Circle
Enhancing Life Chances

Circle Anglia Limited
Report of the Board & Financial Statements

Year ended 31 March 2012

Industrial & Provident Societies Registration No. 27604R
Homes and Communities Agency Registration No. LH4046

Contents

Report of the Board & Financial Statements

Year ended 31 March 2012

Board members

The day-to-day activity of Circle is led by Executive Directors on behalf of the Board.

As at 31 March 2012 the Board of Circle Anglia Limited comprised:

Simon Braid
Independent member

Tania Brisby
Independent member

Robert Burgin
Independent member

Jane Clarkson JP
Independent member

Murray Foster
South Anglia Housing Limited

Jane Gurney-Read
Circle Living Limited

Baroness Jones of Whitchurch
Circle 33 Housing Trust Limited

Brenda Reynolds
Roddons Housing Association

Mark Rogers
Group Chief Executive

Sir Robin Young
Group Chair and Independent member

The following served as Board members, but resigned during the year to 31 March 2012:

Martin Shaw OBE
Independent member
– resigned 20 September 2011

Group Executive Officers:

Andy Doylend
Executive Director
(Operations)

Maria Heckel
Executive Director
(Business Development, Marketing and Communications)
– appointed 12 September 2011

Calum Mercer
Executive Director
(Finance)

Mark Rogers
Group Chief Executive

Sarah Trota
Executive Director
(People and Business Transformation)

Deborah Upton
Executive Director
(Governance)
– appointed 3 January 2012

The following served as Group Executive Officers, but resigned during the year to 31 March 2012:

David Williams
Executive Director
(Strategy and New Business)
– resigned 28 April 2011

Introduction from Sir Robin

Sector changes over the past year have created challenges, and at Circle we have been focusing on planning for these and making sure that we are in the best shape to take advantage of new opportunities. As government investment diminishes so too does the case for restrictive sector regulation. Housing associations have always responded with creative solutions at crucial moments and could do even more with increased freedom.

We at Circle are keen innovators and there is greater need now for more innovation in the sector than ever before. We have taken care to choose what will work for our business, how far to stretch our finances and how much risk to take in a changing external environment. A great demonstration of this are the successes celebrated by Circle's commercial services. Invicta Telecare won three out of every four tenders it submitted and Circle Support brought in £1.2 million of new business last year.

This year we have comprehensively reviewed the whole way in which we deliver our repairs and maintenance service to our residents. We are well on our way to rolling out new contracts for repairs and maintenance work across the Group. This will not only save us more than £100 million over the next ten years, but will also deliver consistently high standards of service for all our residents.

We have deliberately set out to involve Circle residents, our customers, to an unprecedented extent. More than 400 customers have been involved in creating the new service. Bidders for these contracts have also been asked to provide work and training opportunities for our customers as part of the contract award. This will create many apprenticeships and work experience opportunities every year.

Finally, we shouldn't overlook the huge achievement of raising a £250 million bond in the continuing challenging economic climate. This has helped us to remain financially strong and to have the funding in place for all our plans. It will ultimately mean we can continue to carry out our work to enhance life chances, making lasting and meaningful improvements to our homes, communities and services.

I know there are already still more changes, challenges and chances on the horizon. The Board and I are determined to ensure that Circle is well equipped to build on our successes, agile enough to act promptly and flexible enough to adapt to current policies and practices.

"...we have been dedicated to providing the support and services that our customers want and need."

Introduction from Mark Rogers, Group CEO

The housing sector is going through the greatest shift in housing provision and policy since the post-war years. With everything changing, whilst it is important for us to maintain our considered and measured approach, we also believe it is time for the sector to think differently, and challenge convention as we develop our thinking for the future.

We have seen major transformation of the way affordable housing development is funded with the government's introduction of Affordable Rents and the start of the biggest programme of welfare reforms ever seen. Across the Circle Group we have adopted new ways of working to enable us to be light on our toes and be clear about what we want to achieve.

And so the work has begun – because unless we start thinking about what we want to achieve in the new world as it stands today, we will never be ready for the systems and surprises of tomorrow. We have begun by exploring different solutions and to drive value from our organisation. By using our scale, having focus on efficiency savings and taking bold steps to improve our procurement we delivered £4 million of additional value last year.

Last year we set out new goals and ambitions for the future. One of the things we said we want is for Circle to be number one in sector for customer loyalty. We said we would do this by ensuring we continue our customer centred approach through putting customers at the heart of everything we do.

We want to create great customer experiences that deliver our brand, vision and mission at every interaction we have with our customers. We want to build a culture that focuses on providing the best service to our customers where it matters to them the most and exceed their expectations every day.

Times remain tough for many of our customers and are set to get much tougher, especially as welfare reforms begin to bite. In response, we have been dedicated to providing the support and services that our customers want and need in order to ensure they are ready for these changes and further changes that may be on the way. From advising on cutting heating bills by more than £8 million across 4,000 of our homes through our Energy Saving and Warm Homes strategy, to ensuring every one of our residents is offered access to basic financial services so they can better manage their money.

In all, our role in enhancing life chances has become more important than ever and we have reaffirmed our commitment to our core purpose and the focus on our customers. Remaining committed to this, whilst ensuring Circle retains its reputation as a strong and confident organisation that embraces change to deliver better value and improved services, will be key in the forthcoming year – I know we can achieve it.

Operating and financial review

Who is Circle?

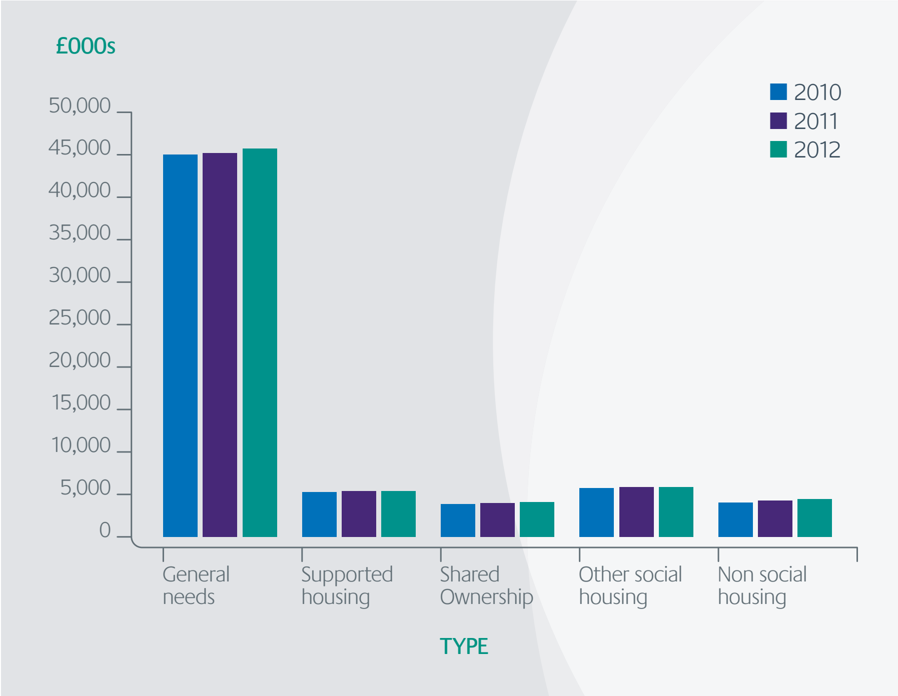
Made up of 12 partners, we work together and act like one organisation with one vision and mission at our core; putting customers at our heart and enhancing life chances. By collaborating with our partners we are able to not only deliver great homes to live in and first rate services for our customers, we also provide vital care, support and telecare services to help people live independently for longer across the UK.

We are always seeking new ways to help our customers in an ever-changing society and transforming the way we work. With a strong team of over 2,200 staff across the UK, everyone at Circle plays a role in improving possibilities and opportunities for our customers.

This progressive approach is focused on our customers and has enabled us to become one of the leading players in our sector with our nine housing association partners providing around 65,000 homes across the UK; all helping to improve the quality of customers lives and building the kind of communities that people aspire to be part of. Our care and support partners help more than 100,000 people to live independently and this is set to grow. Invicta is the largest independent provider of telecare in the country. Together with Circle Support, Invicta will play a major role in our growth aspirations in the years ahead as we seek to find new and innovative ways to meet the needs of our ageing population.

As of April 2011, the Group officially became known as Circle. This change enabled us to promote ourselves more easily as a national organisation that is dedicated to 'Enhancing Life Chances'.

HOUSING STOCK OWNED



CIRCLE'S MANAGEMENT STOCK PROFILE AT 31 MARCH 2012 IS DISCLOSED BELOW:

	2012	2011	2010
Social housing rented	51,020	50,540	50,218
Shared ownership	4,112	3,947	3,829
Keyworker	295	289	245
Leaseholder	5,497	5,499	5,441
Staff accommodation	63	65	66
Non-social rented	2,860	2,672	2,312
Other non-social	46	84	163
Garages	1,530	1,532	1,541
Total stock owned	65,423	64,628	63,815
Accommodation managed on behalf of others	170	291	552
Less stock owned but not managed	(611)	(3,541)	(4,555)
Total stock managed	64,982	61,378	59,812

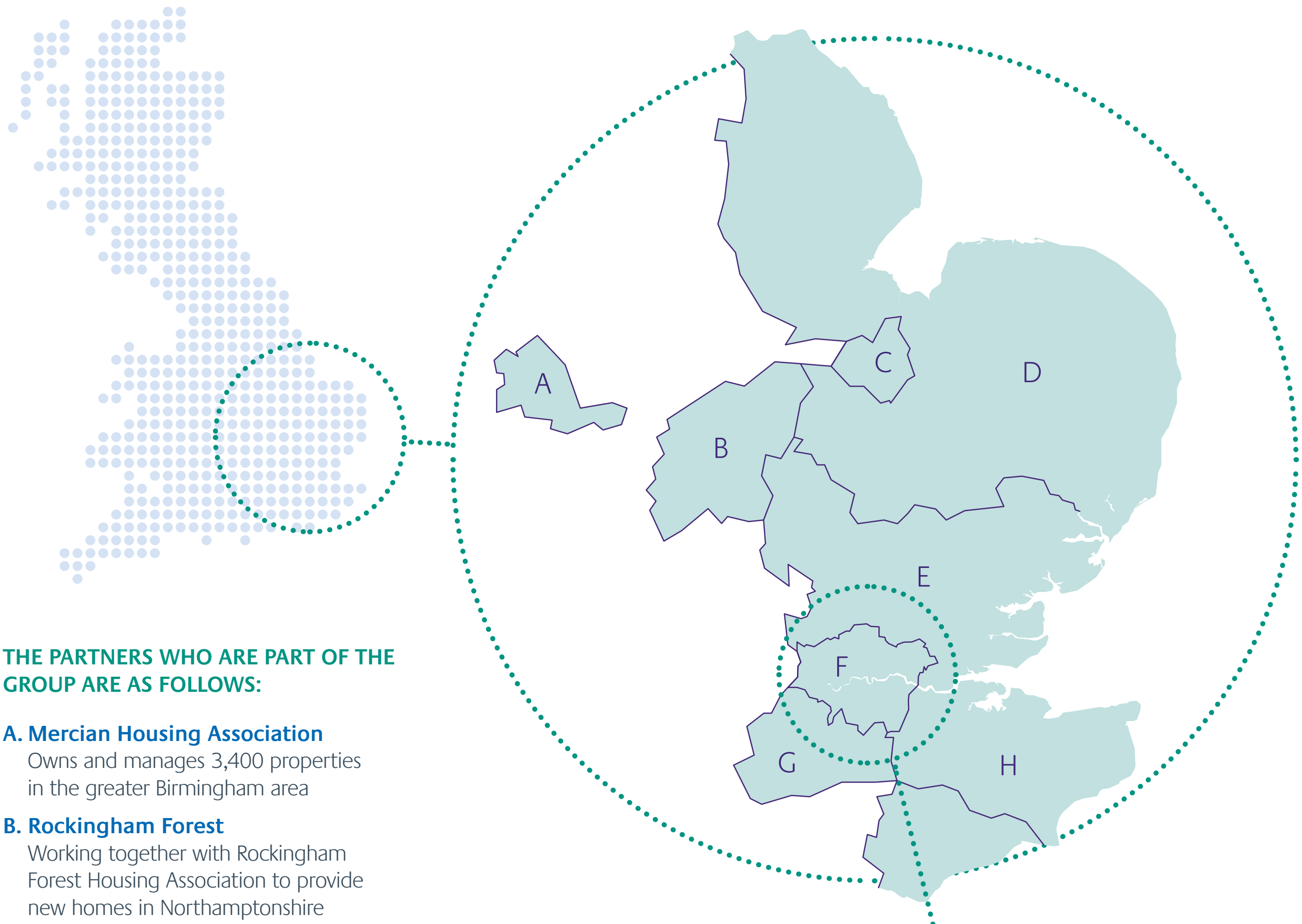
CIRCLE ANGLIA LIMITED

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

ABOUT OUR HOMES

Circle provides a wide range of affordable housing choices – including general needs, supported and sheltered – together with care and support packages that enable more vulnerable residents to maintain their tenancies and lead more independent lives. We have created a commercial approach to development to help fund an increased affordable housing programme, with income from a combination of grant, use of our own resources and profits from property disposals. This includes developing properties for private sale, shared ownership and market rent, providing leasehold management services and including commercial premises as part of some mixed tenure schemes.

We provide homes in over 90 local authority areas.



THE PARTNERS WHO ARE PART OF THE GROUP ARE AS FOLLOWS:

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

B. Rockingham Forest
Working together with Rockingham Forest Housing Association to provide new homes in Northamptonshire

C. Roddons Housing Association
Managing nearly 3,800 properties including 14 sheltered schemes in Cambridgeshire

D. Wherry Housing Association
Owns and manages over 7,000 homes in Norfolk, Suffolk, Lincolnshire and Cambridgeshire

E. South Anglia Housing
Owns and manages over 7,300 homes across 26 local authorities in Hertfordshire, Bedfordshire and Essex

F. Circle 33, Merton Priory Homes and Old Ford

Circle 33 owns over 16,000 homes across London and in 48 local authority areas

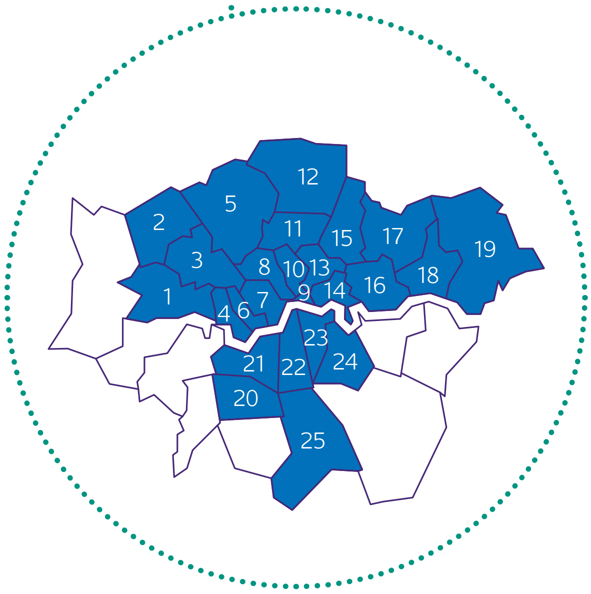
Merton Priory Homes manages and owns almost 9,000 properties in South West London

Old Ford Housing Association manages and owns over 4,300 properties in East London – Tower Hamlets and Havering

G. Mole Valley Housing Association
Owns and manages 3,900 homes including 17 sheltered schemes in Surrey

H. Russet
Manages over 8,000 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



Mission and goals

Together with our partners we are able to deliver great homes and communities to live in and first rate support services to help our customers live independently. We work together with one vision and mission at our core; putting customers at our heart and enhancing life chances.

To help us achieve our mission and our vision we have identified four key areas of focus:

To be the best in sector at creating value from our assets

To be number one for customer loyalty

To use our scale to reach more customers

To be a brilliant place to work, with fantastic people who care

TRANSFORMING OUR BUSINESS

We are always looking for ways to improve our services to ensure we are delivering high quality and value for money. As the most important service to our customers, repairs and maintenance was the first place to start. We want to give our customers an even better experience, provide consistent delivery standards and achieve improved value over the term of our contracts.

REPAIRS AND MAINTENANCE

So, 2011 saw the start of our sector leading Repairs and Maintenance Review that will revolutionise the scope and reach of our repairs and maintenance contracts. Over 400 customers have been involved in creating the new service, and many have been directly involved in the largest procurement process the sector has ever seen. Moving to the new service requires a considerable amount of work to ensure that the service continues to be delivered. There is also a lot of work that needs to be done to ensure we are ready to move across to the new way of working including integrating the new IT systems and setting up the necessary training programmes and work is already well underway to enable its success.

CUSTOMERS

We have been looking very closely at how we deal with our customers; from the way they contact us to the services we offer them. This means putting our customer first and at the heart of all we do. From the way they contact us to the services we offer them. Customer loyalty is good for both the customer and for Circle. We know that when our customers are happy they are more likely to make their house their home, get more involved in their communities and speak positively about Circle.

COMMUNICATING CHANGE

2011 saw the first of the government's housing benefit changes. It has also seen the ongoing development of other welfare reforms. We are acting swiftly to make sure our customers are ready for the changes by:

- Making sure that we really understand our customers and who is likely to be affected
- Using research findings to make sure we communicate with our customers at the right time, in the right way
- Monitoring the impact of changes to arrears/bad debt and providing or signposting to financial support and investment where it is most needed
- Carrying out modelling of the impact of proposed changes on both the customer and the Group

In addition, Circle worked with the National Housing Federation, G15 and others to lobby government on the potential impact of the proposed changes. This sector-wide approach has led to:-

- The government reviewing its decision to reduce Housing Benefit for people who have been claiming job seekers allowance for more than 12 months
- Government agreement to commission research into the impact on the sector of paying benefits (including Housing Benefit) direct to tenants. Whatever the outcome of this research Circle is continuing to prepare itself to support our customers for changes to the welfare system

PERFORMANCE MEASURES

Key performance indicators continue to be used throughout the Group, supplemented by local performance indicators, which are monitored at partner level. Development and sales performance are measured against targets for the number of units in development, completed and also on rent take up. The Group has no dependency on sales, whether through low cost home ownership or outright sales and the number of units sold is monitored against budget on a monthly basis.

Targets and tolerances are set each year to ensure that the overall financial and operational objectives are met. The Board and Executive Team use a number of the key performance measures to monitor achievement of the Group's objectives. These include the areas of financial management, housing management, development and sales and asset management. These measures are reviewed to ensure that the business remains in line with regulatory requirements and is prepared for the co-regulation agenda.

Financial management measures include comparisons of surpluses as a percentage of turnover across the various business teams, as well as monthly management accounts which compare actual results to budgets and revised forecasts. Interest cover and gearing are also monitored by the Corporate Finance team for compliance with covenants and to assess the Group's cashflow.

Housing management measures focus on arrears, voids management and, in particular, tenant satisfaction and day to day repairs.

Asset management focuses on measures set to monitor the performance on planned repairs, including the costs of carrying out repairs and completion times against target. The new regional R&M contracts give us an opportunity to target improvements and consistent performance in this key service delivery area and working with the successful contractors will enable a more focussed drive on improvement and detailed action plans will be developed to help us monitor progress.

The standards of our homes are also monitored annually to ensure that the Group is in line with the Decent Homes standard targets.

The Board receives regular reports which indicate the Group's performance against targets which simply and effectively highlights the current performance, giving each area a 'green', 'amber' or 'red' assessment. Those areas assessed as 'red' are monitored more closely and are subject to a detailed review by the Board each quarter.

CORPORATE SOCIAL RESPONSIBILITY

Our approach to corporate social responsibility plays an important part in the way the Group conducts its business. We aim to conduct ourselves in a professional, fair, ethical, legal and sustainable manner in our relationships with all stakeholders, including employees, customers, suppliers, business partners, funders and investors, the community and other stakeholders in the housing sector. We encourage our suppliers to implement a similar approach.

Our charitable foundation, Circle Anglia Foundation Limited, reflects our commitment to making an impact in communities in which we operate at a grass roots level. Profits from the commercial parts of the business are invested into the Foundation, which are then used to invest in projects to enhance life chances.

The Group has adopted a sustainability action plan which outlines what Circle is doing to provide sustainable, desirable and affordable homes. It also shows how we are addressing the issues of increasing energy prices and rising environmental standards. In addition, we are focussed on helping our residents cut their fuel bills and shop around for cheaper energy prices and have launched a dedicated customer website to aid this: www.circleenergy.org.uk.

Key successes

BOND ISSUE

At the moment everybody is looking for and at financial security. It undoubtedly has a major effect on our business, our employees and our customers. This is why this year we issued a £250 million fixed rate bond. The issue attracted significant investor interest and was more than three times oversubscribed.

With our improved efficiency and high and increasing levels of customer satisfaction, together with no reliance on property sales, puts us in a really strong position.

The bond positively builds on our 2008 bond issue, which raised £275 million and its 2010 bond tap, which raised a further £124 million. As a result, our financial strength has been significantly improved, adding an extra £250 million to our £400 million of available liquidity.

The launch of the deal means that our business plan is now fully funded for over ten years, through committed long-term facilities and demonstrates investors' continued appetite for the UK housing sector.

R&M SAVINGS

By reducing the number of contractors we work with we expect to offer a better service and save more than £100 million over ten years to invest in our homes and communities. This could be investment in new services, enhancing existing ones, funding regeneration schemes or developing more affordable homes. The contracts are all designed around creating the service our customers want, and helping to build sustainable communities. Many apprenticeships and work placements for local people will also be created as part of this review. The first phase of this exciting new service is set to go live in 2013.

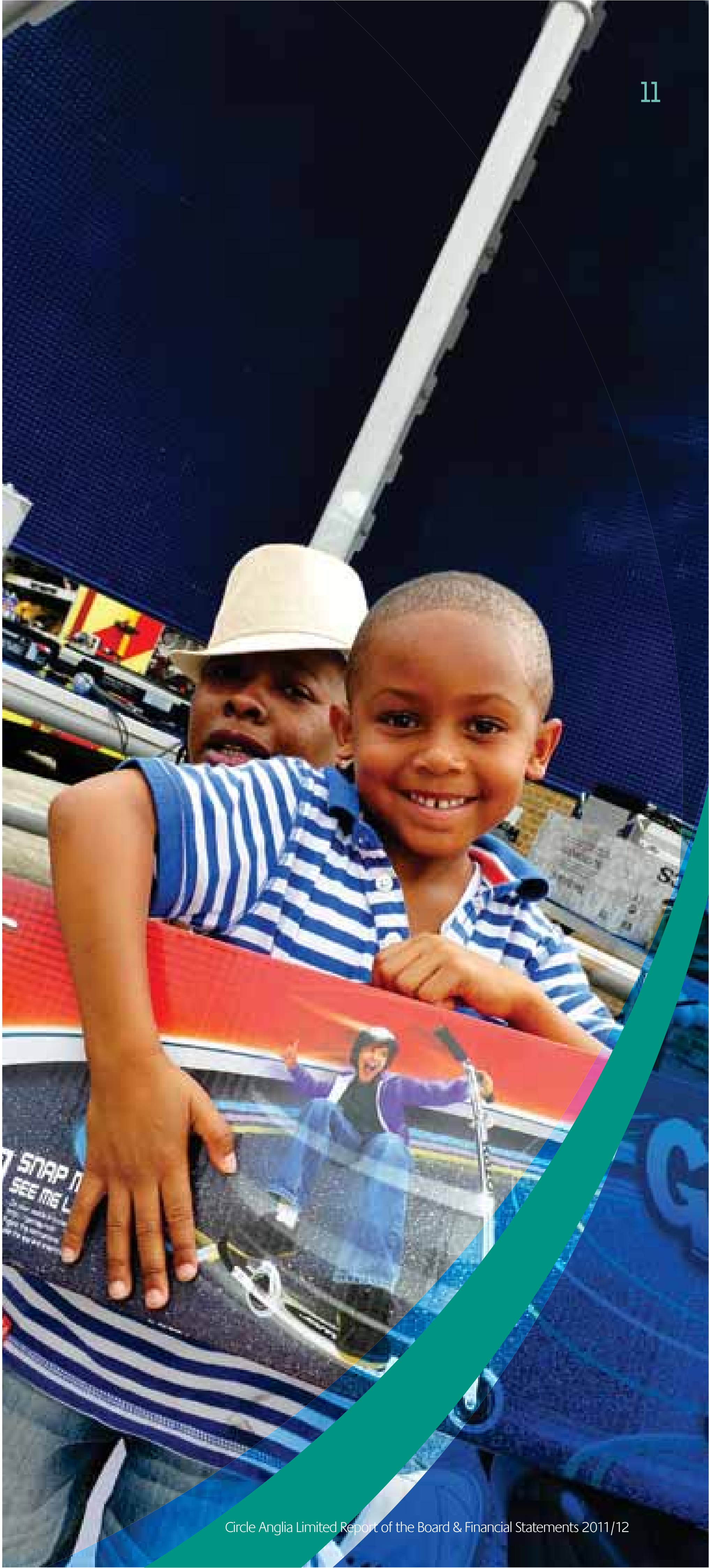
DECENT HOMES SUCCESS

Continuing to invest in our homes improves the lives of existing and future customers. In 2011/12 we spent £156 million on our Decent Homes programmes bringing homes up to the much higher 'Circle Standard'.

We are proud that our housing partners achieved the Decent Homes target in the nine areas ahead of deadline. The remaining two areas of homes, more recently transferred to us, with a deadline of December 2012 are looking likely to be completed several months ahead of schedule too. One further area will complete in 2015.

BUILDING NEW HOMES

Circle is a preferred development partner of the Homes and Communities Agency (HCA).



The Group outperformed its 2011/12 targets creating 1,142 new homes in the year, including 191 for other housing associations. There were 981 properties in development at the year end.

The spend per social housing unit on new supply for the year ended 31 March 2012 is £1,384 (2011: £1,578).

HCA BID

This year we were successful in bidding for and signing a contract for £30 million with the Homes and Communities Agency (HCA) to develop 1,425 new homes for Circle and our partners by 31 March 2015. Added to our existing pipeline of new homes, this means we can build almost 3,500 desperately needed new homes, including 250 in partnership with other housing providers.

We will generate up to £2 million of additional income from conversions to Affordable Rents in the year ahead.

2011 saw the start of a huge investment programme in Merton Priory Homes and this is planned to continue through to 2015. The maintenance and refurbishment works to our homes here meet the Circle Standard, being far higher than the government's Decent Homes Standard. In addition, we are carrying out work to fulfil promises made to our customers in relation to further property enhancements.

CUSTOMER SATISFACTION

Our dedication to putting people at the heart of our work has meant that year on year our customers are more satisfied with the service they receive. In fact 94 per cent of customers were satisfied with the most important service to them – repairs. When compared to 82 per cent of customers in March 2008, this is a massive accomplishment. But we want to do more. That's why we are investing in improving our customer services.

We have worked hard on the areas that matter to customers, reducing call waiting times by 80% from 84 seconds to 16 seconds. 84% of our customers are satisfied with the housing services we provide.

Getting our customers involved in shaping our services has helped us increase their satisfaction in feeling that their views are being taken into account. More than 400 customers have been involved with shaping our new Repairs and Maintenance service.

Value for Money

The importance of being able to demonstrate Value for Money has always been a key focus at Circle and with the introduction of a new regulatory framework we will continue to develop our ability to meet or exceed the standards required. Value for Money review days continue at our housing association partners with all staff encouraged to bring forward achievements or plans to demonstrate how they and their teams have delivered on our VfM agenda.

Value for Money is often achieved in the small things we do and not just the larger procurement exercises and the celebration of these successes has helped embed VfM in the culture of the Group. The new standard was only recently published and we are in the process of reviewing our strategy and delivery plans to make sure they are relevant and appropriate. During the year we have been looking at improving our reporting capabilities so that we will have a number of tools available to satisfy our Boards that we are using a VfM assessment when looking at the way we deliver our services. With nine housing associations in the Group we have been able to develop our own internal benchmarking to highlight cost and performance trends.

As shown in the table, the performance against a number of indicators is mixed in comparison to last year, but the overall picture shows an improvement on 2010/11, indicating a positive trend and steady progress across the Group. 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.

Despite rent collection being high, total bad debt provision has increased and therefore the bad debt per average unit owned has increased to £143 from £138 in 2010/11.

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

	2011/12	2010/11	2009/10
Rent collected as % of rent due	100.0%	100.3%	99.8%
Current tenants arrears as % of rent roll	3.3%	3.3%	3.3%
Average weekly gross rent	£86 - £120	£73 - £101	£72 - £100
Average re-let turnaround times (days)	13.6 – 31.5	15.6 – 36.9	17.3 – 39.7
Dwellings vacant and available for let	0.5%	0.3%	0.6%
Dwellings vacant but unavailable for rent	0.3%	0.5%	0.7%
Emergency repairs completed in target range	98.3%	98.2%	97.7%
Urgent repairs completed in target range	96.6%	98.0%	96.6%
Routine repairs completed in target range	94.3%	96.4%	93.2%
% of homes failing Decent Homes standard	2.9%	3.9%	8.3%
% of tenants satisfied with overall service	84.0%	81.5%	82.0%

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

MAIN INFLUENCES AND RISKS

The key influences on the Group's operating and financial performance are as follows:

- Meeting customer service aspirations, which include measuring and improving performance against our goals and involving our residents.
- The requirement to provide value for money, including general needs and affordable rents which comply with the Homes and Communities Agency's (HCA) rent restructuring and development agendas, demonstrating continuous improvement in output per unit cost across the Group.
- The impact of economic uncertainty and housing market difficulties on the availability and terms of funding for RPs and for those seeking mortgages and the potential impact on the financial plans of the Group that lending restrictions would cause.
- The provision of an effective maintenance service to all of the RPs including meeting the defined Decent Homes Standards by the agreed deadlines.
- The impact of cuts at Local Authority level on our support and care services and our community programmes that help us in our mission of enhancing life chances.

The Group reviews its risks on a regular basis and has in place a risk management strategy which provides a guide for Board members and managers on the Group's approach to risk management, and a Group risk map is maintained. Through the process of regular review those risks which present the greatest threats to the Group are identified and reported to the Group Audit Committee.

Risk management supports the achievement of business objectives by:

- Enhancing the quality of decision-making, planning and prioritisation.
- Contributing to effective allocation of resources.
- Protecting and enhancing the Group's assets and its reputation.
- Providing a Business Assurance framework to demonstrate the effective management of risk and operation of controls.

Risks that are most likely to influence future performance are:

- Economic factors that could influence the viability of the Group e.g. higher interest and borrowing costs, VAT increases, falling sales values.
- The full impact of welfare benefit reforms, including changes to Housing Benefit, are still uncertain and will need to be monitored and managed as our tenants face ongoing financial pressures. If there is a reduction or termination of Housing Benefit, this may have an adverse impact on rents received as tenants would have to pay a higher proportion of the rent themselves. Similarly the receipt of rental payments could be delayed or reduced in circumstances where Housing Benefit is not paid direct to Circle.
- Active monitoring is required to ensure that the Group's affordable housing programme is delivered on time, on budget and in line with the requirements of our contract with the HCA.
- A significant part of the Group's development programme is in relation to low cost shared ownership homes. A further downturn in the market may impact on the demand for these properties and on the price that can be achieved.
- The appropriate level of expertise and accurate research is required to ensure that targeted growth and returns that are a key element of our Life Chances Plan are achieved in our care and support services and our Telecare service.
- The ability to drive the intended savings and increase in customer loyalty through changes to our procurement and R&M delivery mechanisms.

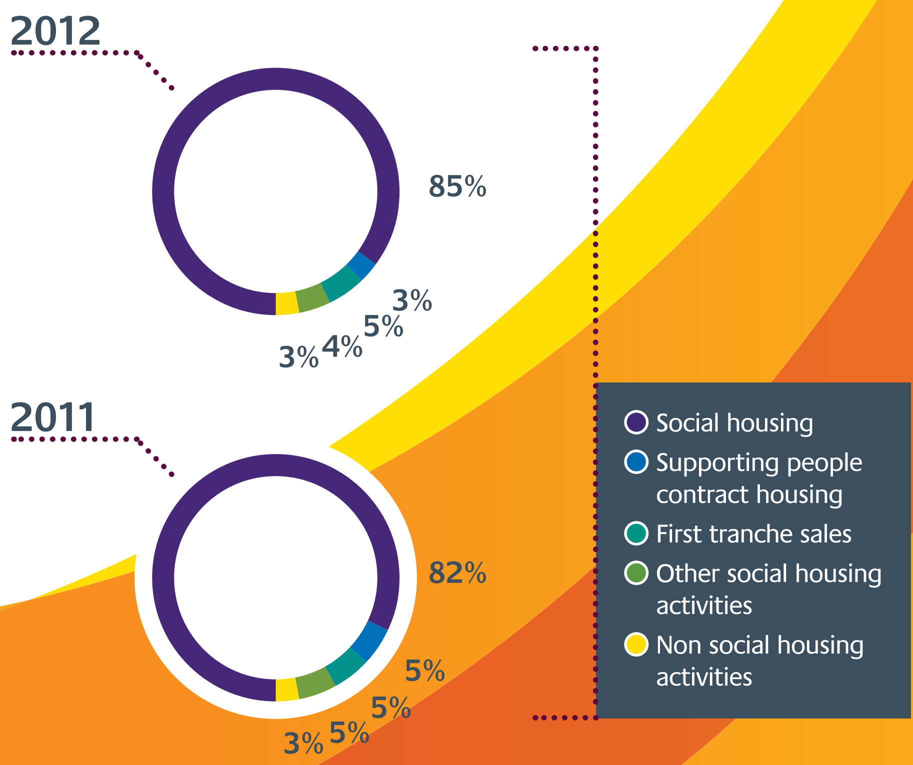
Financial review

Group financial highlights

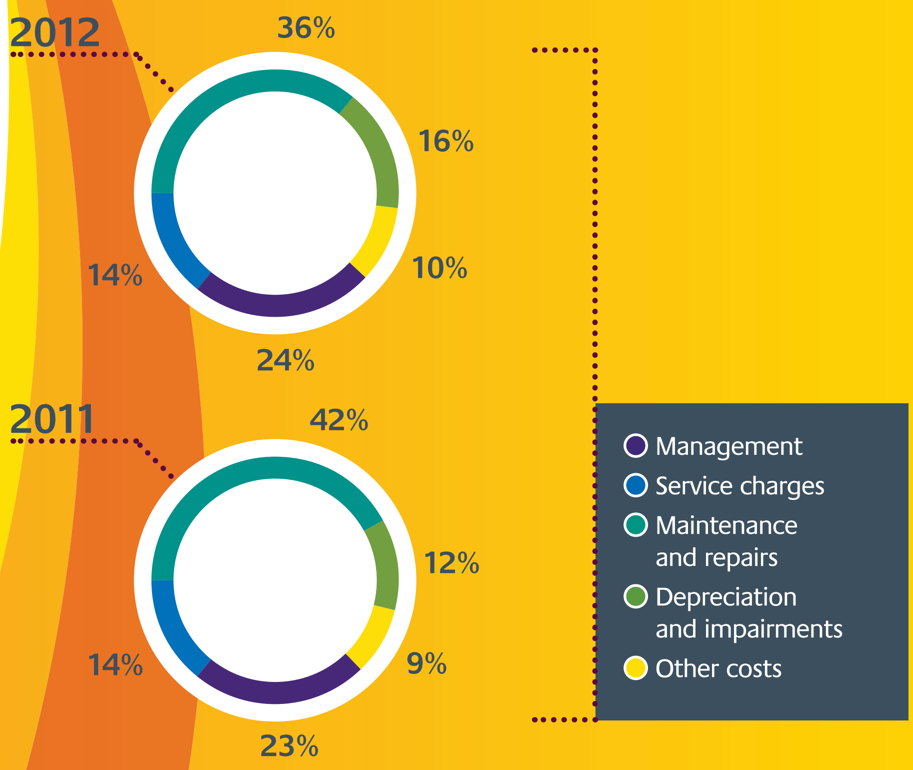
Group income and expenditure

	2012 £m	2011 £m
Turnover	332.7	322.8
Less: share of joint ventures turnover	-	-
Group turnover	332.7	322.8
Cost of sales	(18.6)	(22.5)
Operating costs (after exceptional pension credits)	(224.7)	(210.8)
Operating surplus	89.4	89.5
Share of operating deficit of joint ventures	-	(0.2)
Surplus on sale of assets	3.3	4.9
Reversal of impairment of JVs	-	8.9
Impairment of goodwill	-	(4.5)
Movement in specific work in progress provision	-	0.2
Net interest charge	(71.1)	(70.5)
Taxation	(0.1)	(0.2)
Surplus after taxation for the year	21.5	28.1
Minority interests	(0.1)	-
Surplus for the year after minority interests	21.4	28.1

Where does our income come from?



Social Housing Costs



Group balance sheet

	2012	2011
	£m	£m
Housing properties at cost	2,039.9	1,937.2
Other tangible fixed assets	82.0	74.4
Goodwill	8.1	9.6
Investments	5.8	4.6
Share of joint venture assets less liabilities	0.1	-
Net current (liabilities)/assets	(6.3)	1.7
Debtors – due after one year	216.4	259.8
Creditors – due after one year	(1,948.6)	(1,910.7)
Other long term liabilities	(23.4)	(13.2)
Minority interests	(1.5)	(1.2)
Reserves	(372.5)	(362.2)

The operating surplus of £89.4 million compares to £89.5 million last year with income £9.9 million higher, although last year's result included an exceptional pension credit of £8.8 million which means that the operating margin is 27% compared to an adjusted 2010/11 margin of 25%. Depreciation is significantly higher in 2011/12 as a result of further capital expenditure on components during the year and the £5.2 million impact of reviewed assumptions and estimates relating to older properties. Adjusting the current year for the additional depreciation results in an operating margin increase to 28%.

Management Costs have increased in 2011/12. The majority of this increase is in line with expectations as a number of decisions were taken to invest in areas such as IS&T, Procurement, Business Transformation as well as centralising certain specialist functions and additionally the effect of increased insurance premiums being experienced.

Group turnover excluding joint ventures has increased by 3.1% (2011: 12.7%). Cost of sales and operating costs have increased by 0.5% (2011: 10.7%), excluding the exceptional pension credit.

Social housing turnover has grown by 7.1% (2011: 22.0%) to £283.7 million (2011: £264.8 million).

The operating surplus from social housing activities before depreciation and impairment has increased by 5.9% (2011: 26.4%).

Income of £15.2 million (2011: £16.5 million) and operating costs of £13.9 million (2011: £15.7 million) in respect of first tranche sales are included in the results for the year.

Supporting People contract income has declined to £10.7 million (2011: £16.7 million), which delivered a small deficit of £1.2 million (2011: surplus of £0.6 million). The deficit reflects the continual pressure faced by contracting authorities to deliver significant cuts. This is an area which Circle considers an important focus and we will continue to invest to provide the services required.

Like many other social housing providers, Circle develops properties for outright sale and shared ownership. The profits on this activity are used to cross subsidise our social housing development programme. A surplus of £3.3 million (2011: £4.9 million) is included in the results for the year.

The Group has a surplus of £21.4 million (2011: £28.1 million).

Underlying surplus before exceptional items was £20.1 million (2011: £31.3 million). This represents 6.0% (2011: 9.7%) of turnover. The adjustments can be seen in the table below.

	2012	2011
	£m	£m
Surplus for the year after minority interest	21.4	28.1
Adjustments for exceptional items:		
Impairments	(0.2)	10.7
Reversal of impairment of investment in joint venture	-	(8.9)
Impairment of goodwill	-	4.5
Movement in specific work in progress provision	-	(0.2)
Adjustment of pension valuation basis	-	(8.8)
Loan breakage costs	(1.1)	5.9
Underlying surplus for the year before exceptional items	20.1	31.3

IMPAIRMENTS

An impairment review was carried out at 31 March 2012 for the housing properties and there has been an overall decrease of £0.2 million in the Group impairment provision. This credit was in relation to a reversal of previous year's impairment of a South Anglia scheme at Great Wakering (2011: there was an increase in impairment of £10.7 million).

LEAMINGTON WATERFRONT LLP

Leamington Waterfront LLP (a development entity) became a full subsidiary of the Group in January 2011, prior to this date the entity was a joint venture that the Group participated in. As a result of a review at this time, an impairment of £4.5 million was recognised in the income and expenditure account in the year ended 31 March 2011. Discounts are being given on the sale of properties from the first phase of the project indicating a potential further impairment may be due, however the overall level of impairment has been assessed and deemed still to be appropriate and therefore no additional charge has been necessary. The entity will continue to develop the site and complete the planned 251 units.

PENSIONS

In 2011, the Government's change in the inflationary measure for pensions from RPI to CPI had, in most cases, resulted in the requirement to recognise the reduction in pension liability in the income and expenditure account. This amounts to £8.8 million, covering nine pension schemes.

COMPONENT ACCOUNTING

As a result of the experience of recent years, we have reviewed our application of component accounting which has lead to an increase in depreciation in the year to reflect more appropriate assumptions and estimates in relation to our older properties.

LOAN BREAKAGE COSTS

Interest costs include a credit of £1.1 million of loan breakage costs (2011: charge of £5.9 million).

HOUSING PROPERTIES

As at 31 March 2012, the Group owned 65,423 housing properties (2011: 64,628).

The Board appointed professional valuers to value the Group's housing properties as at 31 March 2012. Our investment in housing properties this year was funded by a mixture of social housing grant, loan finance and working capital. The valuation, on the basis of existing use as social housing, of properties owned by us was £2,698.2 million. (2011: £2,441.6 million).

At the end of March 2012 capital commitments for new developments amounted to £87.8 million (2011: £92.1 million), which will be funded by a combination of grant from public bodies and private finance loans.

The total development and capital improvement activity during the year spent £133.3 million net of grants (2011: £133.2 million) to meet growth and quality home improvement targets; these major investments continue to strengthen the financial performance of the Group.

ACCOUNTING POLICIES

The Group's principal accounting policies are set out on pages 29 to 31 of the financial statements. The policies that are most critical to the financial results relate to accounting for housing properties and include: accounting for major capital project repairs and maintenance costs, capitalisation of interest and development administration costs, deduction of capital grant from the cost of assets, housing property depreciation, and treatment of shared ownership properties first tranche sales.

CAPITAL STRUCTURE & TREASURY MANAGEMENT

The Group Treasury Policy sets out the controls and parameters for treasury activities across the Group and is approved annually by the Management Board. In compiling these policies, good practice from the CIPFA Code of Practice for Treasury Management in Public Services as well as Treasury Management Policy Statements and Good Practice Notes issued by the regulator has been recognised.

The objective is to ensure that the Group has sufficient funding in place to finance operations and investments for a minimum of three years.

The Group's borrowing requirements are based on a prudent approach to business planning which includes sensitivity testing to ensure that they can cope with major changes in circumstances without breaching financial covenants. This includes testing different scenarios of property sales prices, volumes of sales and differing levels of inflation and interest rates.

LOAN STRUCTURE

The Group operates centralised funding arrangements through a treasury vehicle (Circle Anglia Treasury Limited) and a public debt issuance company (Circle Anglia Social Housing Plc). Debt issued by Circle Anglia Social Housing Plc is passed to Circle Anglia Treasury Limited as loans, which in turn provides funding when required to Circle 33 Housing Association, Old Ford Housing Association, Wherry Housing Association, South Anglia Housing Association, Roddons Housing Association, Mole Valley Housing Association, Mercian Housing Association, Merton Priory Homes and Russet Homes – or the 'Guarantor Group'.

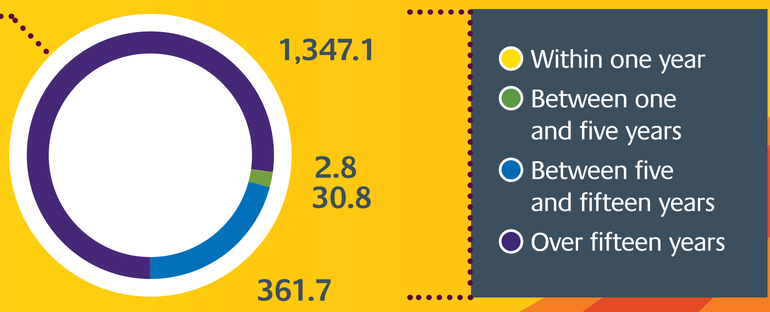
This flexible structure allows for greater depth in the funding market for the Group and allows each of the Guarantors to leverage on the strength of the Group to provide investment in areas that will provide sustainable social benefits and enhance the Life Chances of our customers.

LOAN FACILITIES

On 2 March 2012, Circle Anglia Social Housing Plc issued a £250 million 32 year fixed rate bond, with an annual coupon of 5.20%. The bond was issued at a discounted price of £99.66 : £100. The discounted amount is being amortised through the income and expenditure account over the period to maturity. Circle Anglia Treasury Limited purchased £50 million of the nominal value of the bond.

As at 31 March 2012, the Group had committed long-term loan facilities of £2,322.3 million (2011: £2,075.1 million), with undrawn committed facilities of £580.0 million (2011: £467.2 million). £395.0 million (2011: £395.0 million) are on a revolving basis that convert to long term

Loan repayment profile of drawn facilities £m 2012



facilities on maturity, of these £48.0 million (2011: £180.1 million) are currently utilised.

Maturity dates of loan facilities are staged to ensure that large proportions of debt do not mature in the same year, and therefore the Group should not be subject to any significant degree of financing risk.

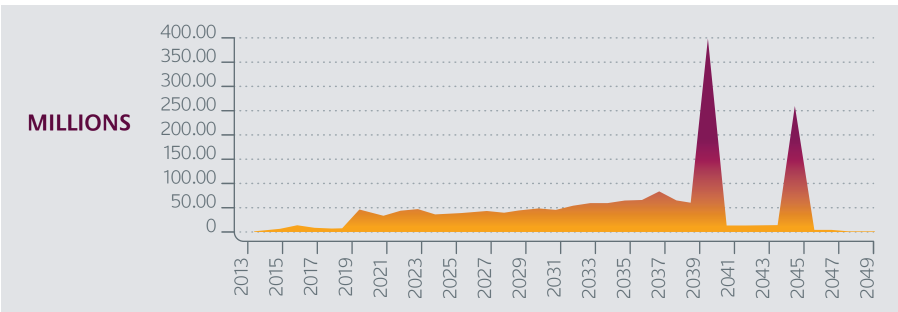
Circle is currently forecast to reach a peak debt of £2,027.0 million in the year to 31 March 2015. The following graph illustrates the repayment profile of all drawn debt as at 31 March 2012. The peak repayment year is 2039 due to the maturity of capital market instruments in November 2038. Circle actively monitors and manages repayment risk.

The following table shows the Group's loan repayment profile:

	Draw Facilities £m	Committed Facilities £m
Within one year	2.8	3.2
Between one and five years	30.8	37.2
Between five and fifteen years	361.7	472.1
Over fifteen years	1,347.1	1,809.8
Total	**1,742.4**	2,322.3

The weighted average expiry period of debt across the group is 27 years and the weighted average rate of interest charged was 5.26% (2011: 4.58%).

DEBT REPAYMENT PROFILE



The debt per unit owned was £26,472 at the year end (2011: £25,008).

INTEREST RATE RISK MANAGEMENT

The Group's current strategy is to mitigate the risk of breaching covenants due to movements in interest and inflation rates. Circle Housing Group uses a combination of embedded and free-standing instruments to hedge against adverse movements in interest rates and inflation. As at 31 March 2012, 97% (2011: 91%) of the Group's debt had been fixed and hedged for the next twelve months and an average of 79% over the next 5 years. The average fixed rate on the portfolio is 4.8%.

COMPLIANCE WITH LOAN COVENANTS

Loan covenants are primarily interest cover and gearing ratio and are monitored monthly, and reported annually to finance providers. For the year to 31 March 2012, the interest cover and gearing ratio were in compliance with loan covenants, interest cover (including impairments and property sales) in the Guarantor Group was 181.2% (2011: 170.3%) and gearing was 51.9% (2011: 49.8%).

Mercian Housing Association has separate loan covenants relating to its external debt and was also in compliance with these for the year to 31 March 2012. The following graph illustrates the repayment profile of all drawn debt as at 31 March 2012. The peak repayment year is 2039 due to the maturity capital market instruments in November 2038. Circle actively monitors and manages repayment risk.

CREDIT RATING

The Group subscribes to Moody's Investor Service for its official credit rating. As at 31 March 2012, the Group's assigned long-term credit rating was:

	2012	2011
Moody's long-term credit rating		
Rating	**Aa3**	Aa3
BCA	**8**	9
Outlook	**Negative**	Stable

As a long-term business, the Group attaches significant importance to maintaining an investment grade credit rating, in order to sustain effective operations. During the year, Circle's credit rating of Aa3 was moved from stable to negative watch wholly as a direct result of Moody's placing the UK Government on negative outlook and the implicit government support that contributes to the credit profile of Housing Associations. All Housing Associations rated stable by Moody's were placed on negative watch as part of the same rating action.

The Group's objective is to consistently maintain an 'Aa' investment grade rating.

CASH FLOWS

The consolidated cash flows show that the Group generated cash of £159.7 million (2011: £102.6 million) from operations (excluding property sales, gift aid and interest) and return on investments. The loan service costs of £76.3 million net (2011: £83.9 million) and £148.5 million (2011: £183.4 million) of expenditure on new development schemes and capital works to existing stock were funded by a social housing grant of £15.2 million (2011: £50.2 million), proceeds from property sales of £4.6 million (2011: £25.4 million), reductions in cash holdings and net drawdown of loans.

INVESTMENTS

The Group invests in a diverse range of activities and uses the returns from these to increase the amount that can be reinvested in social housing and the communities the Group operates in. The importance of these returns and the need to generate them increases with the cuts in public spending, uncertainty in the UK property market and greater need in the communities we operate in.

The Group has invested in Landericus, a fund created with two partners to invest in residential property in Germany. The total amount invested in Landericus at the end of the year was £16.7 million (2011: £16.7 million). Landericus owns 1,023 properties (2011: 919) with a value of £54.5 million (2011: £47.4 million), in North Rhine Westphalia, Berlin, Bremen, Halle and Frankfurt. Landericus made a surplus for the year of £0.7 million (2011: £0.7 million).

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 Home and Communities Agency and its Aa3 rating from Moodys, a credit rating agency.

STATEMENT OF COMPLIANCE

In presenting the Operating and Financial Review on pages 7 to 12, 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 SORP 2010.

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 has 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, 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 and embedded across the Group by documenting and collating evidence to support good practice and compliance.

INTERNAL ASSURANCE ACTIVITIES

Control and risk self–assessments (CRSA) are undertaken by management. Staff and line managers review their own risks with assistance from the risk management team and by building their own control assessment. 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.

INTERNAL AUDITS

Circle Housing Group's internal auditors are used to ensure 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. Value has been added to the internal audit function due to continued support and presence of the in

house internal auditor. 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 Association.

RISK MANAGEMENT AND GOVERNANCE

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

CONTROL ISSUES

In September 2011 the Executive Directors chose to notify the Tenant Services Authority (TSA) of a budget overspend on repairs and maintenance within one of the Partners. This did not impact the overall financial strength of that Partner or the Group. Adherence to loan covenants was maintained at all times. A Board Panel was convened to oversee an extensive operation review. A number of recommendations have been made to strengthen controls in this area and the implementation of these recommendations is being monitored by Group Audit and Risk Committee, the Board Panel and the Executive Director Board.

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 31st March 2012, and up to the point of signing these 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 Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. 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: 24 July 2012

Independent auditor's report to the members of Circle Anglia Limited

We have audited the financial statements of Circle Anglia Limited for the year ended 31 March 2012 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 21, 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/apb/scope/private.cfm.

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 2012 and of the Group and Associations 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 Requirements for Registered Social Landlords General Determination 2006.

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: 7 August 2012

Group income and expenditure account for the year ended 31 March 2012

		Group			
			2012		2011
	Note	£m	£m	£m	£m
Turnover: continuing activities	3				
Group and share of joint ventures			332.7		322.8
Less share of joint ventures turnover			-		-
Group turnover			332.7		322.8
Cost of sales	3		(18.6)		(22.5)
Operating costs before exceptional items		(224.7)		(219.6)	
Exceptional pension credit		-		8.8	
Operating Costs	3		(224.7)		(210.8)
Operating surplus: continuing activities	3		89.4		89.5
Share of operating deficit of joint ventures			-		(0.2)
Surplus on sale of fixed assets – housing properties	6		3.3		4.9
Reversal of impairment of JVs			-		8.9
Impairment of goodwill			-		(4.5)
Movement in specific work in progress provision			-		0.2
Interest receivable and other income	7		2.7		1.8
Interest payable and similar charges	8		(73.8)		(72.3)
Surplus on ordinary activities before taxation			21.6		28.3
Tax charge on surplus on operating activities	10		(0.1)		(0.2)
Surplus for the financial year after taxation			21.5		28.1
Minority interests			(0.1)		-
Surplus for the financial year after minority interests			21.4		28.1

Statement of total Group recognised surpluses and deficits for the year ended 31 March 2012

		Group	
		2012	2011
	Note	£m	£m
Reported surplus for the financial year		21.4	28.1
Actuarial (losses)/gains recognised in the pension scheme net of deferred tax and exceptional pension credit	30	(11.3)	13.2
Total recognised surplus for the year		10.1	41.3

Association income and expenditure account for the year ended 31 March 2012

		Association			
			2012		2011
	Note	£m	£m	£m	£m
Turnover: continuing activities	3		52.4		42.4
Operating costs before exceptional items		(52.0)		(45.1)	
Exceptional pension credit		-		3.8	
Operating costs	3		(52.0)		(41.3)
Operating surplus: continuing activities	3		0.4		1.1
Interest receivable and other income	7		-		0.2
Interest payable and similar charges	8		(0.5)		(1.3)
Deficit on ordinary activities before taxation			(0.1)		-
Tax (credit)/charge on surplus on operating activities	10		0.1		-
Surplus for the financial year after taxation			-		-

Statement of total Association recognised surpluses and deficits for the year ended 31 March 2012

		2012	2011
	Note	£m	£m
Surplus for the financial year		-	-
Actuarial (losses)/gains recognised in the pension scheme net of deferred tax	30	(2.8)	2.2
Total recognised (deficit)/ surplus since the last annual report		(2.8)	2.2

Group balance sheet
as at year ended 31 March 2012

	Note	2012 £m	2011 £m
Tangible fixed assets			
Housing properties at cost	11	2,039.9	1,937.2
Other tangible fixed assets	11	82.0	74.4
Goodwill	12	8.1	9.6
Investments	13	5.8	4.6
Investments in joint venture:			
Share of gross assets	13	0.1	0.1
Share of gross liabilities	13	-	(0.1)
Fixed asset investments:			
Investment – loans	13	9.2	13.0
Grant received	13	(9.2)	(13.0)
Investment in property under the Homebuy Scheme:			
Grant investment		13.3	13.7
Social housing grant		(13.3)	(13.7)
		2,135.9	2,025.8
Current assets			
Stock and work in progress	14	43.3	62.0
Debtors due within one year	15	89.2	95.7
		132.5	157.7
Investments	16	13.7	-
Cash at bank and in hand		19.3	6.9
		165.5	164.6
Creditors: Amounts falling due within one year	17	(171.8)	(162.9)
Net current (liabilities)/assets		(6.3)	1.7
Other debtors – amounts falling due after one year	15	216.4	259.8
Total assets less current liabilities		2,346.0	2,287.3
Creditors: Amounts falling due after more than one year	18	1,948.6	1,910.7
Long term pension liability	30	23.4	13.2
		1,972.0	1,923.9
Capital and reserves:			
Non-equity share capital	31	-	-
Designated reserves	32	6.3	6.3
Revenue reserves	32	366.2	355.9
Minority interests		1.5	1.2
		374.0	363.4
Consolidated funds		2,346.0	2,287.3

The financial statements were approved by the Board on 24 July 2012 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 2012

	Note	2012 £m	2011 £m
Tangible fixed assets			
Other tangible fixed assets	11	6.7	6.9
Investments	13	0.9	0.9
		7.6	7.8
Current assets			
Debtors due after one year	15	-	2.3
Debtors due within one year	15	4.3	8.6
		4.3	10.9
Cash at bank and in hand		10.0	-
		14.3	10.9
Creditors: Amounts falling due within one year	17	(7.5)	(12.0)
Net current assets/(liabilities)		6.8	(1.1)
Total assets less current liabilities		14.4	6.7
Creditors: Amounts falling due after more than one year	18	18.4	10.4
Long term pension liability	30	8.2	5.7
		26.6	16.1
Capital and reserves:			
Non-equity share capital	31	-	-
Revenue reserve	33	(12.2)	(9.4)
		14.4	6.7

The financial statements were approved by the Board on 24 July 2012 and signed on its behalf by:

Sir R Young
Board Member

S Braid
Board Member

D Upton
Secretary

Group cash flow statement
for the year ended 31 March 2012

	Note	2012 £m	2011 £m
Net cash inflow from operating activities	26	159.7	102.6
Returns on investments and servicing of finance			
Interest received		0.3	1.8
Interest paid		(76.6)	(85.7)
Net cashflow from returns on investment and servicing activities		(76.3)	(83.9)
Taxation paid			
Corporation tax paid		(0.5)	(0.3)
Capital expenditure			
Purchase and construction of housing properties		(148.5)	(183.4)
Social housing grants received		15.2	50.2
Sale of housing properties		4.6	25.4
Purchase of other fixed assets		(12.6)	(16.3)
Net cashflow from capital expenditure		(141.3)	(124.1)
Acquisitions and disposals			
Share issue to minority interest		0.2	-
Net cashflow from acquisitions and disposals		0.2	-
Cash outflow before management of liquid resources and financing		(58.2)	(105.7)
Management of liquid resources			
Cash withdrawn from money market deposit accounts	27/28	(13.7)	12.7
Net purchase of listed investments		(1.2)	-
Cash received from the sale of Bond investment		-	4.5
		(14.9)	17.2
Financing			
Housing loans received net of payments	27/28	(165.4)	65.8
Cash received re issue of Bond debt	27/28	249.1	-
		83.7	65.8
Increase/(decrease) in cash	27/28	10.6	(22.7)

Notes to the financial statements for the year ended 31 March 2012

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 directors 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 Requirements for Registered Social Landlords General Determination 2006.

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

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 further 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% and 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 have 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 scheme 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.

AB. 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

	2012				2011	
	Turnover	Cost of sales	Operating costs	Operating surplus	Turnover	Operating surplus
	£m	£m	£m	£m	£m	£m
Social housing lettings	283.7	-	(199.0)	84.7	264.8	88.9
Other social housing activities						
Supporting people contract income	10.7	-	(11.9)	(1.2)	16.7	0.6
Development services	-	-	-	-	0.1	-
Management services	1.7	-	(1.2)	0.5	1.5	0.2
Community regeneration	0.7	-	(2.4)	(1.7)	1.0	(1.5)
First tranche sales	15.2	(13.9)	-	1.3	16.5	0.8
Other	11.0	(4.7)	(5.6)	0.7	12.3	(3.7)
Exceptional pension credit	-	-	-	-	-	8.8
	39.3	(18.6)	(21.1)	(0.4)	48.1	5.2
Non-social housing activities						
Lettings	9.7	-	(4.6)	5.1	9.9	(4.6)
	332.7	(18.6)	(224.7)	89.4	322.8	89.5

Following the Government's change from RPI to CPI as the inflationary measure for future pension increases, gains have arisen as a result of CPI being traditionally lower then RPI. The gain in 2010/11 of £8.8 million is shown in the income and expenditure account as an exceptional pension credit.

ASSOCIATION – CONTINUING ACTIVITIES

	2012				2011	
	Turnover	Cost of sales	Operating costs	Operating surplus	Turnover	Operating surplus
	£m	£m	£m	£m	£m	£m
Social housing lettings	52.4	-	(52.0)	0.4	42.4	1.1

PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

GROUP

	General needs housing	Supported housing	Temporary social housing	Shared ownership	Lease	2012 Total	2011 Total
	£m	£m	£m	£m	£m	£m	£m
Rent receivable net of identifiable service charges	224.4	22.7	4.9	10.6	0.2	262.8	245.3
Charges for support services	-	-	-	-	-	-	0.3
Service charges receivable	12.0	6.3	0.1	2.5	3.1	24.0	22.3
Gross rents receivable	236.4	29.0	5.0	13.1	3.3	286.8	267.9
Less: rent losses from voids	(2.3)	(0.8)	(0.4)	(0.1)	-	(3.6)	(3.9)
Net rents receivable	234.1	28.2	4.6	13.0	3.3	283.2	264.0
Other revenue grants	0.4	0.1	-	-	-	0.5	0.8
Turnover from social housing lettings	234.5	28.3	4.6	13.0	3.3	283.7	264.8

	General needs housing	Supported housing	Temporary social housing	Shared ownership	Lease	2012 Total	2011 Total
	£m	£m	£m	£m	£m	£m	£m
Management	(28.2)	(10.1)	(0.8)	(3.3)	(4.7)	(47.1)	(38.8)
Services	(17.2)	(6.3)	(0.1)	(1.1)	(3.5)	(28.2)	(25.1)
Routine maintenance	(37.5)	(2.8)	(0.3)	(0.5)	(2.4)	(43.5)	(43.8)
Planned maintenance	(23.5)	(2.6)	-	(0.6)	(2.3)	(29.0)	(30.0)
Bad debts	(1.2)	(0.2)	0.1	-	-	(1.3)	(1.8)
Property lease charges	-	-	(1.3)	-	-	(1.3)	(1.7)
Depreciation of housing properties	(28.5)	(2.9)	(0.1)	-	-	(31.5)	(18.6)
Impairment of housing properties	-	-	-	0.2	-	0.2	(2.0)
Other costs	(13.6)	(1.3)	-	(0.6)	(1.8)	(17.3)	(14.1)
Operating costs on social housing lettings	(149.7)	(26.2)	(2.5)	(5.9)	(14.7)	(199.0)	(175.9)
Operating surplus on social housing lettings	84.8	2.1	2.1	7.1	(11.4)	84.7	88.9
As a percentage of operating surplus on social housing letting	100.1%	2.5%	2.5%	8.4%	(13.5)%	100%	

The following ratios have been calculated to assist with clarity:

	Group	
	2012	2011
	£	£
Operating cost per social housing unit (general needs only)	3,298	2,868
Maintenance spend per average number of social housing units owned	3,092	2,590
Management spend per average number of social housing units owned	776	679
Services spend per average number of social housing units owned	465	418
Overheads as a percentage of income	28.7%	29.0%

4. Accommodation in management and development

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

	Group	
	2012	2011
	No.	No.
Social housing		
General housing	45,653	45,132
Supported housing and housing for older people	5,367	5,408
Shared ownership	4,112	3,947
Keyworker	295	289
Leaseholders	5,497	5,499
Staff accommodation	63	65
Total social housing owned	60,987	60,340
Non-social housing		
Market rented	1,912	1,755
Garages	1,530	1,532
Intermediate rent	244	211
Leaseholders	501	496
Other non-social	249	294
Total non-social housing owned	4,436	4,288
Total housing owned	65,423	64,628
Accommodation managed for others	170	291
Stock owned but not managed	(611)	(3,541)
Total managed	64,982	61,378
Accommodation in development at the year end	727	1,677

Note: Market rented properties includes 1,023 properties (2011: 919) 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		Association	
	2012	2011	2012	2011
	£m	£m	£m	£m
Depreciation of housing properties	31.9	21.6	-	-
Impairment of housing properties	(0.2)	10.7	-	-
Depreciation of other Tangible fixed assets	4.9	4.3	3.2	2.9
Amortisation of goodwill	1.5	-	-	-
Operating lease rentals	4.3	4.2	2.5	2.2
Current and past service costs, including settlements and curtailments	2.1	2.8	0.4	0.5
Exceptional pension credit	-	8.8	-	3.8
Foreign Exchange loss	-	-	-	-
Auditor's Remuneration:				
-for audit services	0.2	0.3	-	-
-for non-audit services	0.3	0.5	0.2	0.2

6. Surplus on sale of fixed assets – housing properties

	Group	
	2012	2011
	£m	£m
Sales proceeds	19.3	17.0
Cost of sales	(16.0)	(12.1)
	3.3	4.9

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

7. Interest receivable and other income

	Group		Association	
	2012	2011	2012	2011
	£m	£m	£m	£m
Interest receivable on bank deposits	0.8	0.8	-	-
Other interest earned	-	0.1	-	-
Interest receivable from unlisted investments	1.6	0.9	-	-
Interest receivable on FRS 17 pension schemes	0.3	-	-	-
Interest from subsidiaries	-	-	-	0.2
	2.7	1.8	-	0.2

8. Interest payable and similar charges

	Group		Association	
	2012	2011	2012	2011
	£m	£m	£m	£m
Interest on loans	24.2	24.4	-	-
Interest on bonds	27.9	22.3	-	-
Loan breakage costs – net	(1.1)	5.9	-	-
Other interest payable	2.9	2.4	-	-
Interest payable on derivatives	22.3	21.1	-	-
Other finance costs – FRS 17 pension	0.3	0.8	0.2	0.3
Finance charges re Finance Leases	0.1	0.1	-	-
Interest to subsidiaries	-	-	0.3	1.0
	76.6	77.0	0.5	1.3
Interest payable capitalised on Housing Properties under construction	(2.8)	(4.7)	-	-
	73.8	72.3	0.5	1.3
Capitalisation rate used to determine the finance costs capitalised during the period	4.86%	4.40%	-	-

9. Employees

	Group		Association	
	2012	2011	2012	2011
	No.	No.	No.	No.
Average monthly number of employees (FTE)				
Administration	321	359	293	294
Care	530	522	80	-
Developing or selling housing stock	35	36	27	26
Managing or maintaining housing stock	1,085	1,051	19	11
	1,971	1,968	419	331

	Group		Association	
	2012	2011	2012	2011
	£m	£m	£m	£m
Staff Costs:				
Wages and salaries	62.8	58.9	17.4	14.1
Social security costs	6.1	5.6	1.9	1.5
Other pension costs	3.8	4.1	1.2	1.0
	72.7	68.6	20.5	16.6

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).

EMPLOYEES (CONTINUED)

BOARD MEMBERS AND EXECUTIVE OFFICERS

During the year, Board members and Executive Officers received emoluments (including pension contributions and benefits in kind) totalling £1,124,345 (2011: £1,320,059). Expenses paid during the year to the Board and committee members amounted to £20,230 (2011: £20,276).

The emoluments of the highest paid director, the Chief Executive, excluding pension contributions, were £237,281 (2011: £235,106). Pension contributions paid into a defined contribution scheme on behalf of the Chief Executive were £56,375 (2011: £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:

		2012		2011
	Fees	Expenses reimbursed	Total	Total
	£	£	£	£
Sir Robin Young	26,250	166	26,416	25,336
Simon Braid[2]	13,250	1,125	14,375	11,132
Tania Brisby	12,000	109	12,109	-
Robert Burgin	12,000	475	12,475	12,879
Jane Clarkson JP	14,000	2,164	16,164	13,829
Murray Foster	13,250	1,935	15,185	14,931
Jane Gurney-Read[1]	13,250	1,611	14,861	4,373
Baroness Jones of Whitchurch	14,100	131	14,231	14,414
Brenda Reynolds	14,000	638	14,638	3,701
	132,100	8,354	140,454	100,595
Former non-executive management Board members:				
Martin Shaw OBE	-	-	-	12,000
Alan Catterick	-	-	-	9,582
Nicola Lucking	-	-	-	3,629
Michael Webber	-	-	-	5,956
	-	-	-	31,167
	132,100	8,354	140,454	131,762

[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.

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

	2012	2011
	£	£
Mark Rogers	227,764	226,040
Calum Mercer	164,250	168,000
Andy Doylend	148,584	159,084
Sara Trota	156,774	139,395
Maria Heckel	91,777	-
Deborah Upton	29,257	-
	818,406	692.519

EMPLOYEE REMUNERATION

The number of staff receiving remuneration in excess of £60,000 as at 31 March 2012 is shown as follows:

	2012	2011
£60,000 - £69,999	29	22
£70,000 - £79,999	16	11
£80,000 - £89,999	11	17
£90,000 - £99,999	5	5
£100,000 and above	13	11

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:

	2012	2011
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:

	2012	2011
	£	£
Chief Executive	3.48	3.50
Chair	0.40	0.36

10. Tax on surplus on ordinary activities

	Group		Association	
	2012	2011	2012	2011
Current tax	£m	£m	£m	£m
UK Corporation Tax charge on surpluses for the year	0.3	0.3	-	-
Adjustment in respect of prior years	-	(0.1)	-	(0.1)
Total current tax charge	0.3	0.2	-	(0.1)
Deferred tax				
Net origination and reversal of timing differences (excluding pension charge)	-	(0.1)	-	-
Deferred tax on pension charge	0.2	0.1	(0.1)	0.1
Total deferred tax charge	0.2	-	(0.1)	0.1
Tax charge/(credit) on surpluses for the year	0.1	0.2	(0.1)	-

	Group		Association	
	2012	2011	2012	2011
Current year tax reconciliation	£m	£m	£m	£m
Surplus on ordinary activities before tax	21.6	28.3	-	0.1
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 26% (2010: 26%)	5.6	7.9	-	-
Timing differences on exceptional pension credits	(0.2)	(1.2)	(0.1)	(1.0)
Surpluses of charitable entities not subject to corporation tax	(6.3)	(8.9)	-	-
Depreciation in excess of capital allowances	0.4	0.4	0.4	0.5
Other non-deductible expenditure, net of allowable capital costs	1.1	4.6	0.1	0.1
Other timing differences	-	(3.3)	-	-
Losses carried forward	-	-	-	-
Utilisation of losses	(0.3)	0.8	(0.4)	0.5
Adjustments in respect of prior years	-	(0.1)	-	(0.1)
Total current tax charge	0.3	0.2	-	-

11. Tangible fixed assets

GROUP – HOUSING PROPERTIES

	Completed Properties		Housing Properties Under Construction		
	Housing properties held for letting	Shared ownership housing properties	Housing properties held for letting	Shared ownership housing properties	Total
	£m	£m	£m	£m	£m
Cost					
As at 1 April 2011	2,943.6	293.5	119.5	53.9	3,410.5
Movements in the year					
Additions:					
- Spend in new 11/12 WIP schemes	-	-	0.9	(0.6)	0.3
- Works in existing properties / schemes	116.3	(1.2)	15.5	17.6	148.2
Capitalised interest	-	-	1.7	0.7	2.4
Schemes completed in the year	84.0	45.5	(84.0)	(45.5)	-
Disposals	(1.9)	(2.7)	-	-	(4.6)
Impairments	-	0.2	-	-	0.2
As at 31 March 2012	3,142.0	335.3	53.6	26.1	3,557.0
Social housing grant					
As at 1 April 2011	(1,142.8)	(79.1)	(93.9)	(33.8)	(1,349.6)
Additions:					
- Existing properties / schemes	(18.4)	(3.7)	(3.0)	9.9	(15.2)
Schemes completed in the year	(53.7)	(18.8)	53.7	18.8	-
Disposals	0.9	2.4	-	-	3.3
As at 31 March 2012	(1,214.0)	(99.2)	(43.2)	(5.1)	(1,361.5)
Depreciation					
As at 1 April 2011	(121.6)	(2.1)	-	-	(123.7)
Charged in the year	(31.9)	-	-	-	(31.9)
As at 31 March 2012	(153.5)	(2.1)	-	-	(155.6)
Net book value					
As at 31 March 2012	1,774.5	234.0	10.4	21.0	2,039.9
As at 31 March 2011	1,679.2	212.3	25.6	20.1	1,937.2

GROUP – HOUSING PROPERTIES (CONTINUED)

WORKS TO EXISTING PROPERTIES

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

	2012	2011
	£m	£m
Capitalised in fixed assets	115.1	81.8
Expensed in the income and expenditure account	52.0	57.3
	167.1	139.1

On 31 March 2012, the Group's housing properties were valued 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	£2,698,203,000

Included in the total net book value of £2,039.9 million is £0.5 million (2011: £0.5 million) in respect of assets held under finance lease contracts. Depreciation for the year on these assets was £nil million (2011: £nil million).

TANGIBLE FIXED ASSETS – OTHER

GROUP

	Leasehold/ freehold offices	Furniture, fixtures and fittings	Computer equipment	Motor vehicles	Total
	£m	£m	£m	£m	£m
Cost					
As at 1 April 2011	70.1	13.3	23.1	0.1	106.6
Additions	9.5	0.2	2.9	-	12.6
Disposals	-	-		(0.1)	(0.1)
As at 31 March 2012	79.6	13.5	26.0	-	119.1
Depreciation					
As at 1 April 2011	(5.4)	(9.7)	(17.0)	(0.1)	(32.2)
Charge for year	(0.3)	(1.4)	(3.3)	-	(5.0)
Written back on disposals	-	-	-	0.1	0.1
As at 31 March 2012	(5.7)	(11.1)	(20.3)	-	37.1
Net Book Value					
As at 31 March 2012	73.9	2.4	5.7	-	82.0
As at 31 March 2011	64.7	3.6	6.1	-	74.4

ASSOCIATION

	Leasehold/ freehold offices	Furniture, fixtures and fittings	Computer equipment	Total
	£m	£m	£m	£m
Cost				
As at 1 April 2011	0.4	4.0	10.4	14.8
Additions during year	-	0.1	2.9	3.0
As at 31 March 2012	0.4	4.1	13.3	17.8
Depreciation				
As at 1 April 2011	-	(2.1)	(5.8)	(7.9)
Charge for year	(0.1)	(0.6)	(2.5)	(3.2)
As at 31 March 2012	(0.1)	(2.7)	(8.3)	(11.1)
Net Book Value				
As at 31 March 2012	0.3	1.4	5.0	6.7
As at 31 March 2011	0.4	1.9	4.6	6.9

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.

	2012	2011
	£m	£m
As at 1 April	9.6	-
Goodwill arising on acquisition of subsidiary	-	14.1
Impairment of Goodwill	-	(4.5)
Amortisation in the year	(1.5)	-
As at 31 March	8.1	9.6

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

		Registered With				
	% Share Capital Owned	Registrar of Friendly Societies	Companies Registrar	Homes and Communities Agency	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 Limited	100	✓	-	✓	-	-
Mole Valley Housing Association	100	✓	-	✓	-	-
Old Ford Housing Association	100	-	✓	✓	-	-
Roddons Housing Association	100	✓	-	✓	-	-
Russet Housing Association Limited	100	✓	-	✓	-	-
South Anglia Housing Limited	100	✓	-	✓	-	-
Wherry Housing Association Limited	100	✓	-	✓	-	-
Circle Anglia Foundation Limited	100	-	✓	-	✓	-
Circle Anglia Treasury Limited	100	-	✓	-	-	-
Circle Anglia Social Housing plc	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	-	✓	-	-	-
Your Lifespace Limited is the Parent Company of:						
Leamington Waterfront LLP	99.9	-	✓	-	-	-
Landericus Limited *	92.06	-	✓	-	-	-
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 (formerly EPIC Trust 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.rl, 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.

Operating surplus/(deficit) and the net asset/liabilities position of the subsidiary undertakings at 31 March 2012:

	Operating surplus / (deficit)		Total assets less current liabilities	
	2012	2011	2012	2011
	£m	£m	£m	£m
Anglia Maintenance Services Limited	0.3	1.7	(0.5)	(0.3)
Circle Anglia Foundation Limited	0.2	-	0.6	0.5
Circle Anglia Treasury Limited	0.1	-	0.1	-
Circle Anglia Social Housing Plc	-	-	0.1	0.1
Circle Living Limited	0.3	0.2	0.5	0.3
Circle Thirty Three Housing Trust Limited	30.3	28.8	119.6	108.3
Circle Care and Support Limited	0.1	0.4	1.5	1.8
Your Lifespace Limited	(0.2)	-	(6.8)	(6.6)
Old Ford Homes Limited	0.1	-	0.4	0.4
Old Ford Housing Association	1.6	1.3	19.5	28.3
South Anglia Housing Limited	11.9	10.6	(5.8)	(4.5)
Wherry Housing Association Limited	9.7	10.1	0.5	2.0
Mole Valley Housing Association	5.5	6.7	46.7	52.2
Roddons Housing Association	4.2	4.6	25.5	30.8
Russet Housing Association	16.5	19.2	32.1	24.0
Invicta Telecare Limited	0.5	2.0	(0.2)	0.2
Thackeray Mews Limited	-	-	-	-
Landericus Limited	2.0	0.7	55.4	49.9
Mercian Housing Association Limited	3.2	3.4	30.0	36.7
Art Homes Limited	(0.5)	(0.1)	(0.5)	(0.1)
Zenith Developments Limited	0.2	0.1	0.3	0.2
Merton Priory Homes Limited	7.2	7.9	175.3	187.5
Leamington Waterfront LLP	(0.3)	0.1	(3.2)	(1.9)
	92.9	97.7	491.1	509.8

INVESTMENTS – LISTED AND UNLISTED

Included in investments are:

	Group		Association	
	2012	2011	2012	2011
	£m	£m	£m	£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	4.4	-	-
Unlisted investments	0.3	0.2	-	-
	5.8	4.6	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 £5,529,763 (2011: £4,410,863) 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.

INVESTMENTS (CONTINUED)

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	Your Lifespace Limited
Wideacre Lifespace Saffron LLP	England and Wales	Development of property	50% 1 £1 Ordinary B Share	Your Lifespace Limited
Associated undertakings – associates				
Key London Alliance	England and Wales	Development of property	25%	Circle 33 Housing Trust Limited

The total of the Group's loss before taxation from interests in associates and joint ventures was £27,000 (2011: loss before taxation £204,000).

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

	Joint Ventures Total		Associate Total	
	2012	2011	**2012**	2011
	£m	£m	**£m**	£m
Share of turnover	**-**	-	**-**	-
Share of assets				
- Share of current assets	**0.1**	0.1	**-**	-
Share of liabilities				
- Due within one year	**-**	(0.1)	**-**	-
Share of net assets	**0.1**	-	**-**	-

INVESTMENTS – LOANS

	Group	
	2012	2011
	£m	£m
Loans	**9.2**	13.0
Grants	**(9.2)**	(13.0)
	-	-

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	
	2012	2011
	£m	£m
Parts and warehouse stores	0.1	0.1
Work in progress	-	0.1
Completed properties	26.2	23.9
Properties under construction	17.0	37.9
	43.3	62.0

Warehouse stores and work in progress are held by Anglia Maintenance Services Limited and 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 £959,000 (2011: £1,323,000).

15. Debtors

	Group		Association	
	2012	2011	2012	2011
	£m	£m	£m	£m
Due after more than one year:				
Amount due from subsidiaries	-	-	-	2.3
Stock transfer – future works (note 20)	216.4	259.8	-	-
Total debtors – more than one year	216.4	259.8	-	2.3
Due within one year:				
Rent and service charges receivable	21.3	19.9	-	-
Less: Provision for bad and doubtful debts	(8.7)	(8.3)	-	-
	12.6	11.6	-	-
Amounts due from subsidiary undertakings	-	-	1.1	6.3
Stock transfer – future works (note 20)	56.9	64.4	-	-
Other debtors	12.5	12.1	1.5	1.5
Prepayments and accrued income	6.7	7.5	1.3	0.8
Corporation tax debtor	0.4	-	-	-
Deferred taxation	0.1	0.1	0.4	-
	76.6	84.1	4.3	8.6
Total debtors – within one year	89.2	95.7	4.3	8.6

16. Current asset investments

	Group		Association	
	2012	2011	2012	2011
	£m	£m	£m	£m
Money market deposits – collateral	13.0	-	-	-
Money market deposits	0.7	-	-	-
	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		Association	
	2012	2011	2012	2011
	£m	£m	£m	£m
Bank overdraft (note 21)	8.3	6.5	-	-
Bank loans and borrowings (note 21)	3.8	2.9	-	-
	12.1	9.4	-	-
Trade creditors	5.8	6.5	0.8	0.5
Capital creditors	4.8	5.6	-	-
Rent and service charge received in advance	8.6	6.3	-	-
Amount owed to Group undertakings	-	-	2.2	7.5
Recycled capital grant fund (note 19)	4.7	2.6	-	-
Disposal proceeds fund (note 19)	3.6	1.6	-	-
Corporation Tax	0.3	0.3	-	-
Other taxation and social security	1.9	1.7	1.8	1.6
Other creditors	16.2	3.5	0.6	0.6
Stock transfer – future works (note 20)	56.9	64.3	-	-
Accruals and deferred income	56.9	61.1	2.1	1.8
Total creditors – within one year	171.8	162.9	7.5	12.0

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

	Group		Association	
	2012	2011	2012	2011
	£m	£m	£m	£m
Bank loans and borrowings (note 21)	1,721.9	1,641.6	-	-
Obligations under finance leases (note 21)	1.1	1.1	-	-
	1,723.0	1,642.7	-	-
Recycled Capital Grant Fund (note 19)	3.9	2.5	-	-
Disposal Proceeds Fund (note 19)	2.5	2.6	-	-
Amounts owed to Group undertakings	-	-	18.4	10.4
Other creditors	2.1	0.3	-	-
Financial deferred income (note 23)	0.7	1.0	-	-
Other deferred income		1.7	-	-
Stock transfer – future works (note 20)	216.4	259.9	-	-
Total creditors – more than one year	1,948.6	1,910.7	18.4	10.4

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	DPF
	£m	£m
As at 1 April 2011	5.1	4.2
Inputs to reserve:		
Grants recycled	3.5	1.9
As at 31 March 2012	8.6	6.1
Amount due for repayment to the Homes and Communities Agency		
- due within 1 year	4.7	3.6
- due within 2–3 years	3.9	2.5
As at 31 March 2012	8.6	6.1

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		Association	
	2012	2011	**2012**	2011
	£m	£m	**£m**	£m
Due within one year				
Bank overdraft	**8.3**	6.5	-	-
Bank loans	**3.8**	2.9	-	-
	12.1	9.4	-	-
Due after more than one year				
Bank loans	**1,126.9**	1,264.0	-	-
Bonds	**595.0**	377.6	-	-
Obligations under finance leases	**1.1**	1.1	-	-
	1,723.0	1,642.7	-	-
	1,735.1	1,652.1	-	-

	Group		Association	
	2012	2011	**2012**	2011
	£m	£m	**£m**	£m
Within one year	**12.1**	9.4	-	-
Between one and two years	**6.6**	4.6	-	-
Between two and five years	**30.1**	27.0	-	-
After five years	**1,686.3**	1,611.1	-	-
	1,735.1	1,652.1	-	-

Of the total loans above £1,679.1 million (2011: £1,526.3 million) was drawn from committed facilities of £2,259.0 million (2011: £1,992.4 million), arranged through the Group's borrowing vehicle, Circle Anglia Treasury Limited, of which £635.0 million (2011: £385.0 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. £26.0 million (2011: £51.1 million) of facilities still reside within the charitable RPs (£0.7 million (2011: £0.7 million) finance lease in Wherry Housing Association, £1.7 million (2011: £21.7 million) in historic bonds and loans in Circle 33 Housing Trust, £23.6 million (2011: £28.7 million) in Mercian Housing Association).

Under the facilities, the loans are repayable at various dates through to 2048 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 5.26% (2011: 4.58%). The weighted average expiry period is 23 years.

Landericus has separate borrowings of £37.1 million (£30.6 million).

Included within the debt are fair value amounts of £13.8 million (2011: £15.7 million) relating to the acquisition of Mercian Housing Association and £20.2 million (2011: £20.9 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 £4.2 million (2011: £4.4 million) and interest of £0.4 million (2011: £0.4 million) on the finance lease.

On 2 March 2012, Circle Anglia Social Housing Plc issued a £250 million 32 year fixed rate bond, with an annual coupon of 5.20%. The bond was issued at a discounted price of £99.66 : £100. The discounted amount is being amortised through the income and expenditure account over the period to maturity. As at 31 March 2012, the discount value was £0.8 million.

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

MATURITY OF DEBT

GROUP

	Short term borrowings	Loans falling due after more than one year	Total
	£m	£m	£m
Revolver	-	48.0	48.0
Term	2.3	1,042.5	1,044.8
Bond	-	635.0	635.0
Other	0.5	13.4	13.9
Finance Lease	-	0.7	0.7
	2.8	1,739.6	1,742.4
Unamortised arrangement fees	(0.4)	(10.1)	(10.5)
Maturity of debt as at 31 March 2012	2.4	1,729.5	1,731.9
Maturity of debt as at 31 March 2011	0.8	1,615.4	1,616.2

	Funding Group			Non Funding Group			
	Short term borrowings	Loans falling due after more than one year	Total	Short term borrowings	Loans falling due after more than one year	Total	Group Total
	£m	£m	£m	£m	£m	£m	£m
Revolver	-	48.0	48.0	-	-	-	48.0
Term	1.7	1,005.8	1,007.5	0.6	36.7	37.3	1,044.8
Bond	-	635.0	635.0	-	-	-	635.0
Other	0.5	13.4	13.9	-	-	-	13.9
Finance Lease	-	0.7	0.7	-	-	-	0.7
	2.2	1,702.9	1,705.1	0.6	36.7	37.3	1,742.4
Unamortised arrangement fees	(0.4)	(10.1)	(10.5)	-	-	-	(10.5)
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
Maturity of debt as at 31 March 2011	0.5	1,585.5	1,586.0	0.3	29.9	30.2	1,616.2

DEBT ANALYSIS (CONTINUED)

MATURITY OF BORROWINGS

GROUP

	Within one year	Between one and two years	Between two and five years	After five years	Total
	£m	£m	£m	£m	£m
Revolver	-	-	-	48.0	**48.0**
Term	2.3	4.7	23.9	1,013.9	**1,044.8**
Bond	-	-	-	635.0	**635.0**
Other	0.5	0.5	1.7	11.2	**13.9**
Finance Lease	-	-	-	0.7	**0.7**
	2.8	5.2	25.6	1,708.8	**1,742.4**
Unamortised arrangement fees	(0.4)	(0.4)	(1.3)	(8.4)	**(10.5)**
Maturity of debt as at 31 March 2012	**2.4**	**4.8**	**24.3**	**1,700.4**	**1,731.9**
Maturity of debt as at 31 March 2011	0.8	2.5	21.3	1,591.6	1,616.2

MATURITY OF FACILITIES

GROUP

	Within one year	Between one and two years	Between two and five years	After five years	Total
	£m	£m	£m	£m	£m
Revolver	0.4	1.6	4.8	388.2	**395.0**
Term	2.3	4.7	23.9	1,246.8	**1,277.7**
Bond	-	-	-	635.0	**635.0**
Other	0.5	0.5	1.7	11.2	**13.9**
Finance Lease	-	-	-	0.7	**0.7**
Maturity of debt as at 31 March 2012	**3.2**	**6.8**	**30.4**	**2,281.9**	**2,322.3**
Maturity of debt as at 31 March 2011	1.3	3.0	22.5	2,048.3	2,075.1

INTEREST RATE ANALYSIS

GROUP

	Total	Floating rate	Fixed rate	Fixed interest rate	Time fixed rate debt
	£m	£m	£m	%	in years
Revolver	48.0	-	48.0	3.8%	13
Term	1,044.8	(218.5)	1,263.3	3.9%	12
Bond	635.0	-	635.0	6.4%	29
Other	13.9	-	13.9	7.6%	1
Finance Lease	0.7	-	0.7	11.0%	15
As at 31 March 2012	1,742.4	(218.5)	1,960.9	4.8%	19
As at 31 March 2011	1,626.2	142.6	1,483.6	5.1%	16
Cash					
Deposits	(73.1)	-	(73.1)	6.5%	30
Collateral Deposits	(0.8)	(0.8)	-	1.6%	-
Cash and Deposits	(73.9)	(0.8)	(73.1)	6.4%	30
Net Borrowings as at 31 March 2012	1,668.5	(219.3)	1,887.8	4.8%	19

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.

CURRENCY AND INTEREST RATE ANALYSIS OF DEBT

GROUP

	Total	Floating rate	Fixed rate	Time fixed rate debt	Fixed interest rate
	£m	£m	£m	in years	%
Sterling	1,705.1	(226.8)	1,931.9	17	4.8%
Euro	37.3	8.3	29.0	16	3.8%
As at 31 March 2012	1,742.4	(218.5)	1,960.9	17	
As at 31 March 2011	1,626.2	142.6	1,483.6	16	

22. Financing deferred income

	Group	
	2012	2011
	£m	£m
Deferred income		
As at 1 April	1.0	1.1
Released in the year	(0.3)	(0.1)
	0.7	1.0
Transferred to creditors less than one year	-	-
As at 31 March	0.7	1.0

23. Deferred tax

	Group		Association	
	2012	2011	2012	2011
	£m	£m	£m	£m
Provision as at 1 April and 31 March	0.1	0.1	-	-

24. Financial commitments

CAPITAL EXPENDITURE

	Group	
	2012	2011
	£m	£m
Expenditure contracted but not provided in the accounts	87.8	92.1
Expenditure authorised by the board, but not contracted	-	-
As at 31 March 2012	87.8	92.1

As a proportion of the historical cost of fixed assets, the capital committed above represents 2.47% (2011: 2.70%).

25. Operating leases

At 31 March 2012 there were the following annual operating lease commitments on leases expiring:

	Group		Association	
	2012	2011	2012	2011
	£m	£m	£m	£m
Within one year:				
Land and Buildings	0.4	0.1	-	-
Rentals Payable on Other	0.4	0.5	0.3	0.2
Between two and five years:				
Land and Buildings	0.6	0.9	0.2	0.2
Rentals Payable on Other	1.1	0.9	0.6	0.6
After five years:				
Land and Buildings	1.6	1.2	0.5	0.5
Rentals Payable on Other	-	-	-	-
	4.1	3.6	1.6	1.5

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

	Group	
	2012	2011
	£m	£m
Operating surplus	89.4	89.5
Depreciation of tangible fixed assets	36.9	26.9
Impairment (reversal)/ charge of housing properties	(0.2)	10.7
Goodwill amortisation	1.5	-
Bond premium amortisation	(0.2)	(0.1)
Exceptional pension credit	-	(8.8)
FRS17 provision movement	(0.2)	(1.9)
	127.2	116.3
Working capital movements		
Stock	19.6	6.2
Debtors	1.5	2.8
Creditors	11.3	(22.7)
Movement in investment in joint ventures	0.1	-
Net cash inflow from operating activities	159.7	102.6

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

	Group	
	2012	2011
	£m	£m
Increase/(decrease) in cash	10.6	(22.7)
Cash inflow/(outflow) from increase in liquid resources	13.7	(12.7)
Cash outflow/(inflow) from increase in debt	165.4	(65.8)
Loans acquired on acquisition of subsidiaries	-	(25.9)
Cash inflow from issue of Bond debt	(249.1)	-
Loan fair value adjustments	2.5	(0.5)
Increase in net debt from cash flows	(56.9)	(127.6)
Net Debt at 1 April	(1,645.2)	(1,517.6)
Net Debt at 31 March	(1,702.1)	(1,645.2)

28. Analysis of changes in net debt

	At 1 April 2011	Issued Bond debt	Fair value adjustments	Cashflow	At 31 March 2012
	£m			£m	£m
Cash at bank in hand	6.9	-	-	12.4	19.3
Bank overdraft	(6.5)	-	-	(1.8)	(8.3)
Changes in cash	0.4	-	-	10.6	11.0
Current asset investments	-	-	-	13.7	13.7
Loans	(1,645.6)	(249.1)	2.5	165.4	(1,726.8)
Changes in net debt	(1,645.2)	(249.1)	2.5	189.7	(1,702.1)

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.

South Anglia Housing Limited is contracted to a performance bond for £61,891 with TSG Building Services Plc.

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.

30. Pension obligations

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 2012 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		London Borough of Merton Pensions 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	53	54	30	75	171	61	150	45	639
Scheme deficit at 31 March 2012	(11.1)	(1.1)	(0.6)	(1.3)	(1.6)	(6.9)	(2.9)	(1.5)	(27.0)
Deferred tax asset	2.9	0.3	-	-	0.4	-	-	-	3.6
Net scheme deficit at 31 March 2012	(8.2)	(0.8)	(0.6)	(1.3)	(1.2)	(6.9)	(2.9)	(1.5)	(23.4)

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.

PENSION OBLIGATIONS (CONTINUED)

GROUP SUMMARY (CONTINUED)

Principal actuarial assumptions at the year end were as follows:

	2012	2011
Inflation	2.5 – 3.3%	2.7 – 2.8%
Pension increase rate	2.5%	2.7 – 2.9%
Salary increase rate	4.2 – 4.8%	4.5 – 5.1%
Expected return on assets	5.2 – 5.9%	6.7 – 7.0%
Discount rate	4.6 – 4.9%	5.5%

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	20.0 – 21.9 years	22.0 – 23.9 years
Future retiree upon reaching 65	23.2 – 24.0 years	25.0 – 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:

	2012	2011
Equities	6.2 – 7.0%	7.4 – 7.9%
Bonds	3.3 – 4.2%	4.9 – 5.5%
Gilts	3.3%	4.4%
Other Bonds	4.1 – 4.6%	5.1 – 5.5%
Property	4.3 – 6.0%	5.4 – 6.5%
Cash	0.5 – 3.5%	0.5 – 4.6%
Target return portfolio	4.5 – 4.7%	4.5%
Alternative assets	5.3%	6.4%

Fair Value:	2012	2011
	£m	£m
Equities	49.2	48.5
Bonds	6.7	5.9
Gilts	3.2	2.8
Other Bonds	2.2	2.7
Property	6.4	5.7
Cash	2.2	1.7
Target return portfolio	0.5	0.1
Alternative assets	0.1	0.1
	70.5	67.4

GROUP SUMMARY (CONTINUED)

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

	2012	2011
	£m	£m
Total market value of assets	70.5	67.4
Present value of scheme liabilities	(97.2)	(83.0)
	(26.7)	(15.6)
Present value of unfunded liabilities	(0.3)	(0.3)
Scheme deficit	(27.0)	(15.9)
Related deferred tax asset	3.6	2.7
Net pension liability	(23.4)	(13.2)

Movement in deficit in the year:

	2012	2011
	£m	£m
Deficit in schemes at beginning of the year	(15.9)	(42.3)
Opening balance of new entities at point of entrance	-	-
Movement in year:		
Current service cost	(1.9)	(2.7)
Settlements and curtailments	(0.2)	-
Contributions by the employer	3.1	4.7
Interest cost	(4.6)	(5.3)
Expected return on assets	4.6	4.5
Exceptional pension credit	-	9.9
Actuarial (losses)/gains	(12.1)	15.3
Deficit in schemes at the end of the year	(27.0)	(15.9)

PENSION OBLIGATIONS (CONTINUED)

GROUP SUMMARY (CONTINUED)

Movement in the present value of defined benefit obligation:

	2012	2011
	£m	£m
As at 1 April	(83.3)	(105.1)
Opening obligation of new entities at the point of entrance	(0.4)	-
Current service cost	(1.9)	(2.7)
Interest cost	(4.6)	(5.3)
Contributions by members	(0.7)	(0.9)
Settlements and curtailments	(0.2)	-
Actuarial (losses) /gains	(8.8)	18.6
Exceptional pension credit	-	9.9
Estimated benefit paid	(2.4)	2.2
As at 31 March	(97.5)	(83.3)

Movement in the fair value of the plan assets:

	2012	2011
	£m	£m
As at 1 April	67.4	62.8
Opening fair value of new entities at the point of entrance	0.4	-
Expected return on assets	4.6	4.5
Contributions by the employer	3.1	4.7
Contributions by members	0.7	0.9
Actuarial losses	(3.3)	(3.3)
Estimated benefits paid	(2.4)	(2.2)
As at 31 March	70.5	67.4

The Group expects the employer's contribution for the year ended 31 March 2013 to be approximately £2.9 million.

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

	2012	2011
Equities	69.7%	71.9%
Bonds	9.6%	8.7%
Gilts	4.6%	4.2%
Other Bonds	3.1%	4.1%
Property	9.1%	8.4%
Cash	3.1%	2.5%
Target return portfolio	0.7%	0.1%
Alternative assets	0.1%	0.1%

GROUP SUMMARY (CONTINUED)

Analysis of the amount charged/(credited) to operating surplus

	2012	2011
	£m	£m
Current service cost	1.9	2.7
Settlements and curtailments	0.2	0.1
Exceptional pension credit	-	(8.8)
Total operating charge/(credit)	2.1	(6.0)

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

	2012	2011
	£m	£m
Expected return on pension scheme assets	4.6	4.5
Interest on pension scheme liabilities	(4.6)	(5.3)
Net cost/(return)	-	(0.8)

HISTORY OF PLAN

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

	2012	2011	2010	2009	2008
	£m	£m	£m	£m	£m
Present value of scheme liabilities	(97.5)	(83.3)	(105.1)	(52.8)	(52.9)
Fair value of scheme assets	70.5	67.4	62.8	38.7	46.1
Deficit	(27.0)	(15.9)	(42.3)	(14.1)	(6.8)

HISTORY OF EXPERIENCE GAINS AND LOSSES

	2012	2011	2010	2009	2008
	£m / %	£m / %	£m / %	£m / %	£m / %
Experience adjustments on scheme liabilities	(0.7)	8.0	0.0	0.0	(0.8)
Percentage of year end scheme liabilities	(0.8)%	9.6%	0.0%	0.0%	(1.5)%
Experience adjustments on scheme assets	(3.3)	(2.7)	11.0	(13.1)	(5.5)
Percentage of year end scheme assets	(4.6)%	(4.0)%	17.5%	(33.9)%	(11.9)%
Total amount recognised in the Statement of Total Recognised Surpluses and Deficits	(12.1)	16.4	(23.1)	(7.5)	2.3
Percentage of year end scheme liabilities	(12.4)%	19.7%	(22.0)%	(14.2)%	4.4%

PENSION OBLIGATIONS (CONTINUED)

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:

	2012	2011
Inflation	2.5%	2.8%
Pension increase rate	2.5%	3.8%
Salary increase rate	4.8%	5.1%
Expected return on assets	5.5%	6.7%
Discount rate	4.8%	5.5%

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:

	2012	2011
Equities	6.2%	7.5%
Bonds	4.2%	4.9%
Property	4.4%	5.5%
Cash	3.5%	4.6%

Fair Value:	2012	2011
	£m	£m
Equities	13.1	13.5
Bonds	3.8	3.3
Property	2.4	2.3
Cash	0.6	0.6
	19.9	19.7

CIRCLE ANGLIA LIMITED (CONTINUED)

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

	2012	2011
	£m	£m
Total market value of assets	19.9	19.7
Present value of scheme liabilities	(30.7)	(27.3)
	(10.8)	(7.6)
Present value of unfunded liabilities	(0.3)	(0.3)
Scheme deficit	(11.1)	(7.9)
Related deferred tax asset	2.9	2.2
Net pension liability	(8.2)	(5.7)

Movement in deficit in the year:

	2012	2011
	£m	£m
Deficit at the beginning of the year	(7.9)	(15.7)
Current service costs	(0.4)	(0.4)
Contributions paid	0.9	0.5
Expected return on employer assets	1.3	1.5
Past service costs	-	3.8
Settlements and curtailments	-	(0.1)
Interest cost	(1.5)	(1.8)
Actuarial (losses)/gains	(3.5)	4.3
Deficit at the end of the year	(11.1)	(7.9)

Movement in the present value of defined benefit obligation:

	2012	2011
	£m	£m
As at 1 April	(27.6)	(36.1)
Current service cost	(0.4)	(0.4)
Interest cost	(1.5)	(1.8)
Contributions by members	(0.1)	(0.1)
Settlements and curtailments	-	(0.1)
Actuarial (losses)/gains	(2.3)	6.2
Past service costs	-	3.8
Estimated benefit paid	0.9	0.9
As at 31 March	(31.0)	(27.6)

PENSION OBLIGATIONS (CONTINUED)

CIRCLE ANGLIA LIMITED (CONTINUED)

Movement in the fair value of the plan assets:

	2012	2011
	£m	£m
As at 1 April	19.7	20.3
Expected return on assets	1.3	1.5
Contributions by the employer	0.9	0.5
Contributions by members	0.1	0.1
Actuarial losses	(1.2)	(1.8)
Estimated benefits paid	(0.9)	(0.9)
As at 31 March	19.9	19.7

The Association expects the employer's contribution for the year ended 31 March 2013 to be approximately £831,000.

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

	2012	2011
Equities	66%	69%
Bonds	19%	17%
Property	12%	11%
Cash	3%	3%

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

	2012	2011
	£m	£m
Current service costs	0.4	0.4
Past service costs	-	(3.8)
Settlements and curtailments	-	0.1
Total charge/(credit)	0.4	(3.3)

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

	2012	2011
	£m	£m
Expected return on assets	1.3	1.5
Interest on liabilities	(1.5)	(1.8)
Net charge	(0.2)	(0.3)

CIRCLE ANGLIA LIMITED (CONTINUED)

HISTORY OF PLAN

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

	2012	2011	2010	2009	2008
	£m	£m	£m	£m	£m
Present value of scheme liabilities	**(31.0)**	(27.6)	(36.1)	(21.6)	(22.2)
Fair value of scheme assets	**19.9**	19.7	20.3	15.4	19.3
Deficit	**(11.1)**	(7.9)	(15.8)	(6.2)	(2.9)

HISTORY OF EXPERIENCE GAINS AND LOSSES

	2012	2011	2010	2009	2008
	£m / %	£m / %	£m / %	£m / %	£m / %
Experience adjustments on scheme liabilities	**(0.6)**	4.1	-	-	(0.6)
Percentage of year end scheme liabilities	**(1.9)%**	14.9%	0.0%	0.0%	(2.8)%
Experience adjustments on scheme assets	**(1.2)**	(1.8)	3.8	(5.4)	(1.8)
Percentage of year end scheme assets	**(6.0)%**	(9.2)%	18.7%	(35.3)%	(6.1)%
Total amount recognised in the Statement of Total Recognised Surpluses and Deficits	**(3.5)**	4.3	(9.3)	(3.2)	2.1
Percentage of year end scheme liabilities	**(11.3)%**	15.7%	(25.8)%	(15.1)%	9.3%

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.

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

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2010. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £1,985 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £497 million, equivalent to a past service funding level of 80.0%.

The scheme's 30 September 2011 valuation is currently in progress and will be finalised by 31 December 2012. The results of the 2011 valuation will be included in next year's disclosure note.

31. Non equity share capital

	Association	
	2012	2011
	£	£
Shares of £1 each issued and fully paid		
As at 1 April	10	9
Shares issued during the year	1	4
Shares surrendered during the year	(1)	(3)
As at 31 March	10	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.

32. Reserves

GROUP

	Designated reserves				
	Major repairs reserve	Improvements Reserve	Other designated reserves	Revenue Reserve	Total
	£m	£m	£m	£m	£m
As at 1 April 2011	0.6	0.5	5.2	355.9	362.2
Surplus for the year	-	-	-	21.4	21.4
Deficit on exchange rates	-	-	-	(0.2)	(0.2)
Late adjustments to 2011	-	-	-	0.4	0.4
Pension actuarial gain net of deferred tax and exceptional pension credit	-	-	-	(11.3)	(11.3)
As at 31 March 2012	0.6	0.5	5.2	366.2	372.5

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.

33. Reconciliation of movement in Group and Association funds

	Group		Association	
	2012	2011	2012	2011
	£m	£m	£m	£m
At 1 April (See note 32)	362.2	323.1	(9.4)	(11.6)
Surplus for the financial year	21.4	28.1	-	-
(Deficit)/surplus on exchange rates	(0.2)	0.2	-	-
Net actuarial (losses)/gains net of deferred tax and exceptional pension credit	(11.3)	13.2	(2.8)	2.2
AMS 2010 WIP adjustment	-	(0.4)	-	-
Late adjustments to 2011	0.4	-	-	-
Fair value adjustments from Leamington (JV to subsidiary)	-	(2.0)	-	-
Closing funds	372.5	362.2	(12.2)	(9.4)

Circle

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