25 January 2013 on taking up role as Group Strategy Advisor

Andy Doylend
Executive Director (Operations)
– resigned 31 July 2013

Introduction

from Sir Robin Young, Group Chair of the Management Board

Over the past year, as the details of Government housing and welfare policies have emerged, it has become increasingly clear that housing associations will need to be more robust, more innovative and more commercially aware if they are to continue to provide improved services to residents and other customers, and to develop more new homes.

This report shows that the Circle Group is in good shape, and I am glad to confirm that we have strategic plans in place both to offer more and better services to residents and customers, and to play a major role in the development of new homes and the regeneration of areas in great need of it.

Circle is the third biggest housing association in the UK and the second biggest in London. We are determined to leverage our scale to offer more to our customers. This report explains that we are financially secure, with good operating margins and a strong liquidity position; we are not reliant on speculative sales income; we are transforming our repairs and maintenance operation and will deliver improved service to residents at reduced cost; we are continuously achieving better value for money in everything we do; and we have a comprehensive plan to re-invest all these efficiency savings in improved services for our residents and customers, optimising the value to them of the assets we hold.

We welcome the greater certainty about the future regime in which we shall be operating; in particular it is good to have clarity about the rent-setting arrangements which are to apply for the next 10 years.

But that rent regime, coupled with welfare changes, will pose serious challenges for many of our residents. We in Circle have plans in place to identify, support and advise residents who face financial worries as a result of these changes; the nine Registered Providers in our Group are well placed to reach all tenants and others affected and to offer assistance and advice.

Another certainty is that much less, or no, Government grant will be available to support the development of new homes. We are formulating strategies to secure new income streams and to optimise the value of all our existing assets.

Circle operates with a business head and social heart; and this is all the more important in the circumstances we face now. Everything we do is aimed at improving the lives of our residents and customers, and all savings and surpluses are ploughed back into projects, programmes and services which will enhance their life chances.

Regeneration is another Group priority. Circle has and will continue to invest in communities, regeneration and improving the quality of life for our residents. At Circle's highly acclaimed Orchard Village, the £80million regeneration of the old Mardyke estate in Havering, we have transformed the community and lives of customers, with people now queuing up to secure a home there.

It has been recently named as one of the government's top developments in the country. We have just started a dialogue with residents on three estates in Merton about the potential to transform the area and will be making a decision on this following the consultation in 2013/14.

As ever there will be difficult challenges ahead as well as exciting opportunities. But I'm confident that Circle is well placed to go from strength to strength and to deliver for our residents and customers. For this I have to thank the excellent work of our executive and staff, and the support and contribution of non-executive Board Members, both at Group level and on the Boards of the 12 partner bodies which make up the Group.

"Customers and people at the heart of everything we do."

Introduction

from Mark Rogers, Group Chief Executive Officer

In a year of unprecedented political and economic change at Circle we have continued to deliver our mission of ‘Enhancing Life Chances’ by putting our customers at the heart of everything we do.

As you will see from reading the review, our philosophy of operating with a business head and social heart has led to a strong financial performance with excellent liquidity and a fully funded capital investment plan.

We have focused activity and investment throughout the year to ensure that we are ready to face the challenges that Welfare Reform brings. Our approach has been to concentrate on the enablers that support our customers and minimise the impact of reform. From championing our House Exchange (home swapping service), to help make it easier for customers to move home, to our investment in financial inclusion, warm homes and employment and skills, we are using our expertise to support our customers through the challenging times we are operating in. Again, this strategy has been delivered to prepare people and ensure that our business is ready, well equipped and tackling challenges at the heart of our communities.

Efficiency continues to be a primary objective as we; leverage the benefits of our scale, deliver the new operating model for our repairs and maintenance service - achieving £100m of cost saving over 10 years, make £5.0m savings through procurement and review value for money through each business function.

Through our Telecare and Care and Support businesses we have continued to extend our reach as we support customers to live independently. We have recently completed the acquisition of a domiciliary care business that has complimented our expansion into this market with significant new contract gains in London, Cambridgeshire, Essex, Kent and Bedfordshire. Invicta Telecare now boasts 100,000 connections to people using this vital service, including private payers and block contracts from other businesses.

Development and regeneration remains a cornerstone of our offer, with the regeneration of Orchard Village in Havering and Parkside in Tower Hamlets creating a massive difference to our customers’ livwes as we celebrate five years since they transferred to us. And this work will continue with an enviable development and regeneration programme planned over the next three years.

Of course, as always in any business our return on the investment made in our activity is key, particularly when the return on social investment is equally important. Not content with resting on a strong financial performance, this year has seen Circle become the first Housing Association to develop a tool to measure our Social Return on Investment (SROI). It has also been a year of considerable recognition through awards, including notably several pan sector, national and global awards. These include a Big Tick from Business in the Community for our employment and skills work, our first ever ranking on the Stonewall Workplace Equality Index, and winning best architectural design at the First Time Buyer Awards.

So overall for us as a Group, a good solid performance with progress towards increased efficiency, financial stability and our goal of putting customers and people at the heart of everything that we do. I would like to thank all of our customers, staff, partners and leadership teams as we work together to develop our approach to the challenging times and this changing environment.

“Our philosophy of operating with a business head and social heart has led to a strong financial performance with excellent liquidity and a fully funded capital investment plan.”

About Circle

CIRCLE BY NUMBERS

100,000

PEOPLE ARE HELPED BY CIRCLE SUPPORT AND INVICTA TELECARE TO LIVE INDEPENDENTLY

3rd

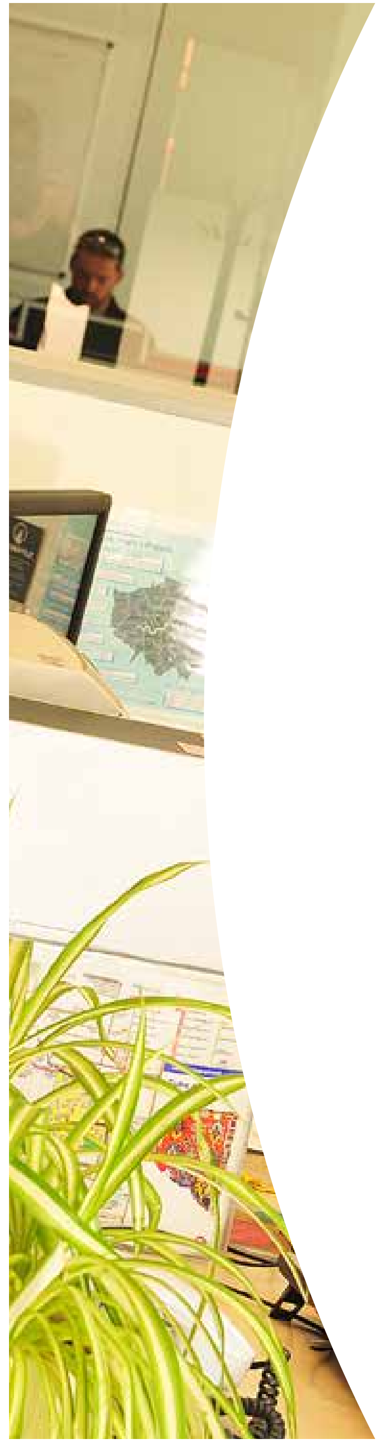
WE ARE THE UK'S THIRD LARGEST PROVIDER OF AFFORDABLE HOUSING

70%

OF OUR HOMES ARE CONCENTRATED IN JUST 10 LOCAL AUTHORITY AREAS SO THAT WE CAN FOCUS OUR EFFORTS AND DELIVER MORE FOR OUR COMMUNITIES

66,000

HOMES AND HOUSING SERVICES ARE PROVIDED TO MORE THAN 200,000 CUSTOMERS ACROSS LONDON AND THE SOUTH EAST, EAST ANGLIA AND THE WEST MIDLANDS



Principal activities

Circle Anglia Limited (the Association and Parent Company) is a Registered Provider (RP) of social housing, which trades as Circle Housing Group (Circle). Its principal activities are to enhance the life chances of our customers, through the ownership, management and development of social and other housing and the provision of care and support and other services.

Caring for people, their homes and their communities

Circle is one of the UK's largest Groups of housing associations. Providing, managing and maintaining great places for people to live is at the heart of what we do.

Our wider mission is to enhance people's 'life chances', helping them to overcome challenges and seize opportunities to improve their quality of life. For most, of course, having a secure, good-quality home in a sustainable community provides the cornerstone of what they need. We go further, however, delivering a range of responsive care and support services that help people live independently for as long as possible.

At Circle, we all focus on four key goals:

- **Building and maintaining customer loyalty**
- **Optimising the value that all stakeholders gain from our assets**
- **Being a brilliant place to work, with fantastic people who care**
- **Using our scale to reach more customers**

To achieve these goals, we work as one with our 12 group organisations and team of over 2,450 staff across the UK. We are all driven by the same ambition: to play a leadership role in developing desperately needed housing, and to create thriving communities that provide people with a sense of place, purpose and belonging. We also share the belief that, given the right housing support, people can take control of their lives and their futures. Bringing this to life means putting our customers at the heart of everything we do, while seeking new ways to engage and help them in today's fast-changing society.

We respond to our customers' individual and evolving needs by:

- **Providing good quality, safe and secure homes**
- **Acting as a responsible and reliable landlord that supports strong communities**
- **Enabling people to live independently for longer, especially those who are particularly vulnerable due to disability, age or illness**
- **Helping people in financial stress to become more resilient and independent**

Structured to serve

This customer-focused approach has helped us become a leading player in our sector, attracting many outstanding new group members since the first merger in 2005 that saw our Group structure start to take shape (see 'Our history' on page 16-17). Many of these new partners have been born as a result of homes being transferred to us from local authorities, creating new housing associations. Merton Priory Homes is the most recent example of this, with just short of 9,000 homes transferring from the local authority in 2010. As a result, our unique structure built through transfer paints a very different financial picture, about which you can find out more on pages 41-48.

Today, we are the UK's third largest provider of affordable housing, and the second largest in London. Our group includes nine housing associations, which between them provide over 66,000 homes and housing services to more than 200,000 customers across London and the South East, East Anglia and the West Midlands.

To maximise the value of the help we provide, we offer customers a wide range of affordable housing choices, including general needs, supported and sheltered. These cover more than 110 local authority areas, although over 70% of our homes are concentrated in just 10 so that we can focus our efforts and deliver more for our communities.

We also develop a number of homes each year for private sale, shared ownership and market rent, additionally providing leasehold management services and including commercial premises as part of certain mixed-tenure schemes.

In addition, we make it as easy as we can for our more vulnerable residents to access our care and support services, which are designed to make their lives easier, safer and more independent. Our partners in this area – Circle Support and Invicta Telecare – are now helping over 100,000 people to live independently.

This figure is set to grow, with Circle Support and Invicta together pioneering new and innovative ways of helping vulnerable people to live more independently.

CIRCLE BY NUMBERS

233

NEW APPRENTICESHIPS PROVIDED BY OUR CONTRACTORS DURING THE 10-YEAR LIFESPAN OF THE CONTRACTS

1,200

PROPERTIES BENEFITED FROM INVESTMENTS IN CAVITY-WALL INSULATION AND AIR-SOURCE HEAT PUMPS LAST YEAR

Business head, social heart

Our business model works for our customers, investors and other stakeholders because we are both commercial and caring in our outlook. We are also fully aware that financial stability and business strength are vital if we are to deliver social value.

To this end, we work as efficiently as possible to maximise the surplus we create while providing a high-quality and reliable service, building our financial strength year on year. After all, the stronger our surplus after paying interest and meeting the expectations of our investors and funders, the more we can invest in the people and communities we exist to support.

So we constantly seek more efficient ways of generating, spending and investing the funds we need, taking a fresh and dynamic approach to new opportunities, partnerships and growth. We are resolutely commercial in our development operations, funding our affordable housing programme through a combination of grants, our own resources and profits from property disposals.

We also take a highly effective approach to analysing and mitigating the main financial and strategic risks we face, ranging from the possible impact of Welfare Benefit Reform to the late running of development schemes (see the Governance section that starts on page 49 of this report).

The excellent results of our commercial approach are demonstrated by the operating surplus we delivered in 2012/13, which rose from £89.4 million in 2011/12 to £95.1 million this year. The fact that we are in a financially stable position, with a fully funded business plan that is not reliant on private sales, gives us the flexibility to explore a range of exciting and important capital projects over the years to come.

Delivering social value

We will continue to invest in commercial activities, because these generate income we can use to reinvest. However our commercial businesses complement our social priorities in helping people live independent lives in their own homes.

For us, delivering 'social value' – factors such as community cohesion and purpose that can be measured in non-financial terms – is central to achieving our aim of being a responsible and sustainable business.

For that reason, we are one of the UK's first housing groups to develop our own model for measuring Social Return on Investment (SROI). In doing so, we were careful to obtain all the best practice guidance we could, from organisations including the Housing Association Charitable Trust, the New Economics Foundation and the SROI Network, which promotes the SROI methods internationally. Our SROI model suggests that for every £1 of social investment we make, our communities derive benefits worth £14.

We are keen to go further than the merely expected, and use our scale and influence to deliver additional benefits. One example of this is a 'by-product' of our new repairs and maintenance (R&M) procurement contract, which is the largest in the sector. We have come to an agreement with our contractors that they will provide an apprenticeship opportunity for every £0.5 million that we spend with them – that is 233 new apprenticeships during the 10-year lifespan of the contracts.

In addition, those same contractors will also offer 77 graduate placements or internships, 309 work placements and 166 volunteering opportunities.

Examples like this indicate the extent to which corporate responsibility is embedded across our organisation. Doing everything we can to deliver social value, support sustainable communities and enable social mobility is in Circle's DNA. This year we are also publishing our first Corporate Responsibility Review, to report in more detail on our activities in this area.

Included in this is our approach to environmental sustainability, which focuses primarily on our assets, our customers and our operations. As a major property owner, we know we can derive the greatest environmental benefit by targeting the energy-efficiency of our 66,000 homes. This is why we are running a major scheme that in the last year alone saw 1,200 properties benefit from investments in cavity-wall insulation and air-source heat pumps.

This is just part of an organisation-wide investment programme in the thermal efficiency of the homes we own and build, with the vital associated benefit of lower fuel bills for our customers at a time when many are at risk of falling into fuel poverty.

For us, delivering 'social value' – factors such as community cohesion and purpose that can be measured in non-financial terms – is central to achieving our aim of being a responsible and sustainable business.

Our role in society

In today's economic climate, an organisation like Circle has never had a more important role to play, bringing some of society's most vulnerable members the support and advocacy they so greatly need. From providing our customers with secure, high-quality housing, to representing their interests in helping to find solutions in the face of major welfare changes, we are here to ensure they have a stake in their homes, their communities and their futures.

With the solid platform we have for stability and progress, we are better placed than ever to deliver on our plans for the years to come.

Our history

1970

1980

2000

1968

Circle 33 Housing Trust is set up

1990

Wherry Housing Association is formed

1994

Anglia Housing Group is set up, incorporating Blackwater Housing Association, Stort Valley Housing Association and Wherry Housing Association

1997

EPIC Trust is established (now Circle Care and Support Limited, trading as Circle Support)

Anglia Housing Group incorporates Anglia Commercial Services, Foyer for Ipswich

1998

Old Ford Housing Association is formed (following a stock transfer from a Housing Action Trust)

2005

Circle begins its growth as a leading housing Group when Circle 33 Housing Group and Anglia Housing Group merge to form Circle Anglia

As part of the merger Berecroft Community Housing, Blackwater Housing Association and Vange Community Housing transfer to Stort Valley Housing Association (which later changes its name to South Anglia Housing Limited)

2006

Commercial Services Circle Anglia is formed (now Circle Living Limited)

2007 (Oct)

Mole Valley Housing Association Limited is formed from a stock transfer from Mole Valley District Council

Invicta Telecare Limited joins the Group

Russet Homes Limited joins the Group

(Nov)

Roddons Housing Association Limited is formed from a stock transfer from Fenland District Council

2008 (Nov)

First Bond issue is made via our Treasury vehicle, Circle Anglia Social Housing Plc

2009 (Oct)

Mercian Housing Association joins the Group

2010 (Mar)

Merton Priory Homes is formed from a stock transfer from Merton Borough Council

2011 (Apr)

Circle Anglia rebrands to become Circle Housing Group

2012 (Mar)

A Second Bond is issued via our Treasury vehicle, Circle Anglia Social Housing Plc

2013 (Jul)

Circle Support completes the acquisition of Prime Care Holdings Limited and its subsidiaries

Our youth homelessness charity, Alone in London, celebrates 40 years of helping young people across the Capital

CIRCLE BY NUMBERS

£95.1M

OPERATING SURPLUS (£24.9 MILLION AFTER TAX AND INTEREST CHARGES)

83%

OF OUR SOCIAL NEEDS CUSTOMERS ARE SATISFIED WITH OUR SERVICES

£313.9M

INCOME GENERATED FROM LETTING OUR 66,000+ HOMES

OPERATING REVIEW

Chief Executive Officer review

We have had a successful year characterised by a strong financial performance with an operating surplus of £95.1 million (£24.9 million after tax and interest charges), excellent liquidity and a fully funded capital investment plan.

We have invested time this year in ensuring we are ready to deal with the impact of welfare reform and have focused on areas that we believe will support our customers and protect our strong financial position.

As thought leaders in the area of mobility, we have seen our House Exchange site attract nearly 40 per cent more visitors as customers increasingly require choice to minimise the impact of Welfare Benefit Reform. This has attracted widespread media attention, including the BBC's One Show, the Sun and BBC Breakfast.

When coupled with our investment in financial inclusion activity, warm homes programme and successes in employment and skills we are tackling these challenging times head on.

Throughout the past year we have continued to make solid progress on our drive to streamline the organisation, improve value for money and transform many of our core services to deliver a more efficient offering.

Measuring our impact has never been more important, and there are two measurements that I would like to mention here. First, by using our Social Return on Investment (SROI) model, which I have already mentioned in my introduction, we are taking a robust approach to measuring our impact in the communities we work in. The second is customer satisfaction, an important measure as we look to increase loyalty; 83% of our social needs customers are satisfied with our services, which puts us amongst the top performers in our peer Group in London this year.

With a strong performance, financial stability and clear strategy in place, our plans for the next 12 months will continue to leverage our scale to deliver increased efficiency, and invest in leadership so that our teams are equipped to face the challenges ahead. This will all ensure that we can continue to support our customers through change by investing in activity that improves choice and independence.

Our key business areas at a glance

HOMES: LETTINGS (SOCIAL AND NON SOCIAL)

Revenue	**£313.9 million**
Operating surplus	**£97.4 million**
Surplus from sales	**£11.1 million**
Management costs	**£52.0 million**
Maintenance spend	**£142.9 million**

We own just over 66,000 homes, generating an income from lettings of £313.9 million. We delivered an operating surplus of £97.4 million during the year, enabling us to reinvest in providing 608 new homes during the year as well as in providing the services that our customers so desperately need.

We let most of our homes to families and individuals at our social rent, of which the great majority (69%) are general needs customers. At the end of the year, we also had 1,124 homes which we let at affordable rents, having converted them from general needs as part of the Government's Affordable Homes programme.

The year saw 179 first tranche sales in our shared-ownership scheme, generating £10.3 million of turnover and a surplus of £1.6 million. We also generated £32.3 million from the sales of other properties and further staircasing of shared ownership property, which generated £9.5 million surplus.

TELECARE

Revenue (including Group Partners)	**£4.7 million**
Cost of sales	**£3.2 million**
Operating profit	**£1.5 million**

During the year, we supported over 100,000 people who used our telecare services. We also successfully developed our new business plan, restating our determination to be the UK's leading provider of telecare through delivering care and responsive, reliable remote monitoring services.

We completed the installation of our new call-handling platform and supporting infrastructure, enabling us to deliver a wider range of services and expand our customer numbers.

We fully commenced our new contract with Affinity Sutton during the year, and acquired around 800 individual payers. We also reached an agreement with Essex County Council that they should refer clients requiring a monitoring service directly to us.

CIRCLE BY NUMBERS

£100M

DIRECT COST-SAVINGS (WITH SOME £5 MILLION IN PROCUREMENT SAVINGS IN THE FIRST YEAR ALONE) DUE TO CLOSER WORKING PARTNERSHIPS WITH OUR SUPPLIERS OVER THE NEXT DECADE

69%

OF OUR CUSTOMERS CURRENTLY RECEIVE HOUSING BENEFIT

CARE AND SUPPORT

Revenue (including Group Partners)	**£19.4 million**
Spending on services	**£19.3 million**
Operating surplus	**£0.1 million**

In the past year we successfully entered the domiciliary care market winning new contracts in London, Cambridgeshire, Essex, Kent and Bedfordshire. This has been extended following year end with the acquisition of Prime Care Holdings Limited and its subsidiaries.

We also consulted with residents and local authorities to agree new ways to deliver services for older people in Norfolk, Essex and London, successfully maintaining service quality despite significant falls in Supporting People funding.

In addition, we secured a further two years' funding from the London Councils to support the young people's services delivered by Alone in London. We increased the use of volunteer services to provide additional support across older persons' and young people's services in particular.

Naturally, it is vital to us that we maintain our financial stability from year to year. To this end, we use effective financial planning and controls, supported by a measured approach that reduces volatility to the bare minimum. The fact that we consistently achieve our target operating margin underlines the effectiveness of our approach, which has never been more important than now, as welfare reform gets properly underway. I am confident that our robust approach to the changes sweeping our sector will continue to deliver the stability our investors, our customers and our other stakeholders require.

BUILDING ON GROUP EFFICIENCIES

We know that it is the most efficient registered providers (RPs) that are best able to deliver the quality and value that customers, funders, legislators and other stakeholders want. That is why we at Circle have always seen enhanced efficiency as a vital benefit of our federal structure. Within this structure, our operating partners can call upon the services of a range of cost-effective centralised support functions, including our governance and risk-management framework (see pages 49 to 55 for full details).

Our scale as the UK's third largest provider of affordable housing also gives us considerable management strength. This is reflected in factors ranging from our low rent arrears to our influential position on the issues most affecting our sector and our customers, such as the ongoing Welfare Reform agenda.

While efficiency is integral to our organisation, there is clear and constant room for improvement that will help us in our drive to deliver better value for money. Our new approach to procuring repairs and maintenance is a good (and very important) example of how we are going about this.

PROCURING REPAIRS AND MAINTENANCE: A NEW APPROACH

We have been able to bring to life some very important commitments over the last 12 months. One of the most significant has been to complete our new R&M contracts (with the last contract being signed in early 2013/14), in the largest procurement of its kind in the sector. The work we undertook during the year means that we now have the structure in place to achieve the levels of management and control we need to deliver our targeted £194 million in additional value over the next 10 years. This includes around £100 million in direct cost-savings (with some £5 million in procurement savings in the first year alone). We can make savings of this scale because the new contracts enable us to work in closer partnership with our suppliers, taking advantage of greater volumes of work and longer contract periods.

This has already been a massive task, but as we start to bed in the new services our achievements to date are just the beginning. So I must thank everyone involved in the process. This saw close co-operation between many departments to ensure we work together seamlessly and give our customers and communities the levels of service they expect from us. We also managed to stay within budget for the entire process, the most costly (but essential) elements of which were training and moving people into new roles.

WELFARE BENEFIT REFORM – OUR RESPONSE

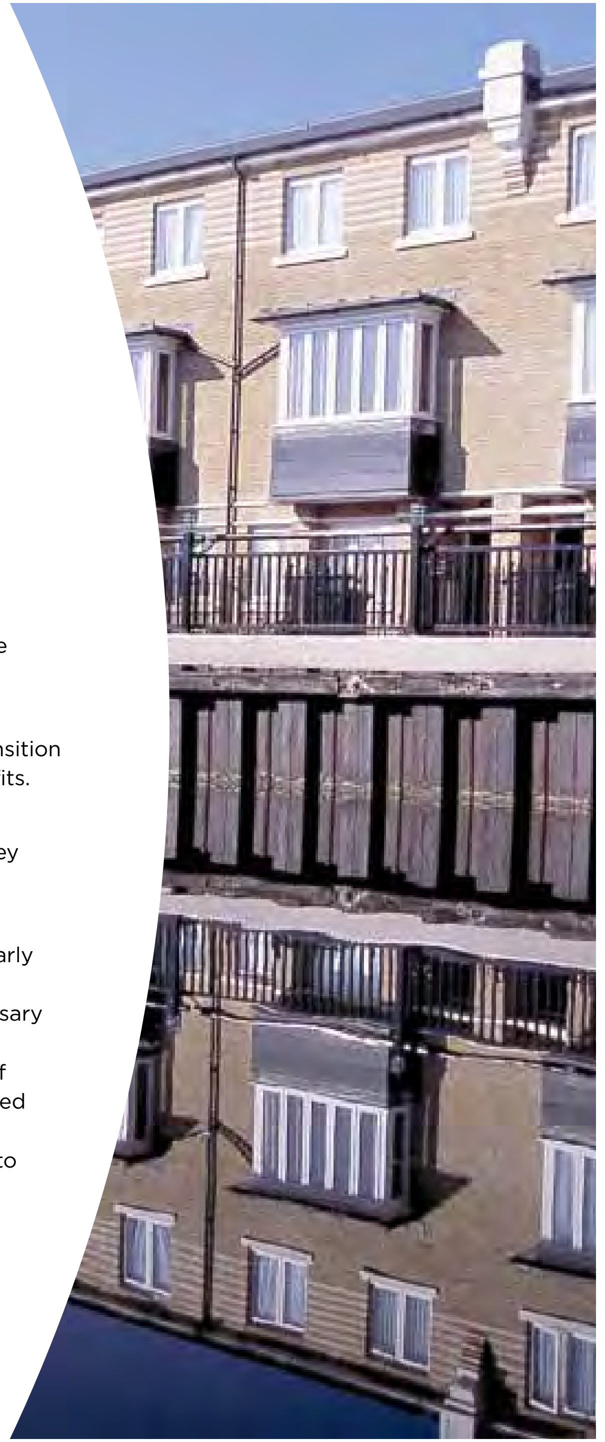
The changes being introduced in 2013 to the UK's welfare system will have an impact on Circle's own income. We need to manage this carefully and rigorously through a disciplined approach to rent arrears and income. More importantly, it will also significantly affect many of our customers, 69% of whom currently receive housing benefit.

During the year, we carried out a major programme of preparation, assessing what the impacts will be on people's day-to-day lives and how we should help them to prepare for the change. We have also done a great deal of work on developing our own position on the issues involved, exchanging knowledge, ideas and points of view with a wide range of people and groups from right across the sector.

Our ethical position is a simple one. We support the intent behind the reforms – to make work pay, and to ease the transition into paid employment for those who currently rely on benefits.

However, we also believe that the reforms need to be implemented pragmatically and with sensitivity, and that they need to be workable for our tenants and our business alike.

How reform will be communicated and how those affected will be supported are key considerations. These are particularly important in an environment where 45% of our customers currently do not have internet access, although this is necessary for them to receive Universal Credit and Direct Payments. Such issues have major implications for the everyday lives of many thousands of people and need to be urgently addressed by policy-makers. This is why we are calling for at least one session of face-to-face support for those who most need it to help them through this transition.



CIRCLE BY NUMBERS

£3.9M

OF EXTERNAL FUNDING BY INVESTING £1.0 MILLION IN COMMUNITY REGENERATION PROJECTS

£5M

SET TO SAVE IN 2013/14 THROUGH RESTRUCTURING OUR PROCUREMENT APPROACH

£100M

IN DIRECT COST SAVINGS WE ARE BUDGETING TO DELIVER OVER THE NEXT DECADE THANKS TO OUR RESTRUCTURED R&M SERVICES

VALUE FOR MONEY

Of course, reducing costs by streamlining operations and creating other new efficiencies is an important priority for us – this year and every year.

However it is particularly important right now given the uncertainties of the external environment over the next few years, at least partially driven by Welfare Benefit Reforms. The impact upon our residents and service users is, in fact, making value for money more important than ever.

I have already touched on the £5.0 million we are set to save in 2013/14 through restructuring our procurement approach, and the £100.0 million in direct cost savings we are budgeting to deliver over the next decade thanks to our restructured R&M services. We have also managed to leverage £3.9 million of external funding by investing £1.0 million in community regeneration projects, a highly efficient return of nearly four times the cost to us.

The following table shows the operating performance of the nine RPs that make up Circle's direct housing management operations.

As shown in the table, the performance against a number of indicators is mixed in comparison to last year. Work is ongoing with the contractors to improve performance and it is expected that the changes in the Group R&M service delivery will support this in the next 12 months.

	2012/13	2011/12	2010/11
Rent collected as % of rent due	100.6%	100.0%	100.3%
Current tenants' arrears as % of rent roll	2.8%	3.3%	3.3%
Average weekly gross rent (general needs)	£83 - £114	£78 - £104	£73 - £101
Average re-let turnaround times (days)	20.9	13.6 - 31.5	15.6 – 36.9
Dwellings vacant and available for rent	0.6%	0.5%	0.3%
Dwellings vacant but unavailable for rent	0.7%	0.3%	0.5%
Emergency repairs completed in target range	97.2%	98.3%	98.2%
Urgent repairs completed in target range	94.6%	96.6%	98.0%
Routine repairs completed in target range	95.5%	94.3%	96.4%
% of homes failing Decent Homes standard	3.5%	2.9%	3.9%
% of tenants satisfied with overall service	83.1%	84.0%	81.5%

Note: The ranges in the table reflect the results of the individual RPs

LEADERSHIP AND SUCCESSION: LOOKING TO THE FUTURE

We know that the more we can do to help our people to develop their abilities and their careers, the more we can do together to support the individuals, families and communities we are here to help.

That is why one of our strategic priorities is to nurture and develop our talent and leadership. To make this real, we have to attract, cultivate and retain talented people who can create and deliver the ideas, services, solutions and growth that are vital to realising the goals in our business plan.

For this reason we have developed a detailed leadership and succession strategy, which is made up of five key areas:

- **Succession plan** – future-proofing our organisation with a practical and rigorous leadership pipeline
- **Talent management** – getting the best from our people to develop the high-performing leaders we need to make the succession plan work
- **Leadership synergy** – helping, encouraging and enabling our most high-performing people to work together in effective teams
- **Leadership engagement** – regularly bringing our leaders together to share ideas, stimulate innovation and agree shared priorities
- **Leadership attraction** – to ensure we have the best leaders for Circle by becoming an employer of choice for the most exceptional talent.

Having a strategy like this is an extremely important step towards achieving the long-term sustainable change we are looking for. It is already helping us to collaborate across functions and between departments, to solve the problems we face together and to create the most value from our collective talent. As a result, it is helping us to foster a culture across the Group that is more customer-focused than ever.

Above all, it will enable us in years to come to deliver even better services to more people while meeting all the efficiency and ROI expectations of our investors and funders.

OUR FUTURE STRATEGY

This leads me on nicely to considering the future, and in particular our strategic approach over the next few years. This aims to keep us successfully and unwaveringly focused on our mission of enhancing life chances by putting our customers and people at the heart of everything we do and maintaining the financial strength required to underpin this.

To achieve this, we have five strategic themes for the future. First, we aim to increase the value we have to invest in our organisation by continuing our efficiency agenda. Our key means of achieving this will be successfully delivering the new R&M contracts, achieving our arrears and income targets through an effective response to welfare reform, and further streamlining our processes and systems to reduce operating costs.

Again to increase the amount we can invest, our second strategic aim is to increase the income we generate. We'll do this by growing Invicta and Circle Support and entering other commercial areas that fit with our ethos and existing business. We also plan to grow as a provider of social housing, as long as this brings real benefits to us and our customers alike.

Thirdly, we aim to optimise the value of our assets through a range of means that include improving our homes and communities, as well as developing relevant new products and services.

Fourth, of course, is investing even more time and money in enhancing the life chances of the people we support. In particular we aim to help those most affected by welfare reform to become more resilient and independent. We will achieve this in several ways, including promoting financial inclusion, reducing energy costs, focusing on our older and otherwise vulnerable customers, targeting employment and skills, and investing in areas where we can make the greatest possible difference.

Finally, we will invest in the areas of our organisation – such as leadership and people, change management and strategic alignment – that do most to help us succeed in our other priorities.

We know that the immediate future will not be easy, whether for us at Circle or for the people who depend on us for their homes and other services. However, we believe that focusing on these strategic priorities, which are at the heart of our business plan for the next three years, will enable us to deliver the social value we aspire to while meeting the expectations of our funders and shareholders.

CIRCLE BY NUMBERS

5

STRATEGIC THEMES FOR THE FUTURE TO KEEP US SUCCESSFULLY AND UNWAVERINGLY FOCUSED ON OUR MISSION OF ENHANCING PEOPLE'S LIFE CHANCES

CIRCLE BY NUMBERS

9,400

CUSTOMERS WERE SUPPORTED IN DEVELOPING SKILLS AND CONFIDENCE TO GET INTO WORK

8,600

CUSTOMERS RECEIVE SUPPORT FOR FINANCIAL INCLUSION

70

TRAINING SESSIONS HELD DURING THE YEAR REPRESENTING AN INVESTMENT OF SOME 13,500 PEOPLE-HOURS IN HELPING US TO BECOME A MORE CUSTOMER-ORIENTED ORGANISATION THAN EVER BEFORE

Operational review

Building and maintaining customer loyalty

- Customer satisfaction levels are marginally down at 83%
- We supported 9,400 customers in developing skills and confidence to get into work
- Roddons Housing Association receives £1.0 million in big lottery funding
- 8,600 customers receive support for financial inclusion

We have always put the customers we work for at the heart of what we do. It is the only way we can ensure we are always fully focused on helping them to enhance their life chances.

It is also extremely important that doing so results in positive feelings about us. That is because we know that happy customers are far more likely to make their house their home, reach out to grasp the opportunities that come their way, and get involved in their communities. It is a virtuous circle that helps create more positivity around them, among their families and their neighbours.

So during this and every year, our focus is on the areas that do the most to help people. Most important to them are the repairs and maintenance services we deliver in our customers' homes, via external contractors and our own direct labour organisation. It is vital too that we do everything we can to keep people warm in winter at the lowest possible cost to them. We are also active in helping customers manage their money and get into work.

The way we behave is also key to helping us build this all-important customer satisfaction and loyalty – keeping our promises, responding quickly to requests, providing the services that people really want. We have made great efforts over the last year to give our customers even more reasons to be happy with what we do.

These include our Group-wide Customers and People at the Heart programme which, during the year, saw us hold around 70 training sessions representing an investment of some 13,500 people-hours in helping us to become a more customer-oriented organisation than ever before. The only way we can ensure we do what is right is to involve customers and colleagues alike. That way we can find out first-hand what is most important to them and what they really think of Circle's culture, services and achievements.

FINANCIAL INCLUSION

Welfare reform is having a serious financial impact on our customers. For example, while our own rent-collection rates stand at over 100%, other housing associations have seen this fall to around 88% in areas piloting direct payments as part of the Universal Credit Demonstration Projects. So it is extremely important that people have easy access to advice and support on areas like banking, affordable credit, debt and benefits. That is precisely what we deliver through our financial inclusion strategy, an approach that helps customers understand and get what they need from affordable financial products and services.

During the last year, we helped 8,597 people find the support they needed, including:

- 1,470 who found effective debt advice
- 4,790 who needed guidance on welfare benefits
- 1,630 looking for general money advice
- and the 730 who we supported to open bank accounts, join credit unions or take up home contents insurance.

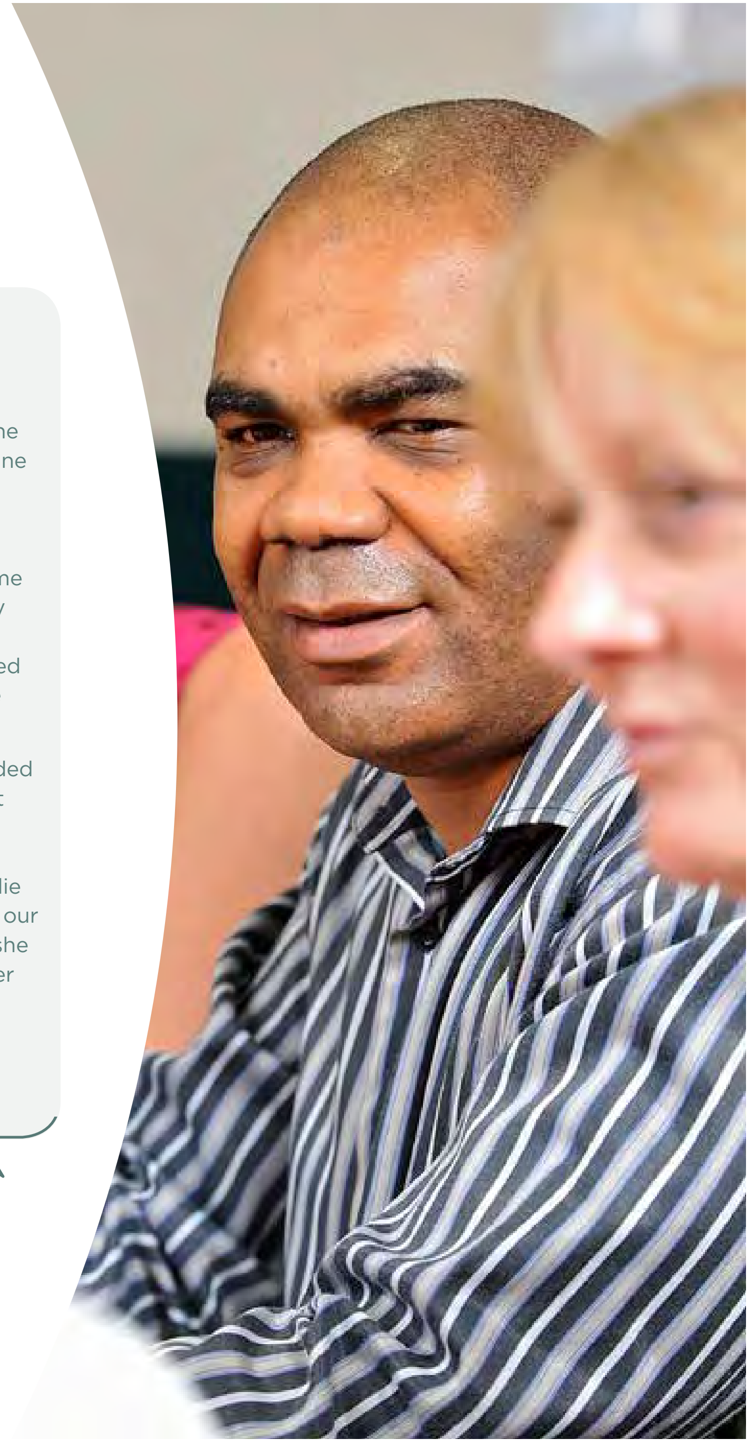
A nationwide YouGov poll of 1,000 adults called 'Has the Penny Dropped?' that we carried out with Lloyds Bank underlines just how important this work is. We found that financial worries are preventing 24% of people from sleeping and that 10% have had a stress-related illness as a result. The picture is even starker when one looks at social housing tenants – a survey of our own customers showed that money worries are preventing 33% of our customers from sleeping, while 50% are worried about the future. What is more, 24% said they had no idea where to start when it comes to managing their finances, and 16% delay opening their bills.

So everything we do to help people gain control and understanding of their finances makes a vital positive difference to the quality of both their and their family's lives.

HELPING TO MAKE MOVING EASY

Julie was living alone in a two bedroom first floor flat. When the team from Roddons paid a routine visit, they found that Julie was lonely and feeling isolated. She also had mobility problems and struggled to get around her home and was going to be affected by the under occupation penalty. Emergency repairs were arranged and staff visited regularly to see how they could help Julie.

An allocation review panel decided a one bedroom ground floor flat would be ideal. When a smaller, more manageable, property became available, we helped Julie move to the new home through our Easymove scheme. This meant she was also unaffected by the under occupation penalty.



CIRCLE BY NUMBERS

£1M

AWARDED TO RODDONS HOUSING ASSOCIATION BY THE BIG LOTTERY FUND

44%

OF ALL SOCIAL HOUSING TENANTS HAVE A JOB COMPARED TO 69% OF PEOPLE WHO RENT PRIVATELY

9,417

CIRCLE CUSTOMERS WERE HELPED TO ENHANCE THEIR JOB PROSPECTS WITH THE HELP OF OUR ADVICE AND GUIDANCE, TRAINING, WORK EXPERIENCE AND IN-WORK SUPPORT

DRIVING DOWN DEBT

One family renting from us had fallen over £7,000 in arrears on their utility bills. The utility company was taking action, and the stress on the couple and their three children was intense.

We were able to negotiate the utility debt down to around £3,000, enabling the family to reach agreement on an affordable payment plan. In addition, we advised them on better financial planning, which is now helping them maintain all their most important payments, including rent.

MAKING MONEY COUNT

The Big Lottery Fund has awarded £1.0 million to Roddons Housing Association so it can give financial advice to vulnerable people across the Fenlands for the next five years.

The money has enabled the set up of the Making Money Count project, delivered in partnership with Fenland District Council, the Citizens Advice Bureau, Cambridge Housing Society and Barclays Bank.

Roddons has involved residents in designing a package of services for the programme. These include a bus that brings services to the community, providing confidential advice and support on all money matters and training to help get more people online. What is more, many of our residents also volunteer to provide direct support to others in their community by acting as 'Money Mates' and 'Money Mentors'.

"It's a fantastic initiative that we 're really proud to be involved with," says Jenny Hodson, Managing Director of Roddons. "We can't wait to see just how much help we can deliver over the next few years."

EMPLOYMENT AND SKILLS

Under half (44%) of all social housing tenants have a job, compared with 69% of people who rent privately. This is highly significant, as the benefits of the financial independence that working brings are incontrovertible, including heightened confidence, better family health and wellbeing and an improved sense of belonging.

That is why tackling unemployment is one of our highest priorities – and we are very proud that our approach has been awarded a 'Big Tick' by Business in the Community.

In the last year, in fact, our focus on providing advice and guidance, training, work experience and in-work support enhanced the job prospects of 9,417 Circle customers in a wide range of ways.

TEMP TO TRAINEE PARALEGAL

Devant'e, a young Circle 33 tenant living with his mother in Haringey, joined Circle 33's Get On Track programme in August 2012 after not being in Education, Employment or Training for nearly two years. Devant'e had been out of work and education after losing his job on a construction site and not continuing his college course. After meeting his dedicated Employment Advisor, Devant'e received some excellent support in which he realised he had not been job searching properly. This included interview training for a six month placement with Devonshires – our City based law firm; which allowed Devant'e to regain his confidence. Devant'e was successful in his application, and was offered the job. After completing his six month placement Devant'e has now been offered a permanent role as a Trainee Paralegal.

LEARNING VITAL SKILLS FOR FREE

March 2013 saw the opening of Circle's brand new training centre in Merton, where people can access free training and a job-matching service for the construction industry. This was developed following the successful training centre that we operate in Old Ford, sharing the expertise we have in this area across the Group.

Trainees can build up a definitive range of construction skills, from carpentry and dry-lining to plastering and decorating. The course leads to a City & Guilds Level 1 qualification, as well as a Construction Skills Certification Scheme (CSCS) card, which makes holders eligible for building site work.

Nathan completed a Level 1 qualification in multi-skills with South Thames College at MTEC. Nathan now has an apprenticeship in Sutton as a multi-trader.

"The MTEC project is excellent training and support to find work." Nathan

REBUILDING ROB'S SELF-BELIEF

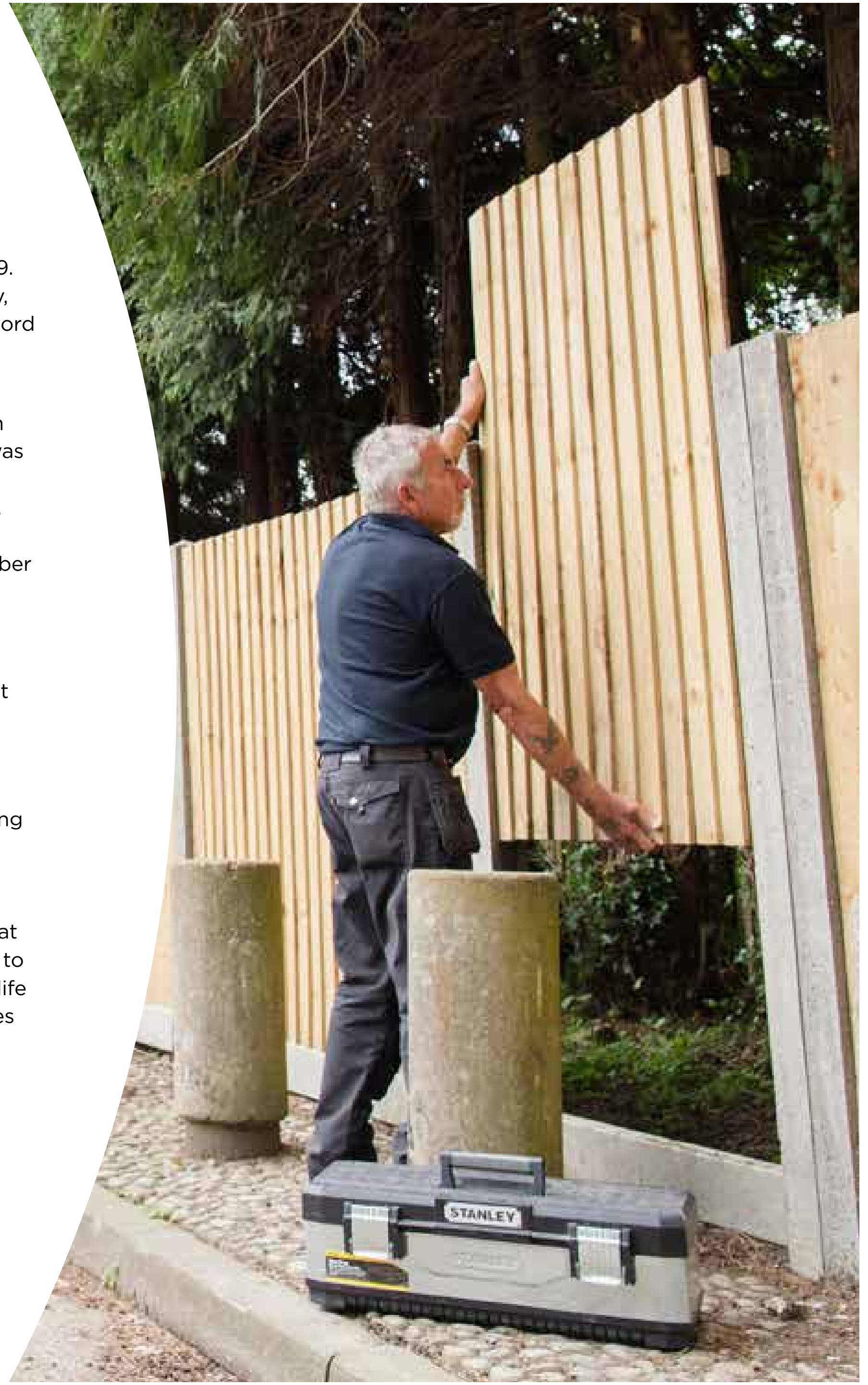
In his late 40s, Rob hadn't had a job since 2009. Low on confidence and isolated from his family, he was referred by his local job centre to Old Ford Housing Association's Information, Advice and Guidance team.

The support and advice he received there soon saw Rob regain some self-belief, and when it was decided to double security at Old Ford during the Olympics, he was quick to apply for a post. He sailed through the selection and training processes, rapidly becoming a respected member of staff with much improved career prospects.

Critically, he was able to use finding a job as a brilliant reason for getting back in touch with some members of his family to try to reconnect with them.

WARM HOMES

The last year saw Circle finalise its Energy Saving and Warm Homes Strategy, which now defines a vital strand of the support that we bring to our customers. It sets out our commitment to provide people with energy-efficient homes that they can afford to heat. It aims to enable them to save energy and money while enhancing their life chances through improved health, opportunities and finances.



CIRCLE BY NUMBERS

£1M

GRANT FUNDING WAS SECURED LAST YEAR TO INSTALL LOFT AND CAVITY INSULATION AND AIR-SOURCE HEAT PUMPS

£20.2M

SPENT AT RODDONS TO ENSURE THAT EVERY HOME MEETS THE FENLAND STANDARD, WHICH IS STRICTER THAN THE GOVERNMENT'S DECENT HOMES STANDARD

£1M+

SPENT IN OLD FORD ON ENVIRONMENTAL PROJECTS. SEVERAL AREAS ARE NOW LANDSCAPED GREEN SPACES FOR RESIDENTS AND CHILDREN

ENERGY ENHANCEMENTS

"When you own and manage as many properties as Circle does, energy costs are a highly substantial element of operating expenses," explains Helen Wilson, Group Head of Energy and Green Strategy. "So any way we can find to improve energy efficiency and find cheaper tariffs makes a great difference to our overall performance. It allows us to reduce our own running costs and save money for our residents too."

One of our most important achievements over the last year was securing £1.0 million in grant funding to install loft and cavity insulation and air-source heat pumps in our properties. This will cut the bills for 1,200 homes by an average of £150 to £200 each year.

We also finalised how our Resident Energy Champions scheme will work, launching training in spring this year. Over the next year, in fact, we plan to enable at least 60 residents to provide energy-saving advice to around 5,000 of our customers – face-to-face, via leaflet drops and at special events.

We have also worked with a major supplier to create a unique package of services covering all our energy needs across the Group. This will deliver cost savings and help us to monitor our energy usage more effectively.

KEEPING OUR PROMISES...

The last year saw the fifth anniversaries of when homes in Roddons in Cambridgeshire, Mole Valley in Dorking and Parkside, in Tower Hamlets, were transferred to us. So this is a great moment to reflect on some of the achievements we have made since then, doing all we can to keep our promise to improve people's lives.

At Mole Valley we have installed 1,605 new kitchens, 1,735 bathrooms, 1,530 heating systems and 1,245 front doors as well as completing 2,157 electrical upgrades or complete re-wirings.

At Roddons, we have spent £20.2 million to ensure that every home meets the Fenland Standard, which is stricter than the Government's Decent Homes Standard. This has involved fitting more than 1,500 new kitchens, 900 bathrooms, 900 boilers and 1,000 fences. In addition, we have built 106 new homes. All this work has paid off in some tangible measures of customer satisfaction, with re-let times down from 30 to 15 days, satisfaction with the landlord up from 82% to 87% and arrears down from 4.8% to 1.8%.

At Parkside, part of Old Ford, we have successfully regenerated the five estates as part of an ongoing £70 million investment programme and achieved our aim of delivering the testing Decent Homes plus standard. The completed programme included 795 new kitchens, 735 bathrooms, 598 rewires and 378 boilers. Other factors we are particularly proud of include turning a disused underground car park into a training centre and removing the arson risk to a block that previously had the highest incidence of arson in London.

Also in Old Ford, over £1.0 million has been spent on environmental projects. Several areas are now landscaped green spaces for residents and children, with features such as play areas, exercise equipment and seating.

Some examples of projects that have been launched successfully include:

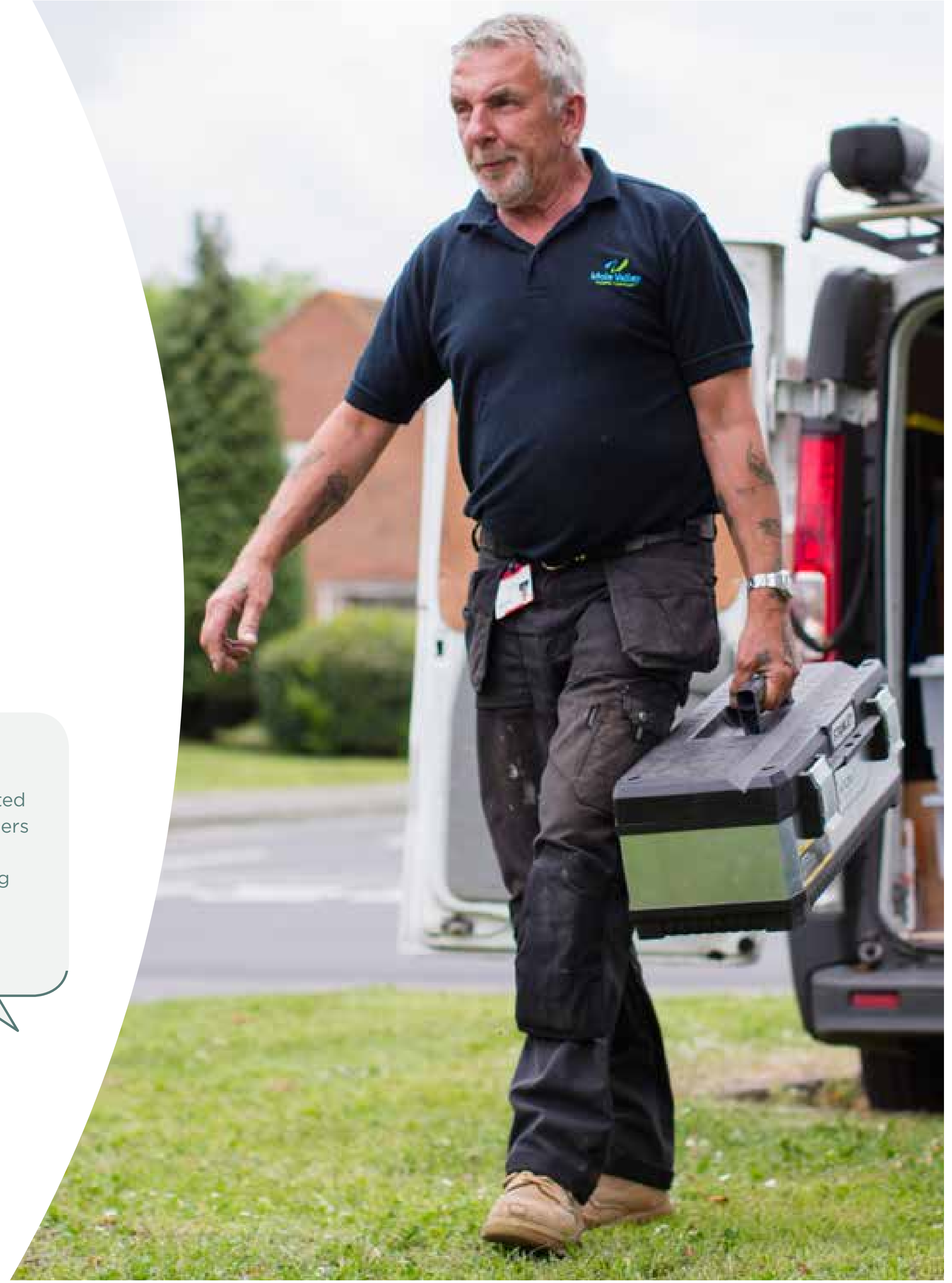
- **Roman Road Adventure Playground**, which opened in February 2011 and is used as a community hub for adult learning while providing children with a safe play environment
- **St Stephens Green**, which was shortlisted for the People's Choice Award (part of the New London Awards) that recognises innovative architecture, planning and development in the capital. The 'Alice in Wonderland' themed green was redeveloped in partnership with PRP architects to transform the underused, flat piece of land into a fun, attractive square. It opened to the public in May 2012
- **McKenna Green**, which opened in July, 2012 is a £300,000 project that provides an attractive play area for young residents.

REPAIRS AND MAINTENANCE

It is vital to us and our customers that they have a major say in all matters that affect their lives and their homes. We know that repairs and maintenance are the most important factors affecting their satisfaction with our housing-related services.

That is why during the year we involved over 400 residents in a wide-ranging review of our approach to repairs and maintenance (R&M). Of these, 18 people were closely involved in many of the most significant elements of appointing suppliers, from designing the bid brief to interviewing bidders, commenting on proposals and judging the final bids.

"Once we'd announced the preferred bidders that we'd selected together, we contacted around 30,300 of our customers to get their feedback on the appointments before finalising the arrangements," adds Jan Mundy, Group Customer Engagement Manager.



CIRCLE BY NUMBERS

1,425

NEW HOMES ARE BEING DEVELOPED UNDER THE GOVERNMENT'S AFFORDABLE NEW HOMES PROGRAMME

£16M

STUNNING DEVELOPMENT BY CIRCLE IN SYDENHAM, SOUTH EAST LONDON, HAS BEEN CROWNED BEST ARCHITECTURAL DESIGN AT THE FIRST TIME BUYER READERS' AWARDS

1,500

PEOPLE WERE RETRAINED ON HOW TO GET THE MOST FROM OUR NEW ORCHARD HOUSING SYSTEM

255

APPLICATIONS RECEIVED FROM PEOPLE WANTING TO LIVE IN A ONE-BEDROOM FLAT IN RECENTLY REGENERATED ORCHARD VILLAGE

Optimising value from our assets

- We are developing 1,425 new homes under the Government's Affordable New Homes programme
- At the end of the financial year, 95% of schemes had been identified and approved internally
- Old Ford has now spent around £55.0 million at Orchard Village
- We are progressing with options for improving homes and communities in three estates in Merton

The home is central to our business. Our key purpose is to make sure that individuals and families have the opportunity to rent safe and secure homes that they can afford to live in.

So one of the greatest challenges we face at Circle is how to ensure that we are always using our assets – particularly the 66,000-plus homes – as efficiently as we possibly can.

That is the only way we can be certain that we are generating the maximum financial value, which can then be redeployed into building more affordable homes and delivering other services for people who need our support. It is why we have identified 'optimising value from our assets' as one of our five core strategic priorities.

That means that we pay great attention to developing new properties and regenerating our existing homes, increasing their value by creating desirable places to live in communities that care.

It also means we use a small proportion of our properties to generate revenues that help fund our social tenures, which currently comprise around 94% of the homes we let. That is why we have over 800 homes for market rental in the UK and 1,023 in Germany through our investment in the Landericus property fund. In the face of uncertainties about Government support longer term for the Affordable Homes Programme, we shall also be seeking new ways to develop more and to ensure our investments deliver even stronger returns for social purposes.

In addition, we do everything we can to streamline the way we operate, so ensuring that waste is minimised and every pound we receive works as hard as it can to create and deliver the services our customers so desperately need.

DEVELOPMENT AND REGENERATION

The year saw us develop 608 new homes, of which 183 were for our agency partners. This included, 287 social rent, six affordable rent and 28 shared ownership, units built for Circle.

In the years since Circle was formed, we have also invested heavily in regenerating the properties and places where our residents live – a really strong example of the way the financial investments we make can help to turn around the lives of individuals and communities alike.

A NEW START IN GRESHAM HOUSE

John Butcher lived in a three bed home which was his parents, but when his father died John was not able to take over the tenancy as he was under occupying.

Due to the poor condition of his home John was referred to the sustaining tenancy team, who worked with him to find the best solution. As John liked the idea of living with other people around him, our team suggested he move to one of our newly regenerated supported housing schemes - Gresham House. John's life has been transformed, he attends scheme meetings, has made lots of friends and is much happier.

PERFECTION AT POMARII

Pomarii, a stunning £16.0 million development by Circle in Sydenham, South East London, has been crowned Best Architectural Design at the First Time Buyer Readers' Awards. The project includes 156 units, all completed in a year, of which we have sold 85 to another Registered Provider. The remaining 71 are managed by Circle Living as intermediate rent and shared-ownership homes.

"It's new, it's beautiful, it's perfect," enthused Paul Cross, who moved to Pomarii in January 2013. "It's really nice, really bright and it feels unique - all my friends have said it's not what you expect from a new block of flats."

HOW ORCHARD VILLAGE IS BEARING FRUIT

Anyone who has seen the film Made in Dagenham will have an idea of what the old Mardyke Estate was like. It was originally built in the 1960s to house workers at the vast local Ford factory.

By 2008, as employment prospects at the factory declined, the estate had gained a poor reputation, with high crime levels and some of London's worst levels of deprivation. However, now that the Old Ford Housing Association has completed phase two of the regeneration, renaming it Orchard Village, people are once again queuing up for properties there.

Recently, in fact, a one-bedroom flat received 225 applications from people wanting to live there. Its impact was recognised when Inside Housing magazine listed Orchard Village among the 'top 50 affordable housing developments'.

Critically, residents who are determined to make a real difference to their community have been the driving force behind the project. All proposals were developed with their close involvement, and today customers are moving into the 176 new social rented new homes completed during phase two of the programme, which have brought the total number of new homes built to 299. Phases two and three will bring this total up to 555, including 150 for private sale.

EFFICIENCY

With our 12 partners, Circle is a large organisation by any standards. The existing use value of the homes we own and manage totals close to £2.9 billion.

Across many measurements, including rent arrears and the cost of repairs, we are already among the best performers in the sector. However, becoming even more efficient is a highly effective way of enabling us to do more for our customers at no additional cost.

That is why we are continuing to focus on streamlining our organisation.

STREAMLINING OUR SYSTEMS

Investing in more effective technology is at the heart of many projects aimed to streamline our operations. Those from 2012 are no exception, including the move from our old Orchard Unix operating system to Windows. This guarantees better support for our computer users and provides us with a lower-cost platform for one of our most important systems. What is more, it was achieved with no impact at all on our end-users.

Other key achievements for the year include retraining 1,500 people on how to get the most from our new Orchard Housing system. We have also upgraded video conferencing across the Group, cutting travel costs and giving our people a flexible and reliable new way of communicating internally.

"It's new, it's beautiful, it's perfect," enthused Paul Cross, who moved to Pomarii in January 2013.

CIRCLE BY NUMBERS

5,500

PEOPLE LIVING IN SHELTERED AND SUPPORTED HOUSING OR IN THEIR OWN HOMES ARE HELPED BY CIRCLE SUPPORT

40%

GROWTH IN USE OF THE HOUSE EXCHANGE SERVICE

£19.4M

INCOME DELIVERED BY CIRCLE SUPPORT

£0.5M

INCREASE IN INVICTA REVENUE

"Our specialist care and support provider, Circle Support, enhances the life chances of over 5,500 people living in sheltered and supported housing or their own homes," says Steven Woodcock, Commercial Operations Director.

"We aim to do this through a range of support and accommodation services for those with learning difficulties or mental health issues, as well as older people and young people who are homeless or at risk of homelessness."

Using our scale to reach more customers

- Invicta revenue rises from £4.2 million to £4.7 million
- Circle Support expands services offered by entering the domiciliary care market
- Circle Support successfully delivers income of £19.4 million in the face of Government cuts
- Use of the House Exchange service grows by over 40%

It is an important part of our plans for growth that the businesses operated by our commercial partner, Circle Living, generate healthy returns for us to reinvest in housing and other vital services. However, a commercial return is not the only driving force, these services also have a strong social dimension of their own.

Our telecare and monitoring service, Invicta Telecare, provides the lifeline for over 100,000 elderly and vulnerable people that enables them to remain independent in their homes for longer. Our specialist care and support provider, Circle Support, enhances the life chances of more than 5,500 people living in sheltered and supported housing or in their own homes.

The rapidly increasing needs of our fast-ageing population means the need for services like those provided by Circle Support and Invicta Telecare is set to grow dramatically in the years to come. However, the Government's ongoing and accelerating programme of funding cuts means that innovative thinking and effective new care solutions are increasingly needed to help people live independently.

So it has been particularly gratifying to see real growth for both businesses during the year. That is not all – successfully planning the Prime Care acquisition, securing a significant increase in the usage of our House Exchange service and driving down costs at Circle Living were other key achievements of a memorable 12 months.

CIRCLE SUPPORT

Successfully entering the domiciliary care market with six new contracts, delivering £19.4 million in income and successfully passing a Care Quality Commission inspection all add up to a year that went as planned for Circle Support.

STABILISING INCOME

"Our specialist care and support provider, Circle Support, enhance the life chances of over 5,500 people living in supported housing or their own homes, as well as providing a commercial return" says Steven Woodcock, Commercial Operations Director.

"We aim to do this through a range of support and accommodation services for those with learning difficulties or mental health issues, as well as older people and young people who are homeless or at risk of homelessness."

The importance of this role makes it essential that Circle Support's income is stable. That is why we now have a plan in place that aims to deliver increased turnover and profitability over the coming years. Achieving this requires a number of new income streams besides Supporting People funding, which is diminishing. This has already seen Circle Support successfully enter the domiciliary care market.

As Steven continues, "During the year, we won a total of eight valuable new contracts that are potentially worth around £6.3 million of turnover each year. In fact, over the full life of the contracts these are worth an amazing £23.0 million collectively – and that makes a very important contribution to the support we can give our residents and other customers."

Six of the eight new contracts are for domiciliary care services, with the remainder made up of funding for our Alone in London charity and the floating support that enables vulnerable adults to remain independent for as long as possible.

CIRCLE BY NUMBERS

250,000

VISITS TO THE HOUSE EXCHANGE SERVICE WEBSITE EACH MONTH - AN INCREASE OF MORE THAN 65,000 OVER THE LAST YEAR

5%

REDUCTION IN CIRCLE LIVING'S RUNNING COSTS DUE TO SUCCESSFUL RESTRUCTURE DURING THE YEAR

380

TALENTED AND COMMITTED COLLEAGUES WERE WELCOMED INTO THE GROUP THROUGH THE ACQUISITION OF PRIME CARE COMMUNITY SERVICES IN JULY 2013

PREPARING FOR PRIME CARE ACQUISITION

During the year, we identified the acquisition of Southern England-based Prime Care Community Services as an important strategic step that would give us a larger presence in the commercial care sector.

With the acquisition, which was completed in July 2013, we have now welcomed more than 380 talented and committed colleagues into the Group. With our commitment to sharing best practice across the Group, we are already learning from the skills of a team with experience of delivering a Care Quality Commission 3-star 'Excellent' service.

CIRCLE LIVING

Circle Living, which provides a range of different services to its internal partners and external organisations, successfully restructured during the year to achieve a 5% reduction in its running costs.

It was a strong year for its services too, from sales and marketing support for those selling shared-ownership homes to rental lettings, and from property management to general housing consultancy services.

A FLOURISHING FUTURE AT INVICTA TELECARE

As the UK's largest independent provider of telecare services, Invicta Telecare is a major player in helping more and more people remain in their own homes for longer.

So we are delighted to have signed up to the Department of Health's '3 million Lives' campaign. This is a major national initiative that aims to help extend telecare support to three million people across the UK, helping them to retain their independence for as long as they can.

It is a brilliant enterprise that we firmly believe will do a great deal to help individuals, families and communities right across the country.

At the same time, it will help us reach our own growth ambitions – which, as ever, are designed to bring more income into the Group, allowing us to enhance more life chances.

This will help us build on this year's successes for Invicta, which saw us grow our turnover to £4.7 million (up from £4.2 million last year). These results were greatly helped by our winning bids for call-handling contracts with a total value of £745,000.

The investments we made during the year, including in a new call-handling system to give us a robust platform for new services in the future, are set to stand us in good stead for more wins in the years ahead.

Peter Savage explains how the Invicta service saved his life. "I have an Invicta alarm fitted at my home, I am 65 years old and both my wife and myself are registered severely disabled. In January I collapsed, my limbs were paralysed and I was barely conscious. I managed somehow to call my wife. My wife pressed the alarm and first response and then paramedics attended. I was taken to hospital, was in intensive care for two days, then given dialysis as my kidneys had failed. I was transferred to a rehabilitation ward and came home in mid-April.

The doctor said that had I not received the prompt attention I did and remained where I was for another 30 minutes - I would not have lived!

Up to then I had only worn my pendant when my wife left the house. Now I wear it ALL THE TIME. I know that had it not been for the alarm I would have died that day. The cost of the alarm has proved to be well worth it! Thank you."

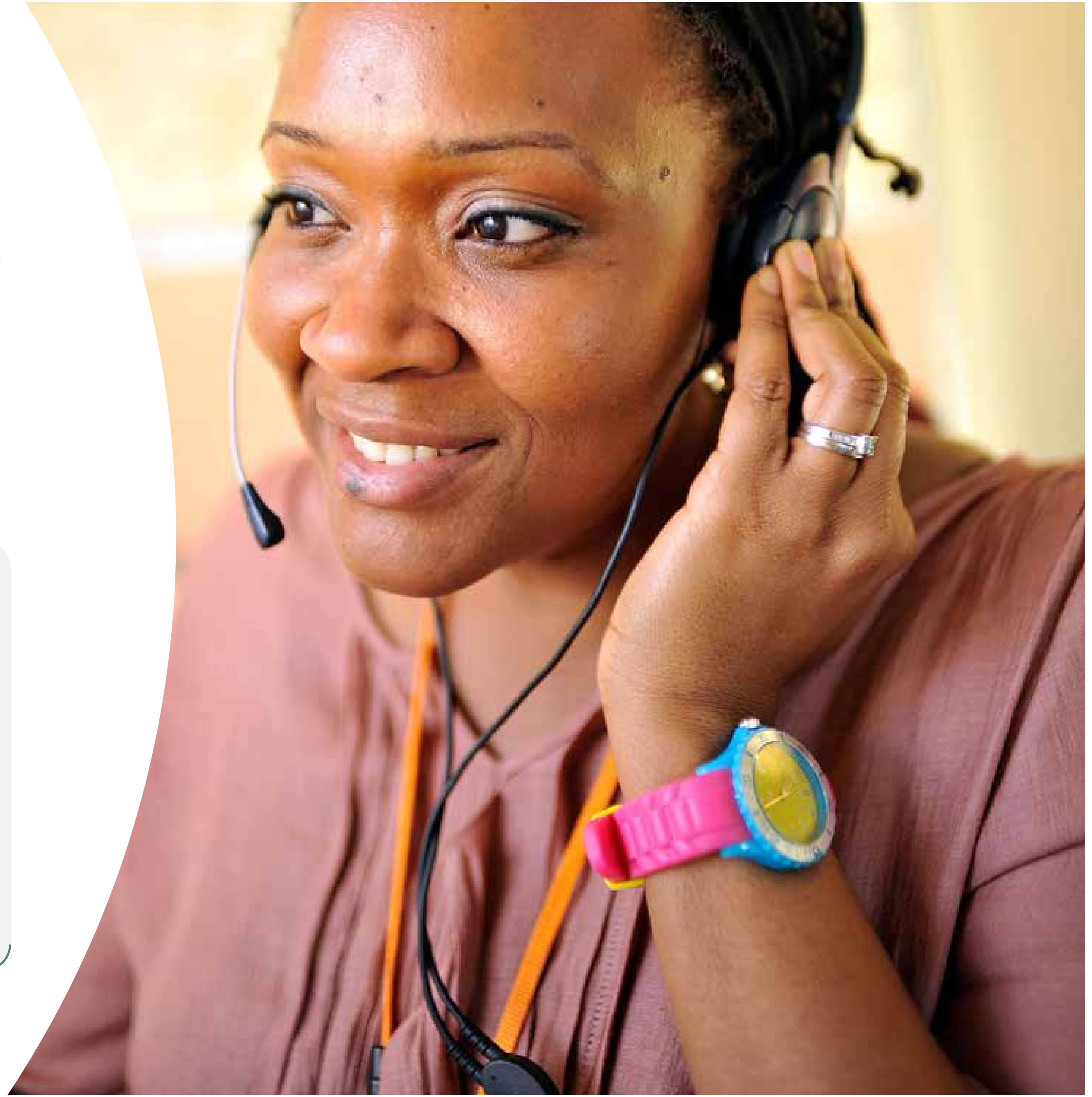
HOUSE EXCHANGE – MOVING AHEAD

There are all sorts of reasons for people to want to move home, including countless different family and work situations. Today, the introduction of Welfare Benefit Reform has added a new reason as many people decide to switch to somewhere smaller.

So our House Exchange service (**www.houseexchange.org.uk**), which matches up social housing tenants who are looking to switch homes, has never been busier. In fact, monthly visits to the site now reach nearly 250,000 – an increase of more than 65,000 over the last year.

One happy user is Lisa Heritage from Norfolk. She wanted to avoid the impact of welfare reform after her son left home by swapping her three-bedroom home for somewhere with two bedrooms.

As she says, "I was really concerned about how the under-occupation penalty would hit me, so I was relieved to move in time. House Exchange was really quick and easy to use – I'd swapped houses within a month of registering. I'm really happy with my new home, which is a better size for my family now I only have my daughter living with me."



CIRCLE BY NUMBERS

500+

HOURS OF MANAGEMENT TIME IS PLEDGED TO DEEPENING THE EXPERIENCE OF OUR LEADERS

10%

OF OUR LEADERS BEING READY FOR PROMOTION WITHIN SIX MONTHS

£700K

IN LEARNING AND DEVELOPMENT ACTIVITIES FOR OUR COLLEAGUES THROUGHOUT THE GROUP IN THE LAST YEAR

62%

OF CIRCLE'S SENIOR LEADERS ARE FEMALE

Being a brilliant place to work for fantastic people who care

- Our approach to changing our repairs and maintainance service is nominated for an HR Excellence award
- Over 500 hours of management time is pledged to deepening the experience of our leaders
- Forward-looking succession strategy is finalised
- New change-management approach delivers £1.4 million in savings

Every high-performing organisation needs great teams made up of motivated people doing what they love.

That is what we are lucky enough to have at Circle, including our local housing association teams who help our customers first-hand every day. Then there are our telecare and support professionals, working around the clock to provide life-saving services to around 100,000 vulnerable people.

Just as important is our army of committed office-based staff, who keep the organisation and its important work running efficiently throughout the year.

Nothing ever stands still, and there is always room for improvement. That is why we focused so much effort during the year on changing our organisation for the better – an effort that is better aligning how we operate with our business planning – and saved £1.4 million in costs during the year.

It is also why we have created a new succession-planning strategy and development programme for our managers, ensuring we have the experienced leadership we need, now and into the future. It is why we are rolling out our Customers and People at the Heart training, to ensure that at every level and in every way we are as customer-focused as we possibly can be.

PROMOTIONS

Like so many organisations, Circle is only as good as its leaders. That is why we have focused so much energy over the last year on developing and delivering our new Leadership & Succession strategy. We are doing this to help us tackle and overcome the challenges the future holds for us and the people we are here to help. It is the single most effective means we have of ensuring our collective talent is focused directly on meeting real customer needs.

SUCCEEDING IN SUCCESSION

Circle's focus during the year on creating a robust approach to developing the leadership talents of our people has been quick to bear fruit. Not only do we now have a proper succession plan in place, it is also having a positive impact on our ability to promote from within.

"We have had 25 promotions at the leadership level during the 12-month period," says Sarah Trota, Executive Director of People and Business Transformation. "This is a tremendous result, showing that we have the culture in place to help people grow into new, larger roles with us. Because many of these moves are taking place through secondments and across departmental divides, it means that we are sharing knowledge and experience across the organisation better than ever before."

In addition, this new approach has also seen almost 10% of our leaders being ready for promotion within six months. That is just one sign of how fast performance is improving, meaning that our leaders will be able to deliver our business plan effectively, on time and on budget over the next five years.

DELIVERING BUSINESS CHANGE

During the year, we set up a Group-wide Business Change team, with a view to helping Circle improve in two specific ways. Strategically, through alignment with our priorities in the business plan, and incrementally by creating a culture of continuous improvement that would deliver sustainable positive change.

It was by combining our Group Project Management Office and Business Transformation teams into a single function that we delivered £1.4 million in savings during the year. There is ongoing potential for a further saving of £500,000 in future years.

According to Martin Honeywood, Group Director of Change, "The savings were achieved by replacing a number of high-cost contractors with our own permanent change specialists which offers far better value. However, that is not where the advantages end – the new approach is not just cheaper, it is also better in several ways. Advantages include improved governance for more effective decision making and a new change-management methodology that is based on industry-wide best practice. What is really exciting is that changes like these are certain to deliver even more benefits in the years to come."

TRAINING AND DEVELOPMENT

All winning organisations spend time, money and effort in enhancing the performance of their people through a commitment to education, training and other development activities.

That is why we are so proud to be Investors in People. It is why the last year has seen us roll out a number of new training and change initiatives, including the 13,500 hours of investment we have already made in helping our people to put our customers at the heart of everything we do.

DELIVERING DIVERSITY

62% of Circle's senior leaders are female – and this is just one indication of an inclusive approach to diversity that has seen us shortlisted for a best practice award from the Employers Network for Equality and Inclusion.

According to Jen Smith, Group Head of Diversity, "Circle and all our partners also published their Single Equality Scheme commitments in April 2012, setting out how we all aim to enhance life chances through diversity. These are all brought to life by detailed action plans, which apply equally to our colleagues and our customers."

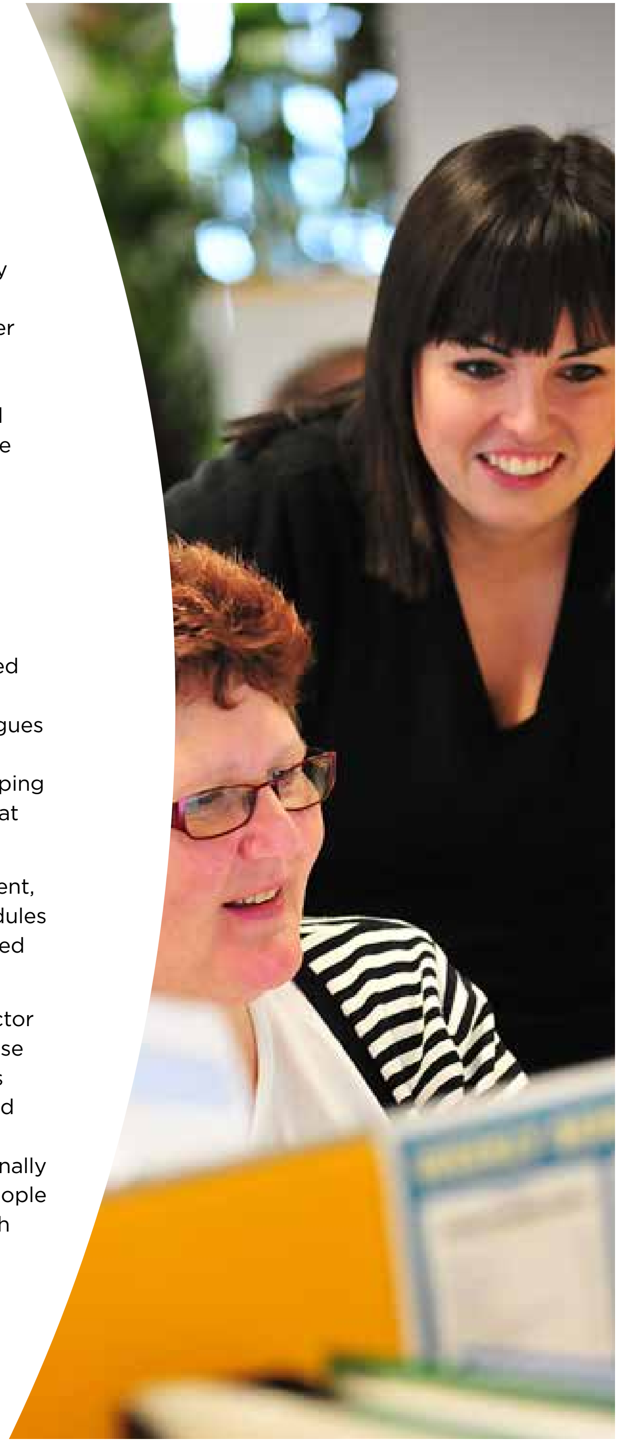
We also delivered a number of other initiatives with an equality or diversity focus throughout the year, including the Creative Minds Exhibition. Another was our '10 Questions with' series of interviews with high-profile people, including Alistair Campbell on mental health. These really opened up debate and caused many of us to consider diversity matters more deeply than ever before.

HOW E-LEARNING IS ADDING VALUE FOR EVERYONE

In the last year alone, we have invested around £700,000 in learning and development activities for our colleagues throughout the Group – a tangible expression of our commitment to helping people develop their careers with us at every level.

But while this is a significant investment, making greater use of e-learning modules right across the business actually saved around £1.5 million during the year.

According to Sam Lacey, Group Director of Leadership and Engagement, "These activities included e-training modules on subjects ranging from diversity and financial inclusion to environmental sustainability and other more traditionally business-focused subjects. Seeing people grasp opportunities to learn with such enthusiasm is incredibly satisfying."



FINANCIAL REVIEW
& REPORT OF THE BOARD

How we can afford to care

To be caring, first we have to be commercial. Without the economic success we describe here, we would be unable to fulfil our mission of enhancing the life chances of our customers.

So we are pleased to report that today, Circle has one of the best liquidity levels in the UK's Housing Association sector.

This gives us the spending and investment capital we need to meet our responsibilities and carry out all our plans as well as ideally positioning us to take advantage of any relevant and valuable opportunities that present themselves.

It is having such resources that mean we really can place our customers and communities at the heart of everything we do.

KEY PERFORMANCE INDICATORS (KPIS)

- Operating margin (27.5%): the amount of our rental income that is left over after paying our normal operating expenses
- Interest cover (March 2013 – 181.2%): how far our pre-interest surplus covers the Group's net interest charge
- Operating cash flow to interest (1.27:1): how much cash is generated to cover our net interest payment
- Gearing (March 2013 - 47%): the amount of long-term debt as a proportion of the value of our housing
- Available funding (£543.9 million): the amount of capital available for spending and investment
- Free security (in excess of £800.0 million): the value of our housing that is not secured against bank borrowing

Our results explained

Circle's overall financial performance in 2012/13 was strong. Our operating surplus rose from £89.4 million last year to £95.1 million. As a result, our operating margin – which shows how much of the rent we receive is left after operating expenses – has gone up from 26.8% to 27.5%. Such positive progress is significant as this is one of our most important KPIs and we value highly the stability of our income and surplus.

We achieved this surplus growth despite a £16.9 million increase in our operating costs, substantially caused by a £4.7 million rise in depreciation on our social housing properties. This was due to the continued implementation of the component accounting rules and our ongoing investment in the various capital improvements to our homes (such as roofs, kitchens and bathrooms).

We made a further £4.0 million investment resulting from the heavy workload involved in procuring new maintenance contracts during the year, along with all the training and restructuring needed to implement them successfully. There was a reduction in some planned maintenance programmes as we agreed to defer work so we could take advantage of the better prices secured under our new repairs and maintenance contracts, which will go live in 2013/14. The results of all of this time and investment will generate significant efficiencies for the Group, forecast as £100.0 million in direct costs over the next ten years.

Service charge expenditure rose last year by £4.4 million to £32.6 million, a rise of almost 16%. This is partly explained by new properties coming under management as well as rising gas and electricity prices and increased water and sewerage costs. We will build this rise into our modelling for setting service charge income next year.

Bad debt charges have increased by just £0.2 million, but we will need to closely monitor the welfare reform changes introduced in April 2013 and forthcoming changes to benefit caps and Universal Credit. In this way, we can ensure that our reactions to the changing situation help us keep control of the rent arrears.

There is also a positive story to tell regarding Group turnover. Excluding joint ventures, this rose by 4.0% (compared with 3.1% in 2012), while our cost of sales and operating costs increased by 3.1% (0.5% last year). Again, there was no joint venture activity during the year. The continuing healthy growth of our social housing income made by far the greatest contribution to the increase in Group turnover. Building on last year's 7.1% increase to £283.7 million, our social housing turnover has grown again this year by a further 7.0% to reach £303.6 million. In addition, our operating surplus from social housing activities rose by 5.1% to £89.0 million.

Other factors within our results include £10.3 million in income and £8.7 million in operating costs for first tranche sales of shared ownership properties. This is down from the £15.2 million in income and £13.9 million in costs that we recorded last year.

Our Care and Support revenues from third parties reduced from £10.7 million to £10.4 million. However, while the contracts delivered a deficit of £1.2 million in 2012 we have now achieved a small surplus of £0.1 million. Supporting People funding from local authorities is under pressure and we have diversified into domiciliary care as our commitment to caring for society's most vulnerable people means we will continue both to invest in them and to manage falling budgets.

CIRCLE BY NUMBERS

£5.7M

INCREASE IN OPERATING SURPLUS SINCE LAST YEAR

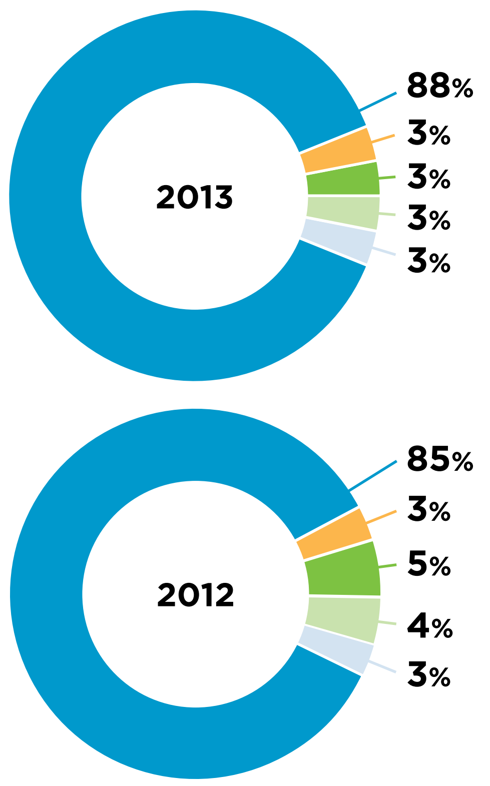
£4M

INVESTMENT RESULTING FROM THE HEAVY WORKLOAD INVOLVED IN PROCURING NEW MAINTENANCE CONTRACTS DURING THE YEAR

7%

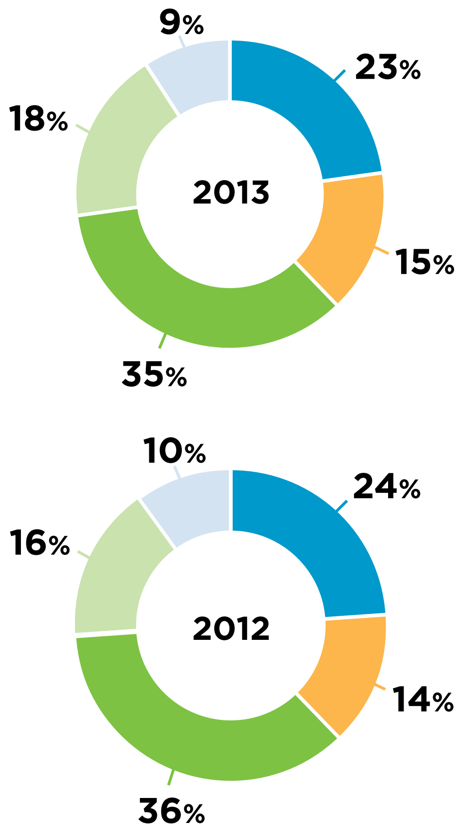
GROWTH IN OUR SOCIAL HOUSING TURNOVER THIS YEAR

WHERE DOES OUR INCOME COME FROM?

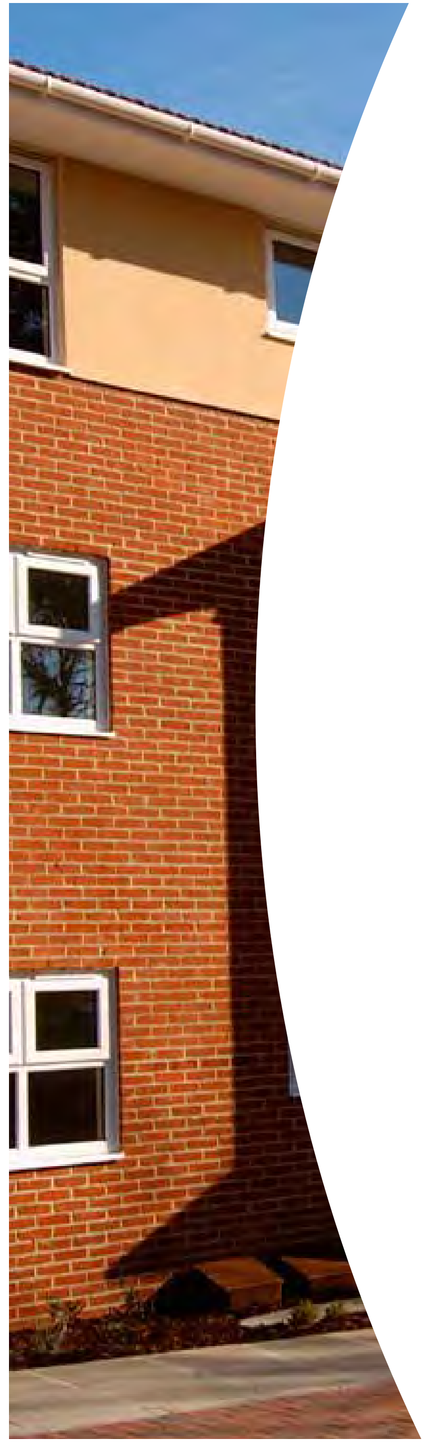


KEY
- Social housing
- Supportive housing
- First tranche sales
- Other social housing activities
- Non social housing activities

SOCIAL HOUSING COSTS



KEY
- Management
- Service charges
- Maintenance & repairs
- Depreciation & impairments
- Other costs



While we develop a number of properties for outright sale and shared ownership, as well as selling a small number of empty homes, our financial plans are not reliant on the relatively low surplus that we gain from sales. However, this year sales contributed £9.5 million to our overall results, compared with £3.3 million in 2012. The main reason for this increase is a surplus of £3.9 million resulting from the sale of some properties to another housing association, which had originally been planned to be part of our own portfolio. This sale included an element to compensate us for the loss of rental income built into our financial plans.

The net interest charge increased from £71.1 million in 2012 to £78.8 million in 2013, a rise of £7.7 million. This was partly due to a £12.0 million increase in relation to bond interest, the result of increasing our bond finance by £250.0 million on 2 March 2012.

Taking all of the above factors into account, we can report a surplus of £24.9 million for the year compared with £21.4 million last year.

IMPAIRMENT

We held the annual impairment review of all our homes at the end of our last financial year (31 March 2013) to find out if we needed to adjust our provisions covering any potential fall in the value of our properties. As a result, we have been able to reduce this allocation by £1.1 million (see table below), largely as a result of a £3.2 million increase in the value of our market rent homes in Thetford, which outperformed our initial expectations.

This increase was partially offset by a £1.2 million reduction in the value of The Roundway in Haringey, following the London Borough of Haringey's confirmation that it will no longer allow social housing development in the area. We also established that the combined value of various schemes requiring some demolition and remodelling will be affected, so we've included a further charge of £0.9 million.

SCHEME	CHANGE TO IMPAIRMENT (CHARGE)/RELEASE £K
Great Wakering (South Anglia)	284
The Roundway (Circle 33)	(1,150)
The Silkworks (Circle 33)	(47)
Demolition of Supported Housing schemes (South Anglia, Roddons,Mole Valley & Russet)	(942)
sub-total Social Housing (see Note 3)	**(1,855)**
Thetford – Market Rent (Circle 33)	3,229
Great Childers St – Commercial properties for resale	(304)
sub-total Non Social Housing	**2,925**
Total	**1,070**

CIRCLE BY NUMBERS

£0.5M

INCREASE IN SURPLUS COMPARED TO LAST YEAR

£3.2M

INCREASE IN THE VALUE OF OUR MARKET RENT HOMES IN THETFORD

£93.3M

COMMITTED FUNDS AT THE END OF THE LAST FINANCIAL YEARTO NEW DEVELOPMENTS

OUR PROPERTIES

On 31 March 2013 we owned a total of 66,065 housing properties, up from 65,419 last year. Of these, 1,124 are now classified as for affordable rent, which generated income of £3.8 million in the year at an average weekly rent of £120.83. We financed the additional properties in 2012/13 using a mix of social housing grants, loan finance and our own resources.

The Circle Board asked professional property valuers to assess how much our housing properties were worth on 31 March 2013. Based on the existing use of our properties for social housing, they set this total value at £2,886.2 million (up from £2,698.2 million in 2012). This compares to a net book value of £2,082.3 million (2012: £2,039.9 million) as shown in the balance sheet.

At the end of the last financial year, we had committed funds of £93.3 million to new developments, compared with £106.5 million the previous year. We also spent £89.3 million (£133.3 million in 2012) on development and capital improvement activities, not including the grant support we received. It is through investments like these that we meet the new supply and quality improvement targets we set ourselves, while giving added strength to our financial performance.

OUR ACCOUNTING POLICIES

You can read our accounting policies on pages 65 to 69 of this report. The most important for our financial results concern how we account for our housing properties, and include:

- accounting for repairs and maintenance costs in our major capital projects
- the capitalisation of operational costs, such as interest and development administration, into long-term investments
- accounting for the capital grants the Government gives us to pay for assets like land and buildings
- the depreciation in value of our housing
- how we treat the first tranche of sales of our shared-ownership properties

OUR TREASURY MANAGEMENT FUNCTION

At Circle, our centralised Treasury team and framework support all the Group's member organisations. We have a detailed three-year Treasury strategy in place, and our Management Board reviews our Treasury policies each year to make certain that we always apply best practice.

To further ensure good governance and effective treasury management, we also operate a central Treasury resource, Circle Anglia Treasury Limited, which is responsible for all our funding and derivative activities.

Our Treasury team's main role is to make our Treasury operations as efficient as possible while successfully managing the various risks we face. These include those involving interest rates, inflation, liquidity and foreign exchange. Using the best available Treasury management system also helps us to take an efficient and integrated overall approach, while ensuring that our data is always accurate and consistent.

In addition, we constantly monitor our performance and undertake quarterly hedging reviews to make sure that we remain financially sound in all Treasury matters, including funding and derivatives.

CIRCLE BY NUMBERS

£635M

FUNDING THROUGH OWN-NAME BONDS ISSUED ON THE CAPITAL MARKETS

£800M

OF SECURTY MONEY, MOST OF WHICH HAD BEEN RING-FENCED TO PROTECT AGAINST POSSIBLE FALLS IN INTEREST RATES OR PROPERTY VALUES

MANAGING DEBT

We manage our debt centrally, with Circle Anglia Treasury providing the funding for all the individual member organisations in the Group. The only exceptions are some cases of historic debt among individual members, dating from before they joined the Group. We also fund our non-charitable members through internal equity or debt, ensuring that our social housing assets are fully protected.

In the past, long-term bank loans were our largest source of funding. This has been changing recently, and we now also have £635 million in own-name bonds issued on the capital markets. All our funding is fully secured and available and the vast majority is at a fixed rate of interest to minimise exposure to rises in interest rates.

Our liquidity levels are also strong, ensuring that our committed financial plan, including contingencies, is fully funded for its entire duration.

COMPLYING WITH OUR COVENANTS

We report all our financial covenants (or binding contracts) on a monthly basis. Almost all of these are standardised across all loans and bond issues to enable the greatest possible efficiency in our approach to risk management.

Interest cover, which shows how much of our net interest charge is covered by our pre-interest surplus, is one of our KPIs. As is typical in the social housing sector, we test and report on it on a one-year and three-year basis. On 31 March 2013, the results stood at 181.2% and 176.1% under the standard loan terms (compared with 177.0% and 157.2% last year).

Our gearing covenant, which restricts the amount of debt we can hold as a percentage of our assets, is based on the historic cost of our properties. At year end 2012/13, this stood at 47%, compared with a ceiling of 70%. This obviously gives us substantial room for manoeuvre but the position is actually even more positive. A significant proportion of our growth has come through the transfer of properties, the historic cost of which often understates their true value. This means that the net value of our assets will increase and gearing will improve as transfer promises are fulfilled and our works are capitalised.

This very positive situation gives us a substantial amount of untapped capacity meaning we have the scope to focus on any opportunities we identify. Most importantly, it enables us to consider each opportunity on its own merits rather than concentrate on how we are going to fund it. It also gives us a very strong platform, stabilising our income in a fast-changing world while optimising financial returns right across our organisation.

SECURITY

All our loans and all money derivative positions are secured using property as collateral, today we have over £800.0 million in further available security.

Although we have ring-fenced a substantial proportion of this security to protect it against possible falls in interest rates or property values, it still gives us enormous purchasing power. Regarding our debt capacity for example, if we were to reinvest newly raised debt in properties and use these as security, we could further increase our ability to raise debt several times over.

OUR CREDIT RATING

The impact of the UK's uncertain economic outlook made last year a difficult one in terms of credit rating for the housing association sector.

Major events included the Moody's credit rating agency placing the entire UK sector on negative watch in February 2012 and then downgrading Circle and 26 other housing associations by two notches between February and May 2013. However, because our loans and bonds have no direct link to our credit rating, these moves have had no impact on us or our activities.

Importantly, Circle's underlying credit strength, as measured by Moody's, remained unchanged throughout these developments.

Moody's long term credit rating

	17 May 2013	25 February 2013	1 April 2012
BCA	baa1	baa1	baa1
Rating	A2	A1	Aa3
Outlook	Stable	Review for possible downgrade	Negative

CIRCLE BY NUMBERS

£106.6

CASH GENERATED FROM OPERATING ACTIVITIES

£84.2M

SPENT ON THE LOAN SERVICE WHICH WAS MAINLY THE RESULT OF A £12.0 MILLION RISE IN BOND INTEREST FOLLOWING A £250.0 MILLION INCREASE IN OUR BOND FINANCING

£122.2M

SPENT ON NEW DEVELOPMENTS AND WORK ON EXISTING HOMES

OUR CASH FLOWS

During the year we generated cash of £106.6 million (£159.7 million in 2012) from operating activities, which was £22.4 million higher than the net interest charge.

We used a variety of means to fund two major areas of expenditure. The first of these comprised £84.2 million spent on the loan service (£76.3 million in 2012), which was mainly the result of a £12.0 million rise in bond interest following a £250.0 million increase in our bond financing. We also spent £122.2 million on new developments and work on existing homes (£148.5 million in 2012). These areas of spending were funded by social housing grants of £32.9 million (£15.2 million in 2012), proceeds from sales of £19.2 million (2012: £4.6 million) and some of our cash resources and loans.

INVESTMENTS

We use the returns from investing in a wide range of activities to increase the amount we can reinvest in social housing and our communities. These returns and the need to generate them are becoming increasingly important as public spending falls, uncertainty continues in the UK property market and need grows among the people we support.

One of our most significant investments is in Landericus, a fund that specialises in residential property in Germany. Landericus owns 1,023 homes (1,023 in 2012) worth £56.3 million (up from £54.5 million in 2012) in North Rhine Westphalia, Berlin, Bremen, Halle and Frankfurt. We have invested £16.9 million in the fund in the last few years (2012: £16.7 million), which delivered a surplus of £0.8 million (£0.7 million in 2012).

GOING CONCERN

After making enquiries, the Board has reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Group's financial statements. The Group maintained its top rating for viability from the Homes and Communities Agency.

STATEMENT OF COMPLIANCE

In presenting the Operating and Financial Review on pages 8 to 55, the Board has endeavoured to follow the principles regarding the purpose, audience, timeframe, reliability, comparability, financial and non-financial measures as set out in the Statement of Recommended Practice (SORP) 2010 and the Accounting Direction for Private Registered Providers of Social Housing 2012.

Governance and risk

The sector and wider environment in which we work are characterised by change and risk. This means we owe it to all our stakeholders, from our customers to our investors, to bring as much security and certainty to our operations and activities as we can.

In addition, the nature and importance of our work mean it is essential that we set an exemplary standard of behaviour, both individually and collectively, and act as a positive role model in our sector and in the communities where we work.

Two major factors are designed to support these aims. First is the way we are structured, both in terms of the overall shape of the Group and of the various boards and committees that are responsible for ensuring sound governance across the organisation. Second, and closely related, is the process we have for identifying, addressing and mitigating the various risks we face.

OUR GOVERNANCE STRUCTURE

Circle Housing Group has a federal structure. Within this structure, Circle Anglia Limited is the parent company of 12 Group companies, referred to internally as 'partners', all of whom work together to improve people's life chances by delivering great homes, reliable services and local solutions. (See page 84 of this report for a full list and description of all our partners.)

Our Management Board is responsible for the Group's governance, ensuring the continuous improvement and effective control that is needed for us to properly assess and manage risks. The Management Board, which comprises nine non-executive directors and our CEO, works alongside the Executive Director Board, which in turn is responsible for the Group's day-to-day management.

The Management Board delegates the actions needed for sound governance to the boards of all our partner organisations and to three internal committees. These are:

- **The Strategy Council**, whose main role is to define, and ensure compliance with, the values and objectives of the Group. It includes nominees from all our partner organisations and our Resident & Service User Panel. Up to a third of members can be independent, including the independent members of the Management Board.

- **The Remuneration and Succession Committee**, which facilitates transparency in all matters relating to the pay of our executives and Board Members. It also oversees our Group HR policy, approves all Board and committee appointments and is ultimately responsible for the selection, renewal, appraisal and training of Board and committee members.
- **The Group Audit and Risk Committee**, whose main role is to review the Group's compliance with its statutory duties. It also monitors our internal and external auditors, risk and internal controls. In addition, it challenges and tests the Group's risk framework, strategy and policies to ensure that our internal controls adequately reflect Circle's nature and social aims, size and strategy.

TASK AND FINISH GROUPS

As we seek to involve Board Members more closely in the business, and utilise their expertise, this year we have set up a number of task and finish groups to deal with issues of strategic importance for the Group. Key Board Members head up these groups, supported by colleagues from the leadership team from across Circle to scope out and recommend action on specific 'big ticket' projects such as Optimising Value from Assets, the potential regeneration of three estates in Merton, South London and procuring an energy provider partner for the Group.

COMPLYING WITH THE NATIONAL HOUSING FEDERATION (NHF) CODE

We also aim to work within the standards and requirements of the National Housing Federation Code of Governance. This code is designed specifically to ensure that housing providers like Circle always aim for the highest standards they can attain. Thorough Board scrutiny of our operations has concluded that we are broadly compliant although there are a few areas in which we are not. These are:

- The Code states that the Board is responsible for the appointment and, if necessary, dismissal of the CEO and for approving his or her salary, benefits, terms of employment and the appointment of the Managing Directors (MDs) of the Registered Providers. Our Intra Group Agreement, however, states that the MDs of our partner organisations are appointed by the parent company with the involvement of Board Chairs.
- There was no annual appraisal of individual members other than those who were due for renewal. We have been working hard on developing a Group-wide appraisal system which will work for all our Board Members and this is to be launched in September 2013.
- The formal annual review of effectiveness of the Group Board is still to take place. All partner boards and the Group Audit & Risk Committee conducted a review of their own effectiveness, and development plans are in place for all boards. The Group Board will review its performance later in 2013 as the reviews of the Partner Boards needed to feed into this.

THE MANAGEMENT BOARD – OUR MEMBERS

Sir Robin Young (Group Chair, Remuneration & Succession Committee, Management & Strategy Council)

Sir Robin became Chair of Circle in January 2010. In 2005, he retired from a 31-year career in the Civil Service. During that time he worked on policy issues in numerous departments, including periods as Permanent Secretary at the Department of Trade & Industry and the Department for Culture, Media & Sport.

Tania Brisby (member of Management & Strategy Council)

Tania worked in investment banking for over 18 years at Samuel Montagu, NatWest Group and Deutsche Bank. She moved into consultancy in 2001, first as a director of City PR and investor relations firm Cardew Group and now in her own corporate advisory practice that specialises in emerging markets. In the public sector, she has managed an EC restructuring and privatisation programme for Eastern Europe and advises the NHS on dispute resolution. Between March 2009 and April 2013 she advised the NHS on competition and governance, latterly as Chair of the NHS Midlands and East Competition Panel.

Simon Braid (Chair of Group Audit & Risk Committee, member of Management & Strategy Council)

Simon joined the Group Management Board in June 2010 following his retirement from KPMG in 2009, where he was Head of Charities and Social Housing. With over 20 years' experience of the social housing sector, he chaired the Ujima inquiry for the Housing Corporation, chaired the ICAEW Social Housing sub-committee and was a member of the Social Housing SORP working party. Simon is also a part-time Anglican priest.

Jane Clarkson JP (member of Group Audit & Risk Committee, Remuneration & Succession Committee, Management & Strategy Council)

Jane is Deputy Chair and non-executive director of a leading friendly society, chairing their Risk, Audit & Compliance Committee. She was a founder member of the RICS-Regulated Activities Committee and formerly Chair of her local authority's Standards and Audit Committees. She has also worked as consultant to several financial services organisations, including IFA networks, insurers and VC investors. She is a member of the Law Society's Audit Committee and the Institute of Risk Management and serves as a magistrate.

Murray Foster (Chair of South Anglia, member of Management & Strategy Council)

Murray is widely involved in economic regeneration and education in the east of England. Having managed specialist business relationship banking for NatWest/RBS, he moved into town centre management in mid Essex. He is a former leader of Southend-on-Sea Unitary Council and a past President of the South Essex Chamber of Commerce. His directorships include the Essex Chamber of Commerce, Chair of Digital Exploration Centre Trust, Chair of the Board of Governors at Westcliff High School for Girls, a Governor of Chase High School, Chair of Southend-on-Sea Business Partnership and Chair of South Essex Teaching School Alliance.

Baroness Maggie Jones (Former Chair of Circle 33 and Chair of the Remuneration & Succession Committee, member of Management & Strategy Council)

A Life Peer in the House of Lords and the Opposition Front Bench spokesperson on Education, Maggie is also a former Director of Policy and Public Affairs at Unison. Maggie joined the Circle 33 Board in July 2006 before leaving in December 2012, and she is also a Board member of WRAP and Chair of Ombudsman Services: Property. She is a volunteer at the Passage homeless centre and patron of the Empty Home agency.

Brenda Reynolds (Chair of Roddons, member of Management & Strategy Council)

Brenda has lived with her family in Fenlands for over 40 years. She passionately believes in helping to create a community spirit, having joined the March and Ivy Leaf residents association in 1995 and remained an active voice of the community ever since. Her mission on the Roddons Board is to ensure that tenants always have fair representation and that their views are taken into consideration. Looking ahead, her main aspirations are the continuing happiness of tenants and Roddons' own ongoing success.

Mark Rogers (Group Chief Executive, member of Management & Strategy Council)

Mark has over 20 years' experience in social housing. He was Director of Customer Services at Circle 33 before becoming CEO of Peterborough Nene Housing Association. He joined Anglia Housing Group as CEO in 2003, and became Circle's Group CEO following the merger of Circle 33 and Anglia Housing in 2005. He holds a BA Honours in Law and is a Member of the Chartered Institute of Housing. In 2013/14 Mark becomes Vice Chair of the G15, which represents London's largest housing associations, providing homes for one in ten Londoners and a quarter of all new building.

Brian Stewart OBE (Chair of Wherry, member of the Circle Management Board, Strategy Council and Remuneration & Succession Committee)

Brian is a Chartered Town Planner, and following a 27-year executive career in local and regional Government he is now a portfolio non executive director and consultant, with interests in planning, health, transport and energy. He has been CEO to two Scottish local authorities and the East of England Regional Assembly. Brian is a non executive director of the West Suffolk NHS Foundation Trust where he is also Senior Independent Director and Chair of the Scrutiny and Remuneration Committees. He also chairs the Sizewell C Community Forum, and sits on the Exceptional Hardship Scheme Panel for Phase 2 of HS2.

Stephen Jacobs (Chair of Circle Support, member of Management Board and Strategy Board)

An expert in regeneration work, Stephen promotes the innovative use of volunteers and holds a number of senior and non-executive positions in the housing, health, social care and employment sectors. The Neighbourhood Renewal Adviser for the Office of the Deputy Prime Minister, he is also Visiting Professor at the Universities of Coventry and London South Bank. Stephen was the Director of Community Relations for the successful bid team of the London 2012 Olympic Games.

OUR TOP 10 RISKS

The nature of what we do means we face a wide array of risks. Our approach to risk has been agreed by our Group Board in our risk appetite statement:

"We recognise our customers and our assets are vital to the success of the Group, and we operate within a low overall risk range which we consider to be appropriate for our business. Our lowest risk appetite relates to health and safety and compliance issues, and financial loss. We wish to grow our business and are willing to accept some risk within this area, within acceptable financial parameters."

Here we identify the 10 most important risk scenarios and outline the approach we are taking to mitigate or minimise them.

01

We fail to exercise ongoing cost-control in the face of volatile income streams

Our new budget processes provide greater transparency and support better cost control, while our business plan has identified delivering a minimum operating surplus as a core business priority. Our financial plan also includes stress-tested scenarios.

02

Our new R&M delivery approach fails to deliver anticipated cost-savings

The successful delivery of R&M is a business-critical priority for the Group, and we constantly monitor our forecast costs as a key measurement of our performance.

03

We do not model Welfare Benefit Reform accurately enough, or we fail to take the appropriate strategic response to it

This is another of our business-critical priorities, and it is also the most important factor in defining our key strategic concerns. In addition, our budget and financial plans all provide a contingency to cover the impact of reform in the years to come, based on rigorous and accurate data provided by local authorities.

04

Our development schemes consume too much of our working capital or take longer than planned, potentially missing our deadline of March 2015

As one of our most important ways of delivering social value, providing affordable homes is a top priority for us. For that reason, our budget and financial plans all include stress tests for our capital requirements.

05

Our commercial investments fail to make adequate returns

Commercial growth is another strategic priority for Circle. We have included target levels of net profit and margin among the performance measurements we regard as mission-critical across the Group. In addition, Circle Support and Invicta each have their own business plans describing how they will reach their targets, and these have recently been approved by our Strategy Council. We do not include acquisitions in our financial plan and budget, so the value they generate will be additional to our forecasts.

06

Our efforts to streamline the business fail to make it more efficient and effective

Our business plan sets out the efficiency targets the Group is aiming for, which are supported by a detailed and strategic change-management process that we monitor closely. Our priority of nurturing and developing the talent and leadership we have in the Group will make an important contribution to streamlining the organisation.

07

We lack the focused performance culture needed to deliver the scope and scale of change that is required

We closely monitor all the factors that are most important to us as a business. One recent example is the training that took place during the year on our 'Customers and People at the Heart' programme, which will cover all staff during 2013.

08

Our governance structure needs to be clearer and more consistent

We describe our priorities, targets and the actions designed to realise them in our business plan, and this is already helping us to create clearer decision-making processes. We are also planning a thorough review of our target operating model as part of our efficiency drive, which will include looking at more efficient ways of organising our governance structure.

09

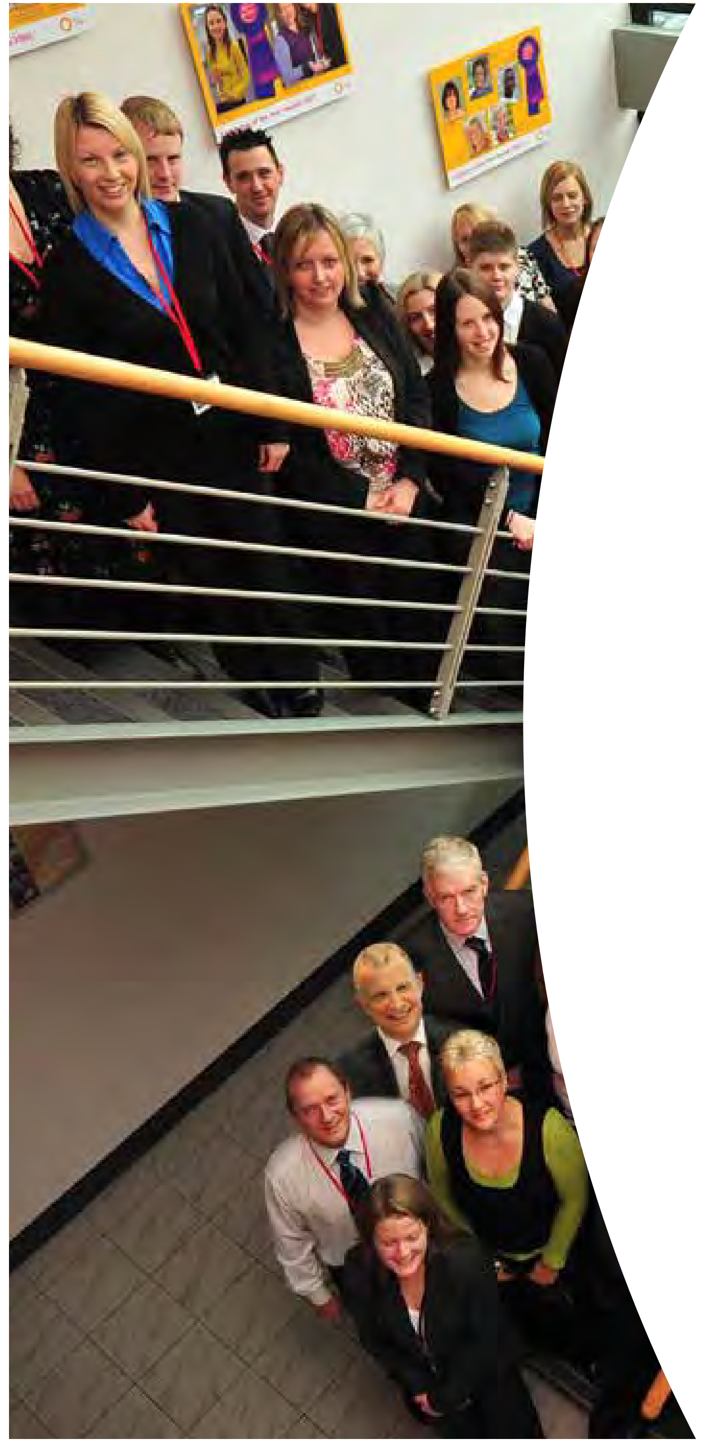
There is a failure to exercise proper control or prevent a major fraud

We have a robust approach to internal controls and have a risk-based internal audit plan that is delivered by a high performing in-house internal audit team. We have appointed a Chief Compliance Officer to provide robust leadership in this area and drive improvements across all compliance activity.

10

We do not have an effective strategy for delivering better value for money

Our business plan prioritises the need to identify our financial and social returns on investment. Doing so helps us to demonstrate how we are delivering value and to identify any activities that are failing to deliver. The business plan also includes a set of priorities and outcomes that ensure we concentrate on the services that are most important to us and the people who depend on us.



Board Statement

on the effectiveness of the System of Internal Control

The Group Management Board acknowledges its ultimate responsibility for ensuring that the Group and its Partners have in place a system of controls that is appropriate to the various business environments in which it operates and for the review of the effectiveness of that system during the year. These internal controls are designed to identify and manage rather than eliminate risks which may prevent the organisation from achieving its objectives.

The system is designed to give reasonable rather than absolute assurance with respect to:

- the reliability of information used within the organisation or for publication
- the maintenance of proper accounting and management records, and
- the safeguarding of assets against unauthorised use or disposition.

The process followed to identify, evaluate and manage significant risks faced by the organisation is ongoing. It has been in place during the past financial year and is reported regularly to the Group Management Board. The risk management and control processes are not a separate annual exercise but are a continuous function that is embedded across the Group by documenting and collating evidence to support good practice and compliance.

INTERNAL ASSURANCE ACTIVITIES

Staff and line managers review their own risks with support from the Risk and Resilience Team. This is designed to promote accountability by all staff and not to rely upon functions such as risk management to monitor potential risks. The system is supportive and designed to instil a greater understanding of risk and assurance to all employees. A range of assurance activities takes place across the business, and members of the Executive Director Board and Managing Directors make a statement to provide evidence that this has happened.

INTERNAL AUDITS

Circle Housing Group's internal auditors are used to ensure that a robust risk management approach is applied across the Group in order to reduce the risks to an acceptable level for the Board. It is important to stress that internal audit are not responsible for the design and construction of control systems but undertake an objective role in order to review them appropriately at a later date. The in-house internal auditor undertakes this responsibility on behalf of Circle Housing Group and is supported by Grant Thornton, an external resource. This ensures an objective review, audit and follow-up process. The continued support and presence of the in-house internal auditor has added value to the internal audit function. Audit activities have clear risk-based terms of reference, which are regularly reviewed and updated with relevant business and regulatory requirements.

EXTERNAL AUDIT ASSURANCE

Circle's objectives and strategies as well as the related business risks are made clear to external auditors so they can gain an understanding of the overall structure and governance of the Group.

RISK MANAGEMENT AND GOVERNANCE

Risk-management activities highlight and mitigate undesirable events from occurring. Clear lines of responsibility are established throughout the Group for co-ordinating risk-management activities and reporting on key risks identified and considered by the Board. Risk is managed at strategic, operational and project levels.

CONCLUSION

The Board acknowledges that their responsibility applies to the complete range of risks and controls within the organisation's activities and to ensuring that necessary remedial action is put into operation.

On behalf of the Group Management Board, the Group Audit and Risk Committee has reviewed the annual reports of the Group Chief Executive and those of the Internal Audit and Risk Management functions.

The Committee has considered the effectiveness of the system of internal control in existence in the organisation for the year ended 31 March 2013 and up to the date of the signing of the financial statements. No weaknesses were found in internal controls which resulted in material losses, contingencies, or uncertainties which require disclosure.

Statement of Board's responsibilities

in respect of the Board's report and the financial statements

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

Industrial and Provident Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the Association and of the surplus or deficit for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice 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 is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that its financial statements comply with the Industrial & Provident Societies Acts 1965 to 2003, the Housing Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012. The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

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

DISCLOSURE OF INFORMATION TO AUDITOR

The Board members who held office at the date of approval of this Board's report confirm that, so far as they are each aware, there is no relevant audit information of which the Association's auditors are unaware; and each Board member has taken all the steps that they ought to have taken as a Board member to make themselves aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

AUDITORS

A resolution is to be proposed at the Annual General Meeting for the re-appointment of KPMG LLP as auditors of the company.

By order of the Board

D Upton
Secretary

Date: 23 July 2013

Independent auditors report

to the members of Circle Anglia Limited

We have audited the financial statements of Circle Anglia Limited for the year ended 31 March 2013 which comprise the Group and Association Income and Expenditure Account, the Group Statement of Total Recognised Surpluses and Deficits, the Group and Association Balance Sheet, the Group Cash flow and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with section 128 of the Housing and Regeneration Act 2008 and section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members, as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE BOARD AND AUDITOR

As more fully explained in the Statement of Board's Responsibilities set out on page 58, the Association's Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB's website at **www.frc.org.uk/auditscopeukprivate.**

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the Group and Association as at 31 March 2013 and of the Group and Association's result for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2003 and the Industrial and Provident Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2003 and the Industrial and Provident Societies (Group Accounts) Regulations 1969 require us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

Chris Wilson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Forest Gate, Brighton Road
Crawley, West Sussex RH11 9PT

Date: 23 August 2013

Group and Association income and expenditure accounts

Group income and expenditure account
for the year ended 31 March 2013

	Note	Group 2013 £m	2012 £m
Turnover: continuing activities	3	345.9	332.7
Cost of sales	3	(9.2)	(18.6)
Operating Costs	3	(241.6)	(224.7)
Operating surplus: continuing activities	3	95.1	89.4
Surplus on sale of fixed assets – housing properties	6	9.5	3.3
Interest receivable and other income	7	5.0	2.7
Interest payable and similar charges	8	(83.8)	(73.8)
Surplus on ordinary activities before taxation		25.8	21.6
Tax charge on surplus on operating activities	10	(0.8)	(0.1)
Surplus for the financial year after taxation		25.0	21.5
Minority interests		(0.1)	(0.1)
Surplus for the financial year after minority interests		24.9	21.4

Statement of total Group recognised surpluses and deficits
for the year ended 31 March 2013

	Note	Group 2013 £m	2012 £m
Reported surplus for the financial year		24.9	21.4
Actuarial (losses)/gains recognised in the pension scheme net of deferred tax and exceptional pension credit	30	(1.8)	(11.3)
Total recognised surplus for the year		23.1	10.1

The results included in the income and expenditure account relate wholly to continuing activities.

Association income and expenditure account
for the year ended 31 March 2013

	Note	Association 2013 £m	2012 £m
Turnover: continuing activities	3	59.4	52.4
Operating costs	3	(57.9)	(52.0)
Operating surplus: continuing activities	3	1.5	0.4
Interest receivable and other income	7	-	-
Interest payable and similar charges	8	(1.0)	(0.5)
Surplus/(deficit) on ordinary activities before taxation		0.5	(0.1)
Tax charge on surplus on operating activities	10	(0.7)	0.1
Deficit for the financial year after taxation		(0.2)	-

Statement of total Association recognised surpluses and deficits
for the year ended 31 March 2013

	Note	2013 £m	2012 £m
Deficit for the financial year		(0.2)	-
Actuarial (losses)/gains recognised in the pension scheme net of deferred tax	30	(1.8)	(2.8)
Total recognised deficit since the last annual report		(2.0)	(2.8)

The results included in the income and expenditure account relate wholly to continuing activities.

Group balance sheet

as at year ended 31 March 2013

	Note	2013 £m	2012 £m
Tangible fixed assets			
Housing properties	11	2,082.3	2,039.9
Other tangible fixed assets	11	81.5	82.0
Goodwill	12	7.1	8.1
Investments	13	5.7	5.8
Investments in joint venture:			
Share of gross assets	13	-	0.1
Share of gross liabilities	13	-	-
Fixed asset investments:			
Investment – loans	13	-	9.2
Grant received	13	-	(9.2)
Investment in property under the Homebuy Scheme:			
Grant investment		13.1	13.3
Social housing grant		(13.1)	(13.3)
		2,176.6	2,135.9
Current assets			
Stock and work in progress	14	45.0	43.3
Debtors due within one year	15	118.5	89.2
		163.5	132.5
Investments	16	4.4	13.7
Cash at bank and in hand		9.2	19.3
		177.1	165.5
Creditors: Amounts falling due within one year	17	(172.0)	(171.8)
Net current assets/(liabilities)		5.1	(6.3)
Other debtors – amounts falling due after one year	15	185.3	216.4
Total assets less current liabilities		2,367.0	2,346.0
Creditors: Amounts falling due after more than one year	18	1,944.2	1,948.6
Long term pension liability	30	25.5	23.4
		1,969.7	1,972.0
Capital and reserves:			
Non-equity share capital	32	-	-
Designated and other restricted reserves	33	7.5	6.3
Revenue reserves	33	387.9	366.2
Minority interests		1.9	1.5
		397.3	374.0
Consolidated funds		2,367.0	2,346.0

The financial statements were approved by the Board on 23 July 2013 and signed on its behalf by:

Sir R Young
Board Member

S Braid
Board Member

D Upton
Secretary

Association balance sheet

as at year ended 31 March 2013

	Note	2013 £m	2012 £m
Tangible fixed assets			
Other tangible fixed assets	11	8.5	6.7
Investments	13	0.9	0.9
		9.4	7.6
Current assets			
Debtors due after one year	15	-	-
Debtors due within one year	15	12.5	4.3
		12.5	4.3
Cash at bank and in hand		0.1	10.0
		12.6	14.3
Creditors: Amounts falling due within one year	17	(18.9)	(7.5)
Net current (liabilities)/assets		(6.3)	6.8
Total assets less current liabilities		3.1	14.4
Creditors: Amounts falling due after more than one year	18	7.3	18.4
Long term pension liability	30	10.0	8.2
		17.3	26.6
Capital and reserves:			
Non-equity share capital	32	-	-
Revenue reserve	34	(14.2)	(12.2)
		3.1	14.4

The financial statements were approved by the Board on 23 July 2013 and signed on its behalf by:

Sir R Young
Board Member

S Braid
Board Member

D Upton
Secretary

Group cashflow statement

for the year ended 31 March 2013

	Note	2013 £m	2012 £m
Net cash inflow from operating activities	26	106.6	159.7
Returns on investments and servicing of finance			
Interest received		5.1	0.3
Interest paid		(89.3)	(76.6)
Net cashflow from returns on investment and servicing activities		(84.2)	(76.3)
Taxation paid			
Corporation tax paid		(0.5)	(0.5)
Capital expenditure			
Purchase and construction of housing properties		(122.2)	(148.5)
Social housing grants received		32.9	15.2
Sale of housing properties		19.2	4.6
Purchase of other fixed assets		(4.7)	(12.6)
Net cashflow from capital expenditure		(74.8)	(141.3)
Acquisitions and disposals			
Share issue to minority interest		0.1	0.2
Net cashflow from acquisitions and disposals		0.1	0.2
Cash outflow before management of liquid resources and financing		(52.8)	(58.2)
Management of liquid resources			
Cash withdrawn/(paid) from money market deposit accounts	27/28	9.3	(13.7)
Net sale/(purchase) of listed investments		-	(1.2)
		9.3	(14.9)
Financing			
Housing loans received net of payments	27/28	33.6	(165.4)
Cash received on issue of Bond debt	27/28	-	249.1
		33.6	83.7
(Decrease)/increase in cash	27/28	(9.9)	10.6

Notes to the financial statements

for the year ended 31 March 2013

1. Legal status

The Association is incorporated under the Industrial and Provident Societies Act 1965 and is also a Registered Provider under the Housing Act 1996.

2. Accounting policies

The Board believe it is appropriate to prepare the financial statements on a going concern basis, having reviewed the financial forecast. The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom, the Statement of Recommended Practice: accounting by registered social housing providers update 2010 and the Accounting Direction for Private Registered Providers of Social Housing 2012.

A summary of the more important accounting policies, which have been consistently applied, are set out below: -

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention, on an accruals basis.

(b) Basis of consolidation

The Group financial statements incorporate the financial statements of the Group's parent, Circle Anglia Limited, and its subsidiaries.

(c) Turnover

Turnover represents gross rental income receivable during the period net of voids, fees, management fees, direct works income, supporting people income, first tranche sales of shared ownership and other sundry sources.

(d) Interest payable

Interest payable is charged to the income and expenditure account in the year, except where it is capitalised on funds borrowed to finance developments.

Interest on borrowings is capitalised to housing properties under construction up to the date of completion of each scheme. The interest capitalised is either on borrowings specifically financing a scheme or on net borrowings to the extent that they are deemed to be financing a scheme. This treatment applies irrespective of the original purpose for which the loan was raised.

(e) Taxation

The charge for taxation is based on the result for the period and takes into account deferred taxation because of timing differences between the treatment of certain items for taxation and accounting purposes. No provision has been made for any taxation that would arise if the fixed assets were disposed of at the values included in the Financial Statements, since it is not intended to reduce significantly the size of housing stock and hence cause a material taxation liability to crystallise.

(f) Deferred tax

Except where otherwise required by accounting standards, full provision without discounting is made for all timing differences which have arisen but not reversed at the balance sheet date.

(g) Value added tax (VAT)

The Group is VAT registered in the name of Circle Anglia Limited, but the majority of its income, being rents, is exempt for VAT purposes and this gives rise to a partial exemption calculation. Expenditure for non-taxable activities is therefore shown inclusive of VAT and the input VAT recovered is credited against operating costs. Expenditure on taxable activities is shown exclusive of VAT.

(h) Housing properties

The Group operates a component accounting policy in relation to the capitalisation and depreciation of its completed housing property stock.

All housing properties are split between their land and structure costs and a specific set of major components which require periodic replacement. Refurbishment or replacement of such major components is capitalised and depreciated over the estimated useful life of the component as follows:

COMPONENT	USEFUL ECONOMIC LIFE
STRUCTURE	100
ROOF	60 (PITCHED) 15 (FLAT)
WINDOWS	30
KITCHEN	20
BATHROOM	30
CENTRAL HEATING (EX-BOILER)	30
BOILER	15
ELECTRIC SYSTEM	35
LIFTS	15
OTHER MAJOR COMPONENTS NOT LISTED ABOVE	26

The Group constantly monitors and reviews the useful economic lives of all components and make revisions where sustained material changes arise.

Improvements 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. Only the direct overhead costs associated with new developments or improvements are capitalised.

Housing properties under construction are stated at cost less capital development grants and are transferred to "Completed Schemes" once they are available for letting. No depreciation is provided on housing properties under construction.

Direct costs involved with administering development activities are capitalised to the extent that they are directly attributable to the development process and in bringing the properties into their intended use.

The Group's proportion of Shared Ownership housing stock is also included in fixed assets. Under the terms of tenancy agreements tenants have the right to purchase additional shares in these properties at an appropriate share of the open market valuation.

Homebuy – Investments and the associated grant under the Homebuy scheme are held within the balance sheet as fixed asset investments.

(i) Shared ownership properties

Shared ownership properties are split proportionately between fixed and current assets based on the element relating to their expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds are included in turnover with the remainder classed as a fixed asset.

(j) Properties for sale and stock

Shared ownership first tranches for sale, completed properties for outright sales and property under construction are valued at the lower of cost and net realisable value. Cost comprises land and building cost. Net realisable value is based on estimated sales price after allowing for the costs of completion and disposal.

(k) Depreciation of housing properties

Freehold land is not depreciated. Depreciation is charged so as to write down the value of housing properties to their estimated residual value, on a straight line basis, over their estimated useful economic lives in the business. The depreciable amount is assessed on an annual basis and is arrived at on the basis of original cost, less Social Housing Grant (SHG) and other grants, less residual value (being the actual or estimated open market value of the land at the date of purchase). The Group's housing properties are analysed into major component groups and depreciated over their useful economic life. Completed shared ownership properties are not depreciated.

(l) Impairment

Assessing impairment requires use of estimation techniques. In making this assessment, management considers publicly available information, external valuations and internal forecasts on future activity. The carrying amounts of fixed assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised in the income and expenditure account for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of an asset is the greater of its net realisable value (fair value less selling costs) and value in use.

Housing properties that are depreciated over a period in excess of 50 years are subject to impairment reviews annually.

(m) Social housing grant

Social Housing Grant (SHG) is receivable from the Homes and Communities Agency and is utilised to reduce the capital costs of housing properties.

SHG due from the Homes and Communities Agency or received in advance is included as a current asset or liability. SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates.

Non refundable SHG received in advance for the development of properties under the agreement with Tower Hamlets Housing Action Trust is shown as a reduction in cost.

SHG is subordinated in respect of loans on agreement with the Homes and Communities Agency. 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 or Disposal Proceed Fund and included in the balance sheet under creditors.

(n) Other grants

These include grants from local authorities and other organisations. The capital costs of housing properties are stated net of grants receivable on these properties. 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.

Grants received to enable loan funds to be established are credited to deferred income upon receipt. Upon lending to borrowers, the grants are transferred to fixed asset investments where they are netted off the amount owed by the borrower.

Grants received to enable loan funds to be established are shown as a deduction from the cost of fixed asset investments on the balance sheet. This is a departure from the rules under Schedule 4 of the Companies Act 2006, which requires the grants to be recorded as deferred income. Given the nature of these grants, the Board is of the opinion that the accounting policy that has been adopted is appropriate in order to present a true and fair view.

(o) Sale and leaseback

Properties held under sale and leaseback arrangements under which the Group retains the risks and rewards of ownership are included within housing properties at cost and valued on the same basis as all other completed housing properties. The Group recognises the substance of such financing arrangements as long-term loans. The associated finance charge is calculated on the carrying value of the loan outstanding.

(p) Stock transfers

Where opportunities for the regeneration of local authority housing stock arise after transfer requests from tenants and residents, the Association may seek to maximise the resources available for regeneration schemes by entering into VAT shelter arrangements. In these circumstances, the underlying substance of the transactions is reflected in the accounts on a gross basis. The obligation to the local authorities is shown as long term debtors and the obligation to contractors under the refurbishment contracts is shown in long term creditors. Amounts due within one year under the arrangements are classified within current assets and liabilities.

(q) Other tangible fixed assets and depreciation

Other tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected useful lives of the assets with a full year's depreciation being charged in the year of purchase. The principal annual rates used are:

LEASEHOLD / FREEHOLD OFFICES	1%
FURNITURE, FIXTURES AND FITTINGS	20%
COMPUTER EQUIPMENT	BETWEEN 20% & 33%
MOTOR VEHICLES	20%

(r) Lease obligations

Where assets are financed by leasing arrangements that give rights approximating to ownership, they are classified as finance leases and are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payment due during the term of the lease. The corresponding leasing commitments are shown as obligations to the lessor. Rentals paid under operating leases (including those paid under 'Temporary Market Rent Housing' leases) are charged to the income and expenditure account on an accruals basis.

(s) Investments

Investments are valued at the lower of cost and net realisable value. Fixed asset investments represent amounts falling due from borrowers on varying types of loan agreement and includes amounts in respect of Property Appreciation Loans (PAL). Such loans can include repayment periods in excess of sixty years.

(t) Deferred indexation

The Group has entered into loan arrangements for specific schemes where interest payments are deferred at the beginning of the repayment period or where the principal outstanding is subject to annual indexation. Where the Group has entered into corresponding agreements with third parties (usually local authorities) to guarantee the payment of any deficits arising on these schemes, the amount of the deferral or indexation is treated as an asset.

(u) Deferred income

Deferred income comprises both premiums on leases which are released over the life of the lease and other income received which is carried forward over the lives of the assets concerned.

(v) Finance costs

Loan origination fees in respect of the issue of new loan facilities whose draw down is certain, are deferred and written off to the income and expenditure account over the expected life of the loan. Loan origination fees in respect of the refinancing of existing debt or in respect of undrawn facilities whose draw down is uncertain, are written off directly to the income and expenditure account.

(w) Joint arrangements

The Group has entered into two contractual arrangements that under FRS9 are classed as 'a joint arrangement that is not an entity'. Accordingly the Group has accounted for its assets, liabilities and cash flows in respect of those arrangements, measured according to the terms of the agreements governing the arrangements, and in line with the Group's accounting policies.

(x) Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the Balance Sheet date and the gains or losses on translation are included in the income and expenditure account.

Where foreign currency borrowings have been used to finance, or provide a hedge against, group equity investments in foreign enterprises, exchange gains or losses on the borrowings, which would otherwise have been taken to the income and expenditure account, are offset as reserve movements against exchange differences arising on the re-translation of the net investments. This policy is applied to the extent that:

- in any accounting period, the exchange gains and losses arising on foreign currency borrowings are offset only to the extent of the exchange differences arising on the net investments in foreign enterprises; and
- the foreign currency borrowings, whose exchange gains or losses are used in the offset process, do not exceed, in aggregate, the total amount of cash that the net investments are expected to be able to generate.

(y) Pensions

The Group participates in several defined benefit pension schemes which provide benefits based on final pensionable pay. The assets of the schemes are held separately from those of the Group, being invested in independently managed superannuation funds.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. In accordance with FRS17, the pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the Statement of Total Recognised Surpluses and Deficits, actuarial gains and losses.

Pension costs are assessed in accordance with the advice of independent qualified actuaries. Costs include the regular cost of providing benefits which, it is intended, should remain a substantially level percentage of the current and expected future earnings of the employees covered. Variations from the regular pension costs are spread evenly through the income and expenditure account over the average remaining service lives of the current employees.

Certain employees have opted to take out separate arrangements under various defined contribution schemes which they have chosen. The assets of such schemes are also separate from those of the Group, being invested by independent fund managers. Contributions by the Group are charged to the income and expenditure account for the year in which they are payable to the schemes.

The Group participates in the Social Housing Pension Scheme (the Scheme). The Scheme is funded and is contracted-out of the State Pension scheme.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the Scheme is a multi employer scheme where the Scheme assets are co-mingled for investment purposes, and benefits are paid for total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS 17 represents the employer contribution payable.

The Group also participates in several stakeholder pension schemes to provide retirement benefits for eligible employees of the Group. Contributions to the Stakeholder Pension Schemes are calculated as a percentage of pensionable salary and are charged to the income and expenditure account. The schemes are not contracted out of the State Earnings Related Pension Scheme. Monthly contributions from each member are invested in the Standard Life Corporate Plan in accordance with the wishes of each member.

(z) Designated and other restricted reserves

Where funding has been received from bodies other than the Homes and Communities Agency, amounts have been set aside in respect of major repairs and the replacement of furniture and fittings, in accordance with individual funding arrangements.

Sinking funds to cover the cost of major works are held on trust where required for leaseholders. Annual contributions from leaseholders are based on independent qualified Chartered Surveyors' review of stock condition surveys and a programme of planned works. The contributions are set aside to a designated reserve.

(aa) Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries represents the excess of fair value of the identifiable net assets acquired over the fair value of the consideration given and is taken immediately to the income and expenditure account.

(bb) Goodwill

Goodwill arising on the acquisition of subsidiaries is initially measured at cost over the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Any impairment is recognised immediately in the Income Statement.

3.

Turnover, other costs, operating costs and operating surplus

Group – continuing activities

	2013 Turnover £m	2013 Cost of sales £m	2013 Operating costs £m	2013 Operating Surplus £m	2012 Turnover £m	2012 Operating Surplus £m
Social housing lettings	303.6	-	(214.6)	89.0	283.7	84.7
Other social housing activities						
Supporting people contract income	10.4	-	(10.3)	0.1	10.7	(1.2)
Management services	1.2	-	(0.9)	0.3	1.7	0.5
Community regeneration	0.6	-	(4.1)	(3.5)	0.7	(1.7)
First tranche sales	10.3	(8.7)	-	1.6	15.2	1.3
Intermediate rent	1.0	-	(0.4)	0.6	-	-
Other	9.5	(0.5)	(9.8)	(0.8)	11.0	0.7
	33.0	(9.2)	(25.5)	(1.7)	39.3	(0.4)
Non-social housing activities						
Lettings	9.3	-	(1.5)	7.8	9.7	5.1
	345.9	(9.2)	(241.6)	95.1	332.7	89.4

3.

Turnover, other costs, operating costs and operating surplus

Association – continuing activities

	2013 Turnover £m	2013 Cost of sales £m	2013 Operating costs £m	2013 Operating Surplus £m	2012 Turnover £m	2012 Operating Surplus (deficit) £m
Social housing lettings	59.4	-	(57.9)	1.5	52.4	0.4

3.

Turnover, other costs, operating costs and operating surplus

Particulars of income and expenditure from social housing lettings

Group	General needs housing £m	Supported housing £m	Temporary social housing £m	Shared ownership £m	Lease £m	2013 Total £m	2012 Total £m
Rent receivable net of identifiable service charges	243.0	23.7	3.7	11.8	0.1	282.3	262.8
Charges for support services -	-	-	-	-	-	-	
Service charges receivable	12.3	6.0	0.1	2.7	3.8	24.9	24.0
Gross rents receivable	255.3	29.7	3.8	14.5	3.9	307.2	286.8
Less: rent losses from voids	(3.3)	(1.1)	(0.1)	(0.1)	-	(4.6)	(3.6)
Net rents receivable	252.0	28.6	3.7	14.4	3.9	302.6	283.2
Other revenue grants	0.8	0.1	-	0.1	-	1.0	0.5
Turnover from social housing lettings							
	252.8	28.7	3.7	14.5	3.9	303.6	283.7
Management	(30.3)	(10.0)	(0.2)	(1.7)	(7.9)	(50.1)	(47.1)
Service charges	(20.5)	(6.5)	-	(1.9)	(3.7)	(32.6)	(28.2)
Routine maintenance	(39.2)	(3.2)	(0.2)	(0.7)	(2.5)	(45.8)	(43.5)
Planned maintenance	(22.8)	(2.8)	-	(0.8)	(1.8)	(28.2)	(29.0)
Bad debts	(0.9)	(0.1)	-	(0.1)	(0.4)	(1.5)	(1.3)
Property lease charges	(0.1)	-	(0.7)	-	-	(0.8)	(1.3)
Depreciation of housing properties	(33.1)	(3.0)	(0.1)	-	-	(36.2)	(31.5)
Impairment of housing properties	(1.6)	(0.5)	-	0.2	-	(1.9)	0.2
Other costs	(13.7)	(1.6)	-	(0.7)	(1.5)	(17.5)	(17.3)
Operating costs on social housing lettings	(162.2)	(27.7)	(1.2)	(5.7)	(17.8)	(214.6)	(199.0)
Operating surplus on social housing lettings	90.6	1.0	2.5	8.8	(13.9)	89.0	84.7
As a percentage of operating surplus on social housing letting	101.8%	1.1%	2.8%	9.9%	(15.6)%	100%	

The following ratios have been calculated to assist with clarity:	2013 £	2012 £
Operating cost per social housing unit (general needs only)	3,536	3,298
Maintenance spend per average number of social housing units owned	2,320	3,092
Management spend per average number of social housing units owned	813	776
Services spend per average number of social housing units owned	529	465
Overheads as a percentage of income	27.2%	28.7%

4. Accommodation in management and development

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

	Group 2013 No.	Group 2012 No.
Social housing		
Social rent	44,900	45,706
Affordable rent	1,124	-
General needs housing	46,024	45,706
Supported housing and housing for older people	5,352	5,367
Low cost ownership	4,257	4,171
Intermediate rent	786	488
Social leased	5,463	5,434
Staff accommodation	66	63
Total social housing owned	61,948	61,229
Non-social housing		
Non-social rented	1,901	1,912
Garages	1,494	1,530
Non-social leased	710	701
Other non-social	12	44
Total non-social housing owned	4,117	4,190
Total housing owned	66,065	65,419
Accommodation managed for others	74	170
Stock owned but not managed	(849)	(611)
Total managed	65,290	64,978
Accommodation in development at the year end	1,462	727

Note: Non social rented properties includes 1,023 properties (2012: 1,023) owned by Landericus.

Properties owned by Leamington Waterfront LLP are shown as properties under construction and Your Lifespace Limited are shown as completed properties in stock and work in progress (note 14).

5. Operating surplus

This is arrived at after (crediting)/charging:

	Group 2013 £m	Group 2012 £m	Association 2013 £m	Association 2012 £m
Depreciation of housing properties	37.1	31.9	-	-
Impairment of social housing properties	(1.9)	(0.2)	-	-
Reversal of impairment of non social housing stock	3.2	-	-	-
Impairment of stock and work in progress	(0.3)	-	-	-
Depreciation of other Tangible fixed assets	5.1	4.9		3.2
Amortisation of goodwill	1.0	1.5	-	-
Operating lease rentals	1.1	4.3		2.5
Current and past service costs, including settlements and curtailments	2.2	2.1		0.4
Auditor's Remuneration:				
-for audit services	0.2	0.2	-	-
-for non-audit services - assurance	0.1	0.1	0.1	-
-for non-audit services – advisory	-	0.1	-	0.1
-for non-audit services – taxation	0.1	0.1	0.1	0.1

6. Surplus on sale of fixed assets – housing properties

	Group 2013 £m	Group 2012 £m
Sales proceeds	32.3	19.3
Cost of sales	(22.8)	(16.0)
	9.5	3.3

Cost of sales includes fees incurred in addition to the asset carrying value.

7. Interest receivable and other income

	Group 2013 £m	Group 2012 £m	Association 2013 £m	Association 2012 £m
Interest receivable on bank deposits	0.4	0.8	-	-
Interest received on derivatives	0.1	-	-	-
Other interest earned	0.3	-	-	-
Interest receivable from unlisted investments	4.0	1.6	-	-
Interest receivable on FRS 17 pension schemes	0.2	0.3	-	-
	5.0	2.7	-	-

8. Interest payable and similar charges

	Group 2013 £m	Group 2012 £m	Association 2013 £m	Association 2012 £m
Interest on loans	21.2	24.2	-	-
Interest on bonds	39.9	27.9	-	-
Loan breakage costs - net	(1.4)	(1.1)	-	-
Other interest payable	1.9	2.9	-	-
Interest payable on derivatives	24.3	22.3	-	-
Other finance costs – pension FRS 17	0.6	0.3	0.4	0.2
Finance charges re Finance Leases	0.1	0.1	-	-
Interest to subsidiaries	-	-	0.6	0.3
	86.6	76.6	1.0	0.5
Interest payable capitalised on Housing Properties under construction	(2.8)	(2.8)	-	-
	83.8	73.8	1.0	0.5
Capitalisation rate used to determine the finance costs capitalised during the period	5.13%	4.86%	-	-

9. Employees

	Group 2013 No.	Group 2012 No.	Association 2013 No.	Association 2012 No.
Average monthly number of employees (FTE)				
Administration	434	401	430	373
Care	405	450	-	-
Developing or selling housing stock	36	35	30	27
Managing or maintaining housing stock	1,094	1,085	32	19
	1,969	1,971	492	419

	Group 2013 £m	Group 2012 £m	Association 2013 £m	Association 2012 £m
Staff Costs:				
Wages and salaries	64.1	62.8	21.3	17.4
Social security costs	6.2	6.1	2.3	1.9
Other pension costs	3.8	3.8	1.4	1.2
	74.1	72.7	25.0	20.5

Circle Support employs the majority of their staff directly. With the exception of Circle Support, and Anglia Maintenance Services Limited's non-salary based employees, all other employees within the Group are employed by Circle Anglia Limited. The resulting employment costs attributable to each Association/Company are recharged via the Service Level Agreement (SLA).

9. Employees

Board members and Executive Officers

During the year, Board members and Executive Officers received emoluments (including pension contributions and benefits in kind) totalling £1,551,119 (2012: £1,055,202). Expenses paid during the year to the Board and committee members amounted to £21,423 (2012: £20,230).

The emoluments of the highest paid director, the Chief Executive, excluding pension contributions and termination payments, were £244,601 (2012: £237,281). Pension contributions paid into a defined contribution scheme on behalf of the Chief Executive were £57,503 (2012: £56,375).

The executive officers, including the Chief Executive, participate in the Group stakeholder pension scheme on the same terms as all other eligible staff.

Remuneration in the year to the non-executive Management Board members of Circle is shown as follows:

	2013			2012
	Fees £	Expenses reimbursed £	Total £	Total £
Sir Robin Young	26,775	166	26,941	26,416
Simon Braid[2]	13,515	1,125	14,640	14,375
Tania Brisby	12,240	109	12,349	12,109
Jane Clarkson JP	14,280	2,164	16,444	16,164
Murray Foster	13,515	1,935	15,450	15,185
Stephen Jacobs	6,758	-	6,758	-
Baroness Jones of Whitchurch[1]	14,382	131	14,513	14,231
Brenda Reynolds	14,280	638	14,918	14,638
Brian Stewart OBE	7,140	202	7,342	-
	122,885	6,470	129,355	113,118
Former non-executive management Board members:				
Robert Burgin	4,080	475	4,555	12,475
Jane Gurney-Read[1]	4,505	1,611	6,116	14,861
	8,585	2,086	10,671	27,336
Total	131,470	8,556	140,026	140,454

[1] Chair of the Remuneration and Succession Committee

[2] Chair of the Audit and Risk Committee

Basic fees of £12,000 are payable to members on the Management Board and additional fees relate to work undertaken on behalf of the Group or Group Partners.

The Executive Officer Team has been in the course of development and is now complete.

Gross salary including bonuses and excluding pension contributions and benefits in kind in the year to the Executive Officers of Circle is shown as follows:

2013	Basic Salary £	Performance Bonus £	Termination Payments £	Total £
Mark Rogers	209,100	25,092	-	234,192
Calum Mercer (resigned 1 September 2012)	72,534	-	196,092*	268,626
Francesco Elia (Interim – appointed 1 September 2012)	72,917	7,300	-	80,217
Andy Doylend	153,000	16,830	-	169,830
Sara Trota	142,800	14,280	-	157,080
Maria Heckel (resigned 12 April 2013)	153,000	3,825	-	156,825
Deborah Upton	107,610	8,608	-	116,218
Rosemary Boot (appointed 25 June 2012 and resigned 25 January 2013)	90,476	-	-	90,476
Total	1,001,437	75,935	196,092	1,273,464

*Termination payments includes pay in lieu of notice of £98,046 and a termination payment of £98,046.

2012	Basic Salary	Performance Bonus	Termination Payments	Total £
Mark Rogers	205,000	22,550	-	227,550
Calum Mercer	150,000	9,750	-	159,750
Andy Doylend	138,000	3,750	-	141,750
Sara Trota	136,226	6,650	-	142,876
Maria Heckel (appointed 12 September 2011)	83,523	4,125	-	87,648
Deborah Upton (appointed 3 January 2012)	25,975	1,456	-	27,431
Total	738,724	48,281	-	787,005

9. Employees

Employee remuneration

The number of staff in the Group receiving remuneration in excess of £60,000 as at 31 March 2013 is shown as follows:

	2013	2012
£60,000 - £69,999	37	37
£70,000 - £79,999	18	18
£80,000 - £89,999	12	11
£90,000 - £99,999	9	12
£100,000 - £109,999	8	5
£110,000 - £119,999	3	-
£120,000 - £129,999	1	-
£130,000 - £139,999	1	1
£140,000 - £149,999	2	1
£150,000 - £159,999	-	-
£160,000 - £169,999	2	1
£170,000 - £179,999	-	1
£180,000 - £189,999	-	-
£190,000 - £199,999	-	-
£200,000 - £209,999	-	-
£210,000 - £219,999	-	-
£220,000 - £229,999	-	1
£230,000 - £239,999	1	-
£240,000 - £249,999	-	-
£250,000 - £259,999	-	-
£260,000 - £269,999	-	-
£270,000 - £279,999	-	-
£280,000 - £289,999	1	-

Ratio of highest to lowest earners

The ratio of the highest earner (gross salary including any bonus paid in the year) compared to the lowest earner (annualised gross salary including any bonus paid in the year) is shown as follows:

	2013	2012
Ratio of highest to lowest earner	16:1	16:1

Chief Executive and Chair's remuneration on a £ by unit basis

The gross salary, including any bonus paid in the year to the Chief Executive and Chair, divided by the total number of homes owned is as follows:

	2013	2012
	£	£
Chief Executive	3.54	3.48
Chair	0.41	0.40

10. Tax on surplus on ordinary activities

	Group		Association	
	2013 £m	2012 £m	2013 £m	2012 £m
Current tax				
UK Corporation Tax charge on surpluses for the year	0.6	0.3	0.5	-
Adjustment in respect of prior years	(0.1)	-	-	-
Total current tax charge	0.5	0.3	0.5	-
Deferred tax				
Deferred tax on pension charge	0.3	0.2	0.2	(0.1)
Total deferred tax charge	0.3	0.2	0.2	(0.1)
Tax charge/(credit) on surpluses for the year	0.8	0.1	0.7	(0.1)

	Group		Association	
Current year tax reconciliation	2013 £m	2012 £m	2013 £m	2012 £m
Surplus on ordinary activities before tax	25.8	21.6	0.5	-
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 24% (2012: 26%)	6.2	5.6	0.1	-
Timing differences on exceptional pension credits	-	(0.2)	-	(0.1)
Surpluses of charitable entities not subject to corporation tax	(7.8)	(6.3)	-	-
Depreciation in excess of capital allowances	0.3	0.4	0.3	0.4
Other non-deductible expenditure, net of allowable capital costs	1.3	1.1	0.2	0.1
Gift aid timing differences	0.2	-	-	-
Other timing differences	0.1	-	-	-
Losses carried forward	-	-	-	-
Utilisation of losses	0.3	(0.3)	(0.1)	(0.4)
Adjustments in respect of prior years	(0.1)	-	-	-
Total current tax charge	0.5	0.3	0.5	-

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. This will reduce the company's future current tax charge accordingly. The deferred tax asset at the balance sheet date has been calculated based on the rate of 23% substantively enacted at the balance sheet date.

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly

11.

Tangible fixed assets

Group – Housing properties

	Completed Properties		Housing Properties Under Construction		
	Housing properties held for letting £m	Shared ownership housing properties £m	Housing properties held for letting £m	Shared ownership housing properties £m	Total £m
Cost					
As at 1 April 2012	3,142.0	335.3	53.6	26.1	3,557.0
Movements in the year					
Additions:					
- Spend in new 12/13 WIP schemes	-	-	5.7	9.2	14.9
- Works in existing properties / schemes	68.9	-	34.6	3.8	107.3
Capitalised interest	-	-	1.6	-	1.6
Schemes completed in the year	51.3	22.0	(51.3)	(22.0)	-
Disposals	(3.2)	(4.8)	(11.5)	-	(19.5)
Reclassification between tenures	(1.8)	-	4.1	(2.3)	-
Transfer to stock and work in progress	-	-	(4.1)	(3.3)	(7.4)
Impairments	1.1	0.2	-	-	1.3
As at 31 March 2013	3,258.3	352.7	32.7	11.5	3,655.2
Social housing grant					
As at 1 April 2012	(1,214.0)	(99.2)	(43.2)	(5.1)	(1,361.5)
Additions:					
- New schemes	-	-	(9.5)	(2.8)	(12.3)
- Existing properties / schemes	(2.7)	-	(16.7)	(1.2)	(20.6)
Schemes completed in the year	(23.3)	(10.5)	23.3	10.5	-
Transfer to stock and work in progress	-	-	2.6	-	2.6
Reclassification between tenures	-	-	5.0	(5.0)	-
Disposals	1.1	0.9	9.6	-	11.6
As at 31 March 2013	(1,238.9)	(108.8)	(28.9)	(3.6)	(1,380.2)
Depreciation					
As at 1 April 2012	(153.5)	(2.1)	-	-	(155.6)
Charged in the year	(37.2)	-	-	-	(37.2)
Released on disposal	0.1	-	-	-	0.1
As at 31 March 2013	(190.6)	(2.1)	-	-	(192.7)
Net book value					
As at 31 March 2013	1,828.8	241.8	3.8	7.9	2,082.3
As at 31 March 2012	1,774.5	234.0	10.4	21.0	2,039.9

11.

Tangible fixed assets

Group – Housing properties

Works to existing properties

The amount spent on existing properties during the year is as follows:

	2013 £m	2012 £m
Capitalised in fixed assets	68.9	115.1
Expensed in the income and expenditure account – routine maintenance	45.8	43.5
Expensed in the income and expenditure account – planned maintenance	28.2	29.0
	142.9	187.6

On 31 March 2013, the Group's housing properties were valued by FPD Savills Consulting, an independent firm of Chartered Surveyors, based on their full valuation at 31 March 2009 and updated for the following:

- Changes in stock numbers during the year
- Average rental increases
- Any significant variances in the expenditure profile

In determining these valuations valuers made use of discounted cash flow methodology and the following assumptions were made:

Future rent increases	Retail Price Index plus 0.5% long-term
Real discount rates	4.5% - 7.0%
Valuations EUV-SH	£2,886,246,000

Included in the total net book value of £2,082.8 million is £0.5 million (2012: £0.5 million) in respect of assets held under finance lease contracts. Depreciation for the year on these assets was £nil million (2012: £nil million).

11. Tangible fixed assets

Other

Group

	Leasehold/ freehold offices £m	Furniture, fixtures and fittings £m	Computer equipment £m	Total £m
Cost				
As at 1 April 2012	79.6	13.5	26.0	119.1
Additions	0.9	-	5.7	6.6
Impairment reversal	0.1	-	-	0.1
Transfers between categories	(1.9)	1.6	0.3	-
Disposals	(2.8)	-	(0.3)	(3.1)
As at 31 March 2013	75.9	15.1	31.7	122.7
Depreciation				
As at 1 April 2012	(5.7)	(11.1)	(20.3)	(37.1)
Charge for year	(0.5)	(1.4)	(3.4)	(5.3)
Written back on disposals	0.9	-	0.3	1.2
As at 31 March 2013	(5.3)	(12.5)	(23.4)	(41.2)
Net Book Value				
As at 31 March 2013	70.6	2.6	8.3	81.5
As at 31 March 2012	73.9	2.4	5.7	82.0

Association

	Leasehold/ freehold offices £m	Furniture, fixtures and fittings £m	Computer equipment £m	Total £m
Cost				
As at 1 April 2012	0.4	4.1	13.3	17.8
Additions during year	-	-	5.5	5.5
As at 31 March 2013	0.4	4.1	18.8	23.3
Depreciation				
As at 1 April 2012	(0.1)	(2.7)	(8.3)	(11.1)
Charge for year	(0.1)	(0.7)	(2.9)	(3.7)
As at 31 March 2013	(0.2)	(3.4)	(11.2)	(14.8)
Net Book Value				
As at 31 March 2013	0.2	0.7	7.6	8.5
As at 31 March 2012	0.3	1.4	5.0	6.7

12. Goodwill

In January 2011, Leamington Waterfront LLP became a full subsidiary of the Group (previously a joint venture), generating £9.6 million of goodwill. The goodwill is being amortised over the life of the development scheme as properties are sold.

	2013 £m	2012 £m
As at 1 April	8.1	9.6
Amortisation in the year	(1.0)	(1.5)
As at 31 March	7.1	8.1

The goodwill has been reviewed for impairment and as the conditions surrounding the original impairment have not materially or significantly changed, then it is felt that the level of impairment recognised in 2011 is still appropriate.

13. Investments

Investments in Subsidiaries

	% Share Capital Owned	Registrar of Friendly Societies	Registered With Companies Registrar	Registered With Homes and Communities Agency	Registered With Charity Commission	Financial Services Authority
Circle Anglia Limited is the Parent Company of:						
Circle Thirty Three Housing Trust Limited	100	●	-	●	-	-
Mercian Housing Association Limited	100	●	-	●	-	-
Merton Priory Homes	100	●	-	●	-	-
Mole Valley Housing Association Limited	100	●	-	●	-	-
Old Ford Housing Association Limited	100	-	●	●	-	-
Roddons Housing Association Limited	100	●	-	●	-	-
Russet Homes Limited	100	●	-	●	-	-
South Anglia Housing Limited	100	●	-	●	-	-
Wherry Housing Association Limited	100	●	-	●	-	-
Circle Anglia Foundation Limited	100	-	●	-	●	-
Circle Anglia Social Housing plc	100	-	●	-	-	-
Circle Anglia Treasury Limited	100	-	●	-	-	-
Circle Care and Support Limited	100	-	●	-	●	-
Circle Thirty Three Housing Trust Limited is the Parent Company of:						
Your Lifespace Limited	100	-	●	-	-	-
Thackeray Mews Limited	62	-	●	-	-	-

	% Share Capital Owned	Registrar of Friendly Societies	Registered With Companies Registrar	Registered With Homes and Communities Agency	Registered With Charity Commission	Financial Services Authority
Your Lifespace Limited is the Parent Company of:						
Leamington Waterfront LLP	100	-	●	-	-	-
Landericus Limited *	91.64	-	●	-	-	-
Mercian Housing Association Limited is the Parent Company of:						
Art Homes Limited	100	-	●	-	-	●
Zenith Developments Limited	100	-	●	-	-	-
Old Ford Housing Association is the Parent Company of:						
Old Ford Homes Limited	100	-	●		-	-
Circle Anglia Foundation Limited is the Parent Company of:						
Circle Living Limited	100	-	●	-	-	-
Circle Living Limited is the Parent Company of:						
Anglia Maintenance Services Limited	100	-	●	-	-	-
Invicta Telecare Limited	100	-	●	-	-	-

All of the above are participants in the Group Borrowing Facility with the exception of Circle Anglia Social Housing plc, Circle Living Limited, Circle Care and Support Limited, Anglia Maintenance Services Limited, Your Lifespace Limited, Circle Anglia Foundation Limited, Invicta Telecare Limited, Art Homes Limited, Zenith Developments Limited, Old Ford Homes Limited, Landericus Limited, Thackeray Mews Limited and Leamington Waterfront LLP.

The subsidiaries are all incorporated in the United Kingdom apart from Landericus Limited which is a Guernsey registered company.

* Landericus Limited is the parent Company of the following (owning 100% of each); Landericus Property Holding S.a.r.l, Landericus Property Alpha S.a.r.l, Landericus Property Beta S.a.r.l, Landericus Property Delta S.a.r.l, Landericus Property Gamma S.a.r.l, Landericus Property Epsilon S.a.r.l, Landericus Property Zeta S.a.r.l, Landericus Property Eta S.a.r.l.

Procedure Agreements exist between Circle Anglia Limited and the subsidiaries covering the respective obligations of all parties.

13. Investments

Investments in Subsidiaries (cont.)

Operating surplus/(deficit) and the net asset/liabilities position of the subsidiary undertakings at 31 March 2013:

	Operating surplus/ (deficit) 2013 £m	2012 £m	Total assets less current liabilities 2013 £m	2012 £m
Anglia Maintenance Services Limited	0.3	0.3	(0.8)	(0.5)
Circle Anglia Foundation Limited	0.9	0.2	1.5	0.6
Circle Anglia Treasury Limited	-	0.1	0.1	0.1
Circle Anglia Social Housing Plc	-	-	0.1	0.1
Circle Living Limited	0.2	0.3	0.2	0.5
Circle Thirty Three Housing Trust Limited	34.2	30.3	136.9	119.6
Circle Care and Support Limited	-	0.1	1.4	1.5
Your Lifespace Limited	-	(0.2)	(8.8)	(6.8)
Old Ford Homes Limited	-	0.1	0.3	0.4
Old Ford Housing Association	2.4	1.6	17.4	19.5
South Anglia Housing Limited	12.8	11.9	(7.8)	(5.8)
Wherry Housing Association Limited	12.4	9.7	0.8	0.5
Mole Valley Housing Association	5.3	5.5	37.9	46.7
Roddons Housing Association	2.9	4.2	24.2	25.5
Russet Homes Limited	15.9	16.5	39.6	32.1
Invicta Telecare Limited	0.3	0.5	0.2	(0.2)
Thackeray Mews Limited	-	-	-	-
Landericus Limited	0.8	2.0	56.3	55.4
Mercian Housing Association Limited	3.2	3.2	29.3	30.0
Art Homes Limited	-	(0.5)	-	(0.5)
Zenith Developments Limited	-	0.2	0.1	0.3
Merton Priory Homes	7.2	7.2	162.5	175.3
Leamington Waterfront LLP	(2.0)	(0.3)	(3.5)	(3.2)
	96.8	92.9	487.9	491.1

13. Investments

listed and unlisted

Included in investments are:	Group 2013 £m	2012 £m	Association 2013 £m	2012 £m
Cost of shares - Circle Anglia Social Housing Plc	-	-	0.1	0.1
Costs of acquiring Mercian Housing Association	-	-	0.8	0.8
Listed investments	5.5	5.6	-	-
Unlisted investments	0.2	0.2	-	-
	5.7	5.8	0.9	0.9

Investments comprise a long term loan of £10,000, a loan to UK Rents (No1) plc of £110,060 representing 2% of the securitisation loan which is withheld by UK Rents (No1) plc as a cash reserve under the terms of the loan agreement, and the market value of £5,477,381 (2012: £5,529,763) comprising of gilt edged stock, cash and other Housing Association debenture stocks which are held in accordance with the terms of the issue of 7% Secured Bonds (Haven Funding (32) plc). The Association can only draw on the Haven Funding (32) plc investment on maturity of the loan.

13. Investments

Associates and Joint Ventures

	Country of Incorporation	Principal Activity	Class and Percentage of Shares Held	Parent Company
Associated undertakings - joint ventures				
Tredegar Development Company Limited	England	Development of property	50% 1 £1 Ordinary B Share	Old Ford Homes Limited
T3B Development Company Limited	England	Development of property	50% 1 £1 Ordinary B Share	Old Ford Homes Limited
Wideacre Lifespace Scott LLP	England and Wales	Development of property	50% 1 £1 Ordinary B Share	Old Ford Homes Limited
Wideacre Lifespace Saffron LLP	England and Wales	Development of property	50% 1 £1 Ordinary B Share	Old Ford Homes Limited
Associated undertakings - associates				
Key London Alliance	England and Wales	Development of property	25%	Circle 33 Housing Trust Limited

Key London Alliance was struck off during the year as the development work had completed and all properties were sold in prior years.

The total of the Group's loss before taxation from interests in associates and joint ventures was £nil (2012: loss before taxation £27,000).

13. Investments

Associates and Joint Ventures (cont.)

The amounts included in respect of associates and joint ventures comprise the following:

	Joint Ventures Total		Associate Total	
	2013 £m	2012 £m	2013 £m	2012 £m
Share of turnover	-	-	-	-
Share of assets				
- Share of current assets	-	0.1	-	-
Share of liabilities				
- Due within one year	-	-	-	-
Share of net assets/(liabilities)	-	0.1	-	-

13. Investments

loans

	Group	
	2013 £m	2012 £m
Loans	-	9.2
Grants	-	(9.2)
	-	-

Fixed asset investments represent amounts falling due from borrowers on varying types of loan agreement and includes amounts in respect of Property Appreciation Loans (PAL). Such loans can include repayment periods in excess of sixty years.

Grants received to enable loan funds to be established are credited to deferred income upon receipt. Upon lending to borrowers, the grants are transferred to fixed asset investments where they are netted off the amount owed by the borrower.

14. Stock and work in progress

	Group	
	2013 £m	2012 £m
Parts and warehouse stores	0.1	0.1
Completed properties	10.7	26.2
Properties under construction	34.2	17.0
	45.0	43.3

Warehouse stores and work in progress are held by Roddons Housing Association Limited.

Stock of housing properties comprises acquisition and development expenditure on shared ownership properties first tranche. Capitalised development interest charged to stock during the year is £1,207,000 (2012: £959,000).

15. Debtors

	Group		Association	
	2013 £m	2012 £m	2013 £m	2012 £m
Due after more than one year:				
Amount due from subsidiaries	-	-	-	-
Stock transfer – future works (note 20)	185.3	216.4	-	-
	185.3	216.4	-	-
Due within one year:				
Rent and service charges receivable	21.3	21.3	-	-
Less: Provision for bad and doubtful debts	(9.1)	(8.7)	-	-
	12.2	12.6	-	-
Amounts due from subsidiary undertakings	-	-	9.9	1.1
Stock transfer – future works (note 20)	59.5	56.9	-	-
Other debtors	29.8	12.5	1.3	1.5
Prepayments and accrued income	16.9	6.7	1.3	1.3
Corporation tax debtor	-	0.4	-	-
Deferred taxation	0.1	0.1	-	0.4
	106.3	76.6	12.5	4.3
Total debtors - within one year	118.5	89.2	12.5	4.3

16. Current asset investments

	Group 2013 £m	Group 2012 £m	Association 2013 £m	Association 2012 £m
Money market deposits – collateral	0.7	0.7	-	-
Money market deposits	4.4	13.0	-	-
	4.4	13.7	-	-

The collateral deposits represent a cash deposit that the Group has to place with a derivative counterparty when the fair value of a derivative or portfolio of derivatives exceeds an agreed amount.

17. Creditors: Amounts falling due within one year

	Group 2013 £m	Group 2012 £m	Association 2013 £m	Association 2012 £m
Bank overdraft (note 21)	8.1	8.3	-	-
Bank loans and borrowings (note 21)	6.7	3.8	-	-
	14.8	12.1	-	-
Trade creditors	8.6	5.8	0.7	0.8
Capital creditors	3.8	4.8	-	-
Rent and service charge received in advance	8.7	8.6	-	-
Amount owed to Group undertakings	-	-	12.5	2.2
Recycled capital grant fund (note 19)	2.6	4.7	-	-
Disposal proceeds fund (note 19)	2.4	3.6	-	-
Corporation Tax	-	0.3	-	-
Other taxation and social security	2.2	1.9	2.0	1.8
Other creditors	6.4	16.2	0.2	0.6
Stock transfer – future works (note 20)	59.5	56.9	-	-
Accruals and deferred income	63.0	56.9	3.5	2.1
	172.0	171.8	18.9	7.5

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

	Group 2013 £m	Group 2012 £m	Association 2013 £m	Association 2012 £m
Bank loans and borrowings (note 21)	1,750.9	1,721.9	-	-
Obligations under finance leases (note 21)	1.2	1.1	-	-
	1,752.1	1,723.0	-	-
Recycled Capital Grant Fund (note 19)	3.0	3.9	-	-
Disposal Proceeds Fund (note 19)	1.0	2.5	-	-
Amounts owed to Group undertakings	-	-	7.3	18.4
Other creditors	2.1	2.1	-	-
Financial deferred income (note 22)	0.7	0.7	-	-
Other deferred income	-	-	-	-
Stock transfer – future works (note 20)	185.3	216.4	-	-
	1,944.2	1,948.6	7.3	18.4

The obligations under finance leases and hire purchase contracts represent outstanding capital on leasing commitments linked to deferred mortgages.

19. Reconciliation of RCGF and DPF balances

	RCGF £m	DPF £m
As at 1 April 2012	8.6	6.1
Inputs to reserve:		
- Grants recycled	1.0	0.1
- New builds	(4.0)	(2.8)
As at 31 March 2013	5.6	3.4
Amount due for repayment to the Homes and Communities Agency		
- due within 1 year	2.6	2.4
- due within 2–3 years	3.0	1.0
As at 31 March 2013	5.6	3.4

The Group is permitted to set aside repayable capital development grants from staircased shared ownership sales, into a Recycled Capital Grant Fund. This Fund is to be utilised in the acquisition of new housing within three years or the grants become repayable to the HCA. The Group is required to set aside a significant proportion of proceeds from sales under the Voluntary Purchase Grant scheme according to a predetermined formula, under Section 24 of the Housing Act 1996, into a Disposal Proceeds Fund. This Fund is to be utilised in the acquisition of new housing within three years or the grants become repayable to the HCA.

20. Stock transfers – future works

The provision for stock transfer works relate to the costs of the works programme to be undertaken on stock transferred to the Group and reflects the Group's legally binding obligation to undertake works under a refurbishment contract. This amount is broken down between amounts due within one year and more than one year.

21. Debt analysis

Housing and non-housing loans

	Group 2013 £m	Group 2012 £m	Association 2013 £m	Association 2012 £m
Due within one year				
Bank overdraft	8.1	8.3	-	-
Bank loans	6.7	3.8	-	-
	14.8	12.1	-	-
Due after more than one year				
Bank loans	1,160.0	1,126.9	-	-
Bonds	590.9	595.0	-	-
Obligations under finance leases	1.2	1.1	-	-
	1,752.1	1,723.0	-	-
	1,766.9	1,735.1	-	-

	Group 2013 £m	Group 2012 £m	Association 2013 £m	Association 2012 £m
Within one year	14.8	12.1	-	-
Between one and two years	6.7	6.6	-	-
Between two and five years	24.4	30.1	-	-
After five years	1,721.0	1,686.3	-	-
	1,766.9	1,735.1	-	-

Of the total loans above £1,714.7 million (2012: £1,679.1 million) was drawn from committed facilities of £2,258.6 million (2012: £2,259.0 million), arranged through the Group's borrowing vehicle, Circle Anglia Treasury Limited, of which £635.0 million (2012: £635.0 million) is represented by the Bond issue through Circle Anglia Social Housing Plc.

Circle Anglia Treasury Limited directly funds the borrowing requirements of the charitable RPs within the Group. £25.2 million (2012: £26.0 million) of facilities still reside within the charitable RPs (£0.7 million (2012: £0.7 million) finance lease in Wherry Housing Association, £1.6 million (2012: £1.7 million) in historic bonds and loans in Circle 33 Housing Trust, £22.9 million (2012: £23.6 million) in Mercian Housing Association).

Under the facilities, the loans are repayable at various dates through to 2046 and are secured by fixed charges over the completed housing properties of the participating Group members and a series of cross guarantees. The weighted average utilised facility life is 9 years and the weighted average rate of interest charged was 4.67% (2012: 5.26%). The weighted average expiry period is 28 years.

Landericus has separate borrowings of £36.5 million (£37.1 million).

Included within the debt are fair value amounts of £13.1 million (2012: £13.8 million) relating to the acquisition of Mercian Housing Association and £19.4 million (2012: £20.2 million) relating to the acquisition of Russet Homes Limited. The fair value adjustments represent the difference between the book value and the fair value at the date of the acquisitions and this is the price the loans are carried at in the accounts.

Also included within the debt are Bond premium of £4.1 million (2012: £4.2 million) and interest of £0.5 million (2012: £0.4 million) on the finance lease.

The following tables show the maturity and margins on the principal borrowings:

21. Debt analysis

Maturity of debt

Group	Short term borrowings £m	Loans falling due after more than one year £m	Total £m
Revolver	-	98.0	98.0
Term	4.7	1,025.1	1,029.8
Bond	-	635.0	635.0
Other	0.4	13.1	13.5
Finance Lease	-	0.7	0.7
	5.1	1,771.9	1,777.0
Unamortised arrangement fees	(0.4)	(9.6)	(10.0)
Maturity of debt as at 31 March 2013	4.7	1,762.3	1,767.0
Maturity of debt as at 31 March 2012	2.4	1,729.5	1,731.9

21. Debt analysis
Maturity of debt (cont.)

	Funding Group Short term borrowings £m	Funding Group Loans falling due after more than one year £m	Funding Group Total £m	Non Funding Group Short term borrowings £m	Non Funding Group Loans falling due after more than one year £m	Non Funding Group Total £m	Group total £m
Revolver	-	98.0	98.0	-	-	-	98.0
Term	4.2	988.5	992.6	0.6	36.6	37.1	1,029.8
Bond	-	635.0	635.0	-	-	-	635.0
Other	0.4	13.1	13.5	-	-	-	13.5
Finance Lease	-	0.7	0.7	-	-	-	0.7
	4.6	1,735.2	1,739.8	0.6	36.6	37.1	1,777.0
Unamortised arrangement fees	(0.4)	(9.6)	(10.0)	-	-	-	(10.0)
Maturity of debt as at 31 March 2013	4.2	1,725.6	1,729.8	0.6	36.6	37.1	1,767.0
Maturity of debt as at 31 March 2012	1.8	1,692.8	1,694.6	0.6	36.7	37.3	1,731.9

21. Debt analysis
Maturity of borrowings

Group

	Within one year £m	Between one and two years £m	Between two and five years £m	After five years £m	Total £m
Revolver	-	-	-	98.0	98.0
Term	4.7	4.2	16.3	1,004.6	1,029.8
Bond	-	-	-	635.0	635.0
Other	0.4	0.5	1.7	10.9	13.5
Finance Lease	-	-	-	0.7	0.7
	5.1	4.7	18.0	1,749.2	1,777.0
Unamortised arrangement fees	(0.4)	(0.4)	(1.3)	(7.9)	(10.0)
Maturity of debt as at 31 March 2013	4.7	4.3	16.7	1,741.3	1,767.0
Maturity of debt as at 31 March 2012	2.4	4.8	24.3	1,700.4	1,731.9

21. Debt analysis
Maturity of facilities

Group

	Within one year £m	Between one and two years £m	Between two and five years £m	After five years £m	Total £m
Revolver	-	-	-	425.0	425.0
Term	4.2	4.2	16.3	1,185.0	1,209.6
Bond	-	-	-	635.0	635.0
Other	0.4	0.5	1.7	10.9	13.5
Finance Lease	-	-	-	0.7	0.7
Maturity of debt as at 31 March 2013	4.6	4.7	18.0	2,256.5	2,283.8
Maturity of debt as at 31 March 2012	3.2	6.8	30.4	2,281.9	2,322.3

21. Debt analysis
Interest rate analysis

Group

	Total £m	Floating rate £m	Fixed rate £m	Fixed interest rate %	Time fixed rate debt in years
Revolver	208.0	140.3	67.7	-	11
Term	908.8	-	908.8	-	13
Bond	635.0	-	635.0	0.1%	28
Other	24.5	4.8	19.7	0.1%	15
Finance Lease	0.7	-	0.7	0.1%	14
As at 31 March 2013	1,777.0	145.1	1,631.9	0.1%	19
As at 31 March 2012	1,742.4	(218.5)	1,960.9	4.8%	19
Cash	-	-	-	-	-
Deposits	(76.8)	(3.8)	(73.0)	5.83%	27
Collateral Deposits	(4.0)	(3.8)	(0.2)	6.00%	15
Cash and Deposits	(80.8)	(7.6)	(73.2)	5.83%	27
Net Borrowings as at 31 March 2013	1,696.2	137.5	1,558.7	5.0%	18

The above numbers are based on the notional amount and do not include any adjustments for the issue premium to the amount of debt or effective interest rate.

21. Debt analysis

Currency and interest rate analysis of debt

Group

	Total £m	Floating rate £m	Fixed rate £m	Time fixed rate debt in years	Fixed interest rate %
Sterling	1,723.0	136.9	1,586.1	19	4.7%
Euro	54.0	8.2	45.8	3	4.7%
As at 31 March 2013	1,777.0	145.1	1,631.9	19	4.7%
As at 31 March 2012	1,742.4	(218.5)	1,960.9	17	

The above tables take account of interest rate swaps, forward rate agreements and embedded fixes, which hedge the variable debt as at 31 March 2013 for an average of 12 years (2012: 17 years).

22. Financing deferred income

Deferred income	Group 2013 £m	Group 2012 £m
As at 1 April	0.7	1.0
Released in the year	-	(0.3)
	0.7	0.7
Transferred to creditors less than one year	-	-
As at 31 March	0.7	0.7

23. Deferred tax

	Group 2013 £m	Group 2012 £m	Association 2013 £m	Association 2012 £m
Provision as at 1 April and 31 March	0.1	0.1	-	-

24. Financial commitments

Capital expenditure

	Group 2013 £m	Group 2012 £m
Expenditure contracted but not provided in the accounts	93.3	106.5
Social Housing Grant approved, but not received	(30.5)	(18.7)
	62.8	87.8
Expenditure authorised by the board, but not contracted	198.9	-
As at 31 March 2013	261.7	87.8

Costs will be funded by a combination of grant, loans and cash flows from operating activities.

As a proportion of the historical cost of fixed assets, the capital committed above represents 7.16% (2012: 2.47%).

25. Operating leases

At 31 March 2013 there were the following annual operating lease commitments on leases expiring:

	Group 2013 £m	Group 2012 £m	Association 2013 £m	Association 2012 £m
Within one year:				
Land and Buildings				
Rentals Payable on Other	0.4	0.4	-	-
	0.6	0.4	0.3	0.3
Between two and five years:				
Land and Buildings				
Rentals Payable on Other	1.0	0.6	0.5	0.2
	1.2	1.1	0.6	0.6
After five years:				
Land and Buildings	2.1	1.6	0.3	0.5
Rentals Payable on Other	0.1	-	0.1	-
	5.4	4.1	1.8	1.6

26. Reconciliation of operating surplus to net cash inflow from operating activities

	Group 2013 £m	2012 £m
Operating surplus	95.1	89.4
Depreciation of tangible fixed assets	42.5	36.9
Impairment (reversal)/ charge of housing properties and work in progress	(1.0)	(0.2)
Goodwill amortisation	1.0	1.5
Bond premium amortisation	(0.2)	(0.2)
FRS17 provision movement	(0.7)	(0.2)
	136.7	127.2
Working capital movements		
Stock	3.4	19.6
Debtors	(27.3)	1.5
Creditors	(6.3)	11.3
Movement in investment in joint ventures	0.1	0.1
Net cash inflow from operating activities	106.6	159.7

27. Reconciliation of net cash flow to movement in net debt

	Group 2013 £m	2012 £m
(Decrease)/increase in cash	(9.9)	10.6
Cash (outflow)/inflow from increase in liquid resources	(9.3)	13.7
Cash (outflow)/inflow from increase in debt	(33.6)	165.4
Cash inflow from issue of Bond debt	-	(249.1)
Loan fair value adjustments	1.6	2.5
Increase in net debt from cash flows	(51.2)	(56.9)
Net Debt at 1 April	(1,702.1)	(1,645.2)
Net Debt at 31 March	(1,753.3)	(1,702.1)

28. Analysis of changes in net debt

	At 1 April 2012 £m	Fair value adjustments	Cashflow £m	At 31 March 2013 £m
Cash at bank in hand	19.3	-	(10.1)	9.2
Bank overdraft	(8.3)	-	0.2	(8.1)
Changes in cash	11.0	-	(9.9)	1.1
Current asset investments	13.7	-	(9.3)	4.4
Loans	(1,726.8)	1.6	(33.6)	(1,758.8)
Changes in net debt	(1,702.1)	1.6	(52.8)	(1,753.3)

29. Contingent liabilities

Circle Thirty Three Housing Trust Limited is contracted to two performance bonds, one for £250,000 with Lewisham Borough Council and one for £78,840 with the London Borough of Islington. These have been set up to compensate the relevant District Council for the cost of finding a new contractor in the event of the Group's non-performance. No events have occurred which would result in the crystallisation of this bond.

Circle Support is contracted to a financial guarantee for £37,000 with the London Borough of Camden for pension liabilities for staff that have been transferred under the Transfer of Undertakings (Protection of Employment) arrangements. No event has occurred that would result in the crystallisation of this guarantee.

Anglia Maintenance Services Limited is contracted to a financial guarantee for £50,000 with Travis Perkins Trading Co Limited. No events have occurred that would result in the crystallisation of this guarantee. The guarantee expired on 30 April 2013.

30. Pension obligations

Group summary (cont.)

Group summary

a) Defined contribution schemes
Members of the Group participate in a number of defined contribution schemes administered by several pension providers in respect of certain employees. The total of all employer pension costs in respect of the year ended 31 March 2013 is shown in the employees note.

b) Defined benefit schemes
Members of the Group operate a number of defined benefit pension schemes, as summarised below:

Scheme	Norfolk County Superannuation Fund		Surrey County Council Superannuation Fund	Cambridgeshire County Council Superannuation Fund	Kent County Council Pension Fund	Pensions	London Borough of Merton Fund	Other	Totals
Group Member	Circle Anglia Limited	Anglia Maintenance Services	Mole Valley Housing Association	Roddons Housing Association	Invicta Telecare	Russet Homes	Merton Priory Homes	See Note below	
Current number of employees in the scheme	46	20	28	52	76	61	150	45	478
Scheme deficit at 31 March 2013	13.2	1.4	0.8	1.6	1.4	7.0	2.2	1.7	29.3
Deferred tax asset	(3.2)	(0.3)	-	-	(0.3)	-	-	-	(3.8)
Net scheme deficit at 31 March 2013	10.0	1.1	0.8	1.6	1.1	7.0	2.2	1.7	25.5

Note: Details of all of the funds can be found in the individual statutory accounts. Other represents six Pension funds for Circle Support and Old Ford each with fewer than 10 members and therefore considered to be below the materiality level for reporting in the consolidated accounts. The Pension Funds are:- Islington Council (Circle Support), London Borough of Camden (Circle Support), Cambridgeshire County Council (Circle Support), Kent County Council (Circle Support), London Borough of Tower Hamlets (Old Ford) and London Pensions Fund Authority (Old Ford).

The following defined benefit schemes have 10 or fewer active members and therefore have not been disclosed on grounds of materiality; National Health Service Pension Scheme, Social Housing Pension Scheme.

Principal actuarial assumptions at the year end were as follows:

	2013	2012
Inflation	2.4 – 2.8%	2.5 – 3.3%
Pension increase rate	2.4 – 2.8%	2.5%
Salary increase rate	4.2 – 5.1%	4.2 – 4.8%
Expected return on assets	4.5 – 5.8%	5.2 – 5.9%
Discount rate	4.2 – 4.7%	4.6 – 4.9%

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

	Males	Females
Current pensioner aged 65	20.1 – 21.9 years	23.2 – 24.4 years
Future retiree upon reaching 65	22.1 – 23.9 years	25.1 – 26.5 years

The fair value of the assets held by the pension scheme and the expected rate of return for each asset is as follows:

Long term expected rates of return:	2013	2012
Equities	4.5 – 7.0%	6.2 – 7.0%
Bonds	2.9 – 4.5%	3.3 – 4.2%
Gilts	3.0%	3.3%
Other Bonds	3.9 – 4.1%	4.1 – 4.6%
Property	3.9 – 5.7%	4.3 – 6.0%
Cash	0.5 – 5.0%	0.5 – 3.5%
Target return portfolio	4.5 – 4.6%	4.5 – 4.7%
Alternative assets	5.0%	5.3%

Fair Value:	2013 £m	2012 £m
Equities	57.6	49.2
Bonds	7.9	6.7
Gilts	3.4	3.2
Other Bonds	3.1	2.2
Property	6.5	6.4
Cash	1.9	2.2
Target return portfolio	1.0	0.5
Alternative assets	0.1	0.1
	81.5	70.5

30. Pension obligations

Group summary (cont.)

The net pension deficit at the year end comprised the following:

	2013 £m	2012 £m
Total market value of assets	81.5	70.5
Present value of scheme liabilities	(110.5)	(97.2)
	(29.0)	(26.7)
Present value of unfunded liabilities	(0.3)	(0.3)
Scheme deficit	(29.3)	(27.0)
Related deferred tax asset	3.8	3.6
Net pension liability	(25.5)	(23.4)

Movement in deficit in the year:	2013 £m	2012 £m
Deficit in schemes at beginning of the year	(27.0)	(15.9)
Movement in year:		
Current service cost	(2.1)	(1.9)
Settlements and curtailments	(0.1)	(0.2)
Contributions by the employer	2.9	3.1
Interest cost	(4.6)	(4.6)
Expected return on assets	4.0	4.6
Actuarial losses	(2.4)	(12.1)
Deficit in schemes at the end of the year	(29.3)	(27.0)

Movement in the present value of defined benefit obligation:

	2013 £m	2012 £m
As at 1 April	(97.5)	(83.3)
Opening obligation of new entities at the point of entrance	-	(0.4)
Current service cost	(2.1)	(1.9)
Interest cost	(4.6)	(4.6)
Contributions by members	(0.5)	(0.7)
Settlements and curtailments	(0.1)	(0.2)
Actuarial (losses) /gains	(8.4)	(8.8)
Estimated benefit paid	2.4	(2.4)
As at 31 March	(110.8)	(97.5)

Movement in the fair value of the plan assets:

	2013 £m	2012 £m
As at 1 April	70.5	67.4
Opening fair value of new entities at the point of entrance	-	0.4
Expected return on assets	4.0	4.6
Contributions by the employer	2.9	3.1
Contributions by members	0.5	0.7
Actuarial gains/(losses)	6.0	(3.3)
Estimated benefits paid	(2.4)	(2.4)
As at 31 March	81.5	70.5

The Group expects the employer's contribution for the year ended 31 March 2014 to be approximately £2.7 million.

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

	2013	2012
Equities	70.8%	69.7%
Bonds	9.8%	9.6%
Gilts	4.2%	4.6%
Other Bonds	3.8%	3.1%
Property	7.9%	9.1%
Cash	2.3%	3.1%
Target return portfolio	1.1%	0.7%
Alternative assets	0.1%	0.1%

30. Pension obligations

Group summary (cont.)

Analysis of the amount charged/(credited) to operating surplus	2013 £m	2012 £m
Current service cost	2.1	1.9
Settlements and curtailments	0.1	0.2
Total operating charge/(credit)	2.2	2.1

Analysis of the amount (charged)/credited to other finance income	2013 £m	2012 £m
Expected return on pension scheme assets	4.0	4.6
Interest on pension scheme liabilities	(4.6)	(4.6)
Net cost	(0.6)	-

30. Pension obligations

History of plan

The history of the plan for the current and prior periods is as follows:

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Present value of scheme liabilities	(110.8)	(97.5)	(83.3)	(105.1)	(52.8)
Fair value of scheme assets	81.5	70.5	67.4	62.8	38.7
Deficit	(29.3)	(27.0)	(15.9)	(42.3)	(14.1)

30. Pension obligations

History of experience gains and losses

History of experience gains and losses:	2013 £m / %	2012 £m / %	2011 £m / %	2010 £m / %	2009 £m / %
Experience adjustments on scheme liabilities	0.1	(0.7)	8.0	0.0	0.00
Percentage of year end scheme liabilities	0.09%	(0.8)%	9.6%	0.0%	0.0%
Experience adjustments on scheme assets	6.0	(3.3)	(2.7)	11.0	(13.1)
Percentage of year end scheme assets	7.42%	(4.6)%	(4.0)%	17.5%	(33.9)%
Total amount recognised in the Statement of Total Recognised Surpluses and Deficits	(2.4)	(12.1)	16.4	(23.1)	(7.5)
Percentage of year end scheme liabilities	(2.16)%	(12.4)%	19.7%	(22.0)%	(14.2)%

30. Pension obligations

Circle Anglia Limited

The Norfolk County Council Superannuation Fund

The Association operates a defined benefit scheme for employees, the assets of which are held in a separate trustee administered fund, the Norfolk County Council Superannuation Fund. The actuarial liabilities in relation to the scheme are subject to triennial valuation by independent actuaries. An actuarial valuation was carried out as at 31 March 2010 using the projected unit method. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

Principal actuarial assumptions at the year end were as follows:

	2013	2012
Inflation	2.8%	2.5%
Pension increase rate	2.8%	2.5%
Salary increase rate	5.1%	4.8%
Expected return on assets	5.1%	5.5%
Discount rate	4.5%	4.8%

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

	Males	Females
Current pensioner aged 65	21.2 years	23.4 years
Future retiree upon reaching 65	23.6 years	25.8 years

The fair value of the assets held by the pension scheme and the expected rate of return for each asset is as follows:

Long term expected rates of return:

	2013	2012
Equities	5.7%	6.2%
Bonds	3.8%	4.2%
Property	3.9%	4.4%
Cash	3.0%	3.5%

Fair Value:	2013 £m	2012 £m
Equities	15.4	13.1
Bonds	4.3	3.8
Property	2.5	2.4
Cash	0.5	0.6
	22.7	19.9

30.

Pension obligations

Circle Anglia Limited (cont.)

The net pension deficit at the year end comprised the following:	2013 £m	2012 £m
Total market value of assets	22.7	19.9
Present value of scheme liabilities	(35.6)	(30.7)
	(12.9)	(10.8)
Present value of unfunded liabilities	(0.3)	(0.3)
Scheme deficit	(13.2)	(11.1)
Related deferred tax asset	3.2	2.9
Net pension liability	(10.0)	(8.2)

Movement in deficit in the year:	2013 £m	2012 £m
Deficit at the beginning of the year	(11.1)	(7.9)
Current service costs	(0.2)	(0.4)
Contributions paid	0.9	0.9
Expected return on employer assets	1.1	1.3
Settlements and curtailments	(0.1)	-
Interest cost	(1.5)	(1.5)
Actuarial losses	(2.3)	(3.5)
Deficit at the end of the year	(13.2)	(11.1)

Movement in the present value of defined benefit obligation:	2013 £m	2012 £m
As at 1 April	(31.0)	(27.6)
Current service cost	(0.2)	(0.4)
Interest cost	(1.5)	(1.5)
Contributions by members	(0.1)	(0.1)
Settlements and curtailments	(0.1)	-
Actuarial (losses)/gains	(3.9)	(2.3)
Past service costs	-	-
Estimated benefit paid	0.9	0.9
As at 31 March	(35.9)	(31.0)

Movement in the fair value of the plan assets:

	2013 £m	2012 £m
As at 1 April	19.9	19.7
Expected return on assets	1.1	1.3
Contributions by the employer	0.9	0.9
Contributions by members	0.1	0.1
Actuarial gains/(losses)	1.6	(1.2)
Estimated benefits paid	(0.9)	(0.9)
As at 31 March	22.7	19.9

The Association expects the employer's contribution for the year ended 31 March 2014 to be approximately £806,000

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

	2013	2012
Equities	68%	66%
Bonds	19%	19%
Property	11%	12%
Cash	2%	3%

Analysis of amounts charged/(credited) to the income and expenditure:

	2013 £m	2012 £m
Current service costs	0.2	0.4
Settlements and curtailments	0.1	-
Total charge/(credit)	0.3	0.4

Analysis of the amount (charged)/credited to other finance costs:

	2013 £m	2012 £m
Expected return on assets	1.1	1.3
Interest on liabilities	(1.5)	(1.5)
Net charge	(0.4)	(0.2)

30. Pension obligations

History of plan

The history of the plan for the current and prior periods is as follows:

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Present value of scheme liabilities	(35.9)	(31.0)	(27.6)	(36.1)	(21.6)
Fair value of scheme assets	22.7	19.9	19.7	20.3	15.4
Deficit	(13.2)	(11.1)	(7.9)	(15.8)	(6.2)

30. Pension obligations

History of experience gains and losses

History of experience gains and losses:	2013 £m / %	2012 £m / %	2011 £m / %	2010 £m / %	2009 £m / %
Experience adjustments on scheme liabilities	0.1	(0.6)	4.1	-	-
Percentage of year end scheme liabilities	0.23%	(1.9)%	14.9%	0.0%	0.0%
Experience adjustments on scheme assets	1.6	(1.2)	(1.8)	3.8	(5.4)
Percentage of year end scheme assets	6.9%	(6.0)%	(9.2)%	18.7%	(35.3)%
Total amount recognised in the Statement of Total Recognised Surpluses and Deficits	(2.3)	(3.5)	4.3	(9.3)	(3.2)
Percentage of year end scheme liabilities	(6.42)%	(11.3)%	15.7%	(25.8)%	(15.1)%

30. Pension obligations

Defined Contribution Pension Schemes

The Group participates in several stakeholder pension schemes to provide retirement benefits for eligible employees of the Group. Contributions to the Stakeholder Pension Scheme are calculated as a percentage of pensionable salary and are charged to the income and expenditure account. The schemes are not contracted out of the State Earnings Related Pension Scheme. Monthly contributions from each member are invested in the Standard Life Corporate Plan in accordance with the wishes of each member.

30. Pension obligations

Social Housing Pension Scheme (SHPS)

The Group participates in the Social Housing Pension Scheme (the Scheme). The Scheme is funded and is contracted-out of the State Pension scheme.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belong 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 for total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS 17 represents the employer contribution payable.

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

The last formal valuation of the Scheme was performed as at 30 September 2011 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £2,062.0 million. The valuation revealed a shortfall of assets compared with the value of the liabilities of £1,035.0 million, equivalent to a past service funding level of 67.0%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2012. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The market value of the Scheme's assets at the date of the Actuarial Report was £2,327.0 million. The Actuarial Report revealed a shortfall of assets compared with the value of liabilities of £1,241.0 million, equivalent to a past service funding level of 65.0%.

31. Events after the balance sheet date

On 5 July 2013, Circle Care and Support Limited completed the acquisition of Prime Care Holdings Limited, the Parent Company of Prime Care Community Projects Limited, Purple Care Franchising Limited and Prime Care Community Services limited. Prime Care Community Projects Limited and Purple Care Franchising Limited are dormant companies and Prime Care Community Services Limited is a Company that operates in the domiciliary care sector.

32. Non equity share capital

	Association 2013 £	Association 2012 £
Shares of £1 each issued and fully paid		
As at 1 April	10	10
Shares issued during the year	2	1
Shares surrendered during the year	(3)	(1)
As at 31 March	9	10

With the exception of the Chief Executive Officer, each member of the Board of Management holds a non-equity share of £1 in the Association. The shares carry the right to vote at meetings of members on the basis of one share, one vote. They do not carry any right to a dividend, to any redemption value or to any distribution on winding up.

33. Reserves

Group	Designated reserves: Major repairs reserve £m	Designated reserves: Improvements Reserve £m	Other designated reserves £m	Revenue Reserve £m	Total £m
As at 1 April 2012	0.6	0.5	5.2	366.2	372.5
Surplus for the year	-	-	-	24.9	24.9
Surplus/(deficit) on exchange rates	-	-	-	(0.2)	(0.2)
Transfers between reserves	-	-	1.2	(1.2)	-
Pension actuarial gain net of deferred tax and exceptional pension credit	-	-	-	(1.8)	(1.8)
As at 31 March 2013	0.6	0.5	6.4	387.9	395.4

Major repairs reserves and improvements reserves represent the amount of accumulated surpluses put aside to fund major repairs and improvements expenditure on Group properties, and as such are not freely available for general use.

Other designated reserves represent the amounts for leaseholder sinking funds and supported housing and general needs scheme upgrades.

The revenue reserve is used towards funding the day-to-day operations of the Group.

34. Reconciliation of movement in Group and Association funds

	Group 2013 £m	Group 2012 £m	Association 2013 £m	Association 2012 £m
At 1 April (See note 32)	372.5	362.2	(12.2)	(9.4)
Surplus/(deficit) for the financial year	24.9	21.4	(0.2)	-
Surplus/(deficit) on exchange rates	(0.2)	(0.2)	-	-
Net actuarial (losses)/gains net of deferred tax and exceptional pension credit	(1.8)	(11.3)	(1.8)	(2.8)
Late adjustments to 2011	-	0.4	-	-
Closing funds	395.4	372.5	(14.2)	(12.2)

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