



# Financial Statements

## 2010

# Contents

	<b>PAGE</b>
Members, Executive Group, Advisers and Bankers	3
Report of the Board	4-15
Report of the Independent Auditors on the Financial Statements	16-17
Income and Expenditure Account	18
Balance Sheet	19
Cash Flow Statement	20
Notes to the Financial Statements	21-45

# Members, Executive Group, Advisers and Bankers

## BOARD

Chairman	Mr. A. M. Diggle FRICS
Deputy Chairman	Cllr. B. J. Bailey BSC (Hons), MBA Mrs. M. J. Griffiths MBA, RGN, RHV
Members	Mr. D. Booth Mr. J. F. Cheshire MA(Cantab) Cllr. R. J. Collinson LLB, BCL(Oxon) Mrs. S. F. Sheen Mr. C. Mosley Mr. L. Patterson B.Ed (Hons) Mrs. J. Winders MSc, MCIEH Ms. H. Abid CIM, DIM, MSc (appointed 14th January 2010) Mr. J. R. Bellis FCCA, FCMA (executive member)

## EXECUTIVE GROUP

Chief Executive & Secretary	Mr. J. R. Bellis FCCA,FCMA
Director of Housing Services	Mr. S. Scott BSc (Hons),MCIH
Director of Finance & Central Services	Mr. A. R. D. Hunt
Director of Development	Mr. D. Robinson MA,MCIH

## EXTERNAL AUDITORS

Beever & Struthers  
Chartered Accountants  
St George's House  
215-219 Chester Road  
Manchester, M15 4JE

## INTERNAL AUDITORS

Mazars  
The Broadway, Dudley  
West Midlands DY1 4PY

## SOLICITORS

Devonshires  
Salisbury House  
London Wall  
London, EC2M 5QY

## PRINCIPAL BANKERS

Lloyds TSB Bank plc  
8 Foregate Street  
Chester , CH1 1XP

## REGISTERED OFFICE

Old Government House  
Dee Hills Park  
Chester  
CH3 5AR  
[www.muir.org.uk](http://www.muir.org.uk)

Registered with the Financial Services Authority (Number 18632R)  
Registered with the Tenant Services Authority and the Homes and Communities Agency  
(Registration number L2194)  
Affiliated to the National Housing Federation.  
Muir Group is an exempt charity.

# Report of The Board and Operating and Financial Review

The Board presents its report and audited consolidated financial statements of the Association and its subsidiary undertakings for the year ended 31 March 2010.

## LEGAL STATUS

The Association is registered under Section 5 of the Housing Associations Act 1985 and under the Industrial and Provident Societies Act 1965. The Association is an exempt charity.

## OVERVIEW OF THE BUSINESS AND PRINCIPAL ACTIVITIES

Muir Group owns or manages services to approximately 5,000 homes across a wide

geographical area, often in small towns and cities and in rural communities.

The Association provides a diverse range of housing solutions to meet the needs of customers including:

- General needs accommodation to rent, for people who cannot afford access to rent or buy on the open market.
- A range of supported housing services including accommodation based services provided directly or indirectly through specialist organisations and other non residential support services.
- Products for customers who wish to purchase their own home but are unable to

afford open market prices, including shared ownership and rent to homebuy.

During the year the number of properties in management increased by 67. This included 22 homes for general needs rent, 34 homes with support services, 8 shared ownership and 3 leasehold management.

The table below (*Fig 1.1*) shows the increase in homes owned over the last five years:

**Fig 1.1**

HOMES OWNED OR MANAGED	2010	2009	2008	2007	2006
General needs	4,014	3,992	3,870	3,790	3,723
Supported	290	270	268	255	243
Shared ownership	391	383	321	222	210
Leasehold elderly	23	23	23	23	23
Leasehold management	111	108	108	105	103
Managed for others	27	27	27	9	29
Supported owned but managed by others	135	121	121	97	118
<b>Total</b>	<b>4,991</b>	<b>4,924</b>	<b>4,738</b>	<b>4,501</b>	<b>4,449</b>

**Fig 1.2**

ORGANISATION	STATUS	PRINCIPAL ACTIVITY	BASIS OF CONTROL
Friends of Muir Group Ltd	Companies Act Registered Charity	Fund Raising and Community Projects	Control Over Board Membership
Future Plus Homes Ltd	Industrial & Provident Society Act	Development Activities	Control Over Board Membership
Open Door Homes Ltd	Companies Act	Commercial Development Activities	Control Over Board Membership

Muir Group Housing Association Ltd is the parent organisation of the Group. The table above (**Fig 1.2**) shows all the members of the Group, their legal status, principal activity and the basis of the Association's control. At present Future Plus Homes Ltd and Open Door Homes Ltd are not trading. Consolidated Financial Statements are prepared for the Group.

## OBJECTIVES AND STRATEGIES

The objectives and strategy of Muir Group are set out in our Corporate Plan that is reviewed annually and approved by the Board.

The Corporate Plan outlines our vision, our mission and our mission goals. Our vision is 'Working to deliver service excellence and create thriving communities'. Our mission is now summed up in the strap-line "creating communities".

The mission goals to help us to pursue our vision and beliefs, included within the Corporate Plan, are the following:

- Provide high quality, well maintained, affordable homes
- Create excellent, caring and responsive services for customers within our communities

- Invest in and inspire neighbourhoods to ensure they are great places to live
- Listen, learn from and involve residents in all that we do
- Remember our staff are our biggest asset, invest in them, and encourage winning teamwork
- Stay true to our values and act with integrity at all times
- Work to ensure value for money and environmental awareness
- Give effective, open and approachable leadership to nurture the best team ethos within a trusted organisation
- Promote equality and value diversity
- Develop and grow with strong ambition without compromising our beliefs
- Keep our promises.

We believe that there is continued and rising demand for our products and it is our objective to provide more homes and create more communities in which people will want to live. We will therefore seek to provide new homes whenever possible, but with due recognition that development must be financially sustainable.

We recognise that there are barriers (access to mortgages, large deposits required etc.) that

prevent customers accessing home ownership products and it is our intention to explore new ways of removing or overcoming these barriers.

Muir Group has a strong financial base that it will use to further its objectives to provide new homes but will only do so in so far as this is sustainable and does not compromise our capacity to fulfil our obligations to existing residents.

## PERFORMANCE FOR THE YEAR UNDER REVIEW

We reported last year that 2009 'had seen some challenging economic circumstances'. 2010 has been another year of challenge and event. Despite this Muir Group has been able to achieve a surplus for the financial year in excess of £1 million.

The financial performance of the Group over the last five years is contained in the table below (**Fig 1.3**). The table contains the summary results from the Group's Income and Expenditure Account and Balance Sheet together with two key financial indicators that we monitor.

The overall position shown is one of strength and stability, a key objective of the Group.

Fig 1.3

INCOME AND EXPENDITURE ACCOUNT	2010 £M	2009 £M	2008 £M	2007* £M	2006* £M
Turnover	21.2	23.4	24.4	16.3	15.2
Operating costs	(16.7)	(15.6)	(13.5)	(12.7)	(12.4)
Cost of sales	(1.0)	(4.0)	(5.4)	-	-
<b>Operating surplus</b>	<b>3.5</b>	<b>3.8</b>	<b>5.5</b>	<b>3.6</b>	<b>2.8</b>
Surplus on sales of assets	0.1	-	0.2	0.1	0.2
Net interest charge	(2.6)	(2.8)	(2.6)	(2.0)	(1.9)
<b>Surplus for the year before tax</b>	<b>1.0</b>	<b>1.0</b>	<b>3.1</b>	<b>1.7</b>	<b>1.1</b>
BALANCE SHEET	2010 £M	2009 £M	2008 £M	2007* £M	2006* £M
Housing properties	184	179	167	158	145
Social housing and other grants	(100)	(96)	(90)	(88)	(85)
	84	83	77	70	60
Other tangible fixed assets	1	1	1	1	1
Net current assets / (liabilities)	2	3	4	(3)	1
<b>Total</b>	<b>87</b>	<b>87</b>	<b>82</b>	<b>68</b>	<b>62</b>
Creditors due after one year	52	53	48	40	36
Reserves	35	34	34	28	26
<b>Total</b>	<b>87</b>	<b>87</b>	<b>82</b>	<b>68</b>	<b>62</b>
STATISTICS	2010	2009	2008	2007*	2006*
Gearing %	<b>38.9</b>	<b>41.0</b>	<b>43.1</b>	<b>34.1</b>	<b>31.7</b>
Income cover %	<b>108.5</b>	<b>107.4</b>	<b>116.3</b>	<b>114.3</b>	<b>109.8</b>

\* Results for 2007 and 2006 have not been adjusted to reflect the change in accounting treatment for shared ownership sales.

### Income and Expenditure - important facts:

#### Surplus

- Surplus for the year was £1 million.
- Of the surplus only a small amount (£71 thousand) resulted from property sales.

- The operating surplus generated from social housing lettings increased by £0.64 million, to £4.3 million.

#### Income

- Turnover was £2.2 million lower primarily because of a drop in sales proceeds from

shared ownership properties which reduced from £4.6 million to £1 million.

- Turnover excluding sales proceeds from shared ownership grew by £1.4 million or over 7%. This growth reflected the general increase in rents (inflationary increases of 5.5% were applied

where appropriate) and the completion of new homes.

**Expenditure**

- Total operating costs increased by £1.1 million or 7%.
- Total expenditure on maintenance rose to £6.9 million, an increase of 14%, and reflected the Boards decision to redirect savings (against the budget) of £200 thousand on interest costs into major repairs and improvements.
- Interest costs were £200 thousand lower than budget, and reflected lower rates on variable borrowings. Interest payable of £47 thousand was capitalised as part of the cost of housing properties.

**Pensions**

During the year the Board took the decision to review pension benefits offered to staff. It was decided that members of staff wishing to join the pension scheme from 1 April 2010 would

be offered the opportunity to join the 1/80th final salary pensions scheme offered through the Social Housing Pension Scheme. Members of staff already members of the 1/60th final salary scheme as at 1 April 2010 were allowed to continue in that scheme. The effect of this decision will be to reduce the future cost of pensions to the Group by up to 25%. It will be a number of years before the benefit of this decision will be felt in the income and expenditure account.

**Balance Sheet important facts:**

- Capital expenditure on additions to housing properties in the year was over £7.1 million. The total cost of housing properties at historic costs (net of depreciation) was £185 million.
- Approximately £4.5 million was received in Social Housing Grants to bring the total received to over £100m.
- Creditors falling due after one year fell by

£788 thousand reflecting loan capital repaid or due to be repaid on an annuity basis.

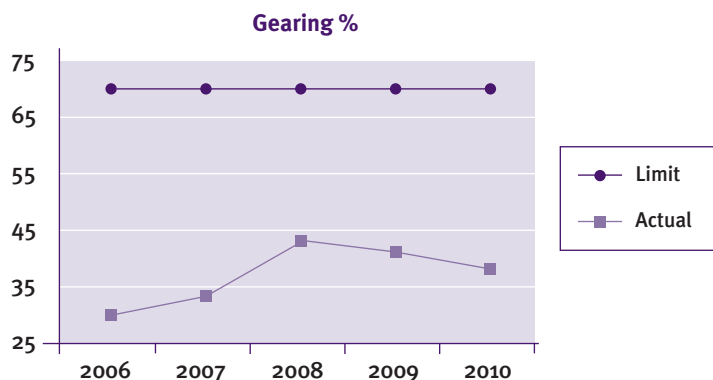
**Statistics explained:**

The statistic shown in the above table are monitored on a regular basis by the Board to ensure compliance with lenders covenants. The charts below (**Fig 1.4 and Fig 1.5**) show the actual statistics in graphical form and compare them to the limits agreed with lenders.

The limit for gearing (that is the proportion of loans in relation to reserves plus social housing grants shown in the balance sheet) is that it should be no more than 70%. The chart indicates the Group is comfortably within the limit.

The limit for income cover (that is total income as a proportion of operating costs, less depreciation of housing properties, plus interest) is that it should be at least 105%. This covenant is more restrictive than that of gearing however the Association continues to operate effectively within the limit.

**Fig 1.4**



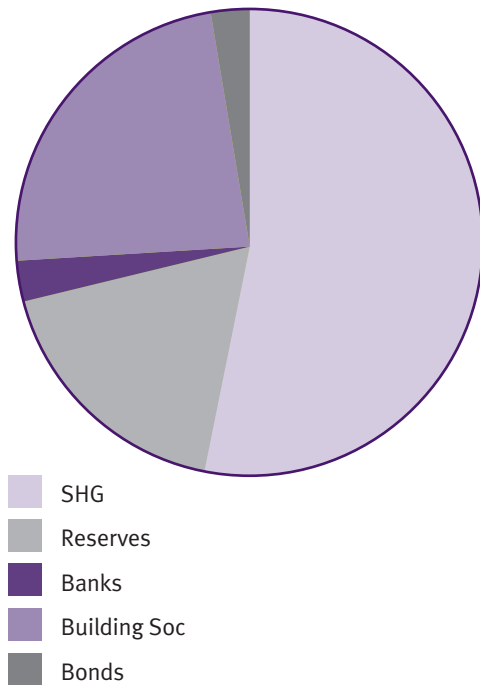
**Fig 1.5**



## CAPITAL STRUCTURE AND TREASURY POLICY

The Group is financed by way of Social Housing Grants received from government bodies, long term loan facilities from banks, building societies and the bond market, and retained reserves. The relative proportions are shown in chart below (Fig 1.6).

**Fig 1.6**  
Sources of funding



The primary purpose of our strategy is to ensure the Group has sufficient finance facilities in place to fund its commitments as and when they fall due and to be able to deal with the risk of a material increase in interest rates.

The strategy and policy are reviewed regularly by the Board and the Group's Treasury Advisers.

The Association's investment activity is governed by strict counterparty credit criteria and investment limits, the primary objective being the preservation of capital, as opposed to the maximisation of returns.

### Repayment structure of long term loan facilities

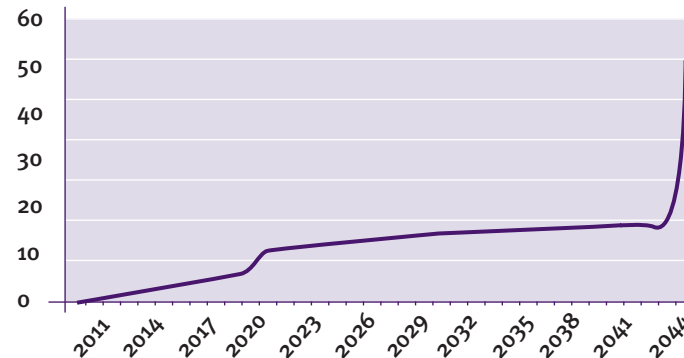
The Group is liable to repay the capital elements of its long term loan facilities in line

with the chart shown below (Fig 1.7).

Repayment is by way of a mixture of amortising (over the period of the loan term) and bullet (single repayment at the end of the loan term) profiles. The Group currently has 2,246 properties that are free of mortgage and are conservatively estimated to be able to provide security for at least a further £28 million of new loans. The chart below (Fig 1.7) indicates that capital falls due for repayment fairly evenly over the next thirty five years apart from a bond repayment of £4.5 million in 2019 and a final bullet repayment of £33 million in 2044.

As at 31 March 2010 the Group had fully secured undrawn borrowing facilities in place of £7 million. The Board have also authorised Officers to arrange additional facilities of up to £10 million.

**Fig 1.7**  
Cumulative loan repayments in £M



### Management of the cost of interest payable

The Group's interest rate costs are determined by the underlying loan agreements and subsequent contract variations. The interest costs arising can be variable (changeable in line with movements in underlying interest rates)

or fixed for a period according to the terms of those agreements.

It is the Group's policy that the proportion of total outstanding debt which is exposed to variable costs of funds is targeted to be between 10% and 40% over the longer term. Exposure to variable costs of funds at 31 March 2010 was 21%.

### OPERATING PERFORMANCE IN THE YEAR

The table below (**Fig 1.8**) provides details of some of the Groups key indicators for assessing performance of our housing management and maintenance services. Performance is reviewed monthly by the Senior Management Team and Board and is used to assess progress towards achieving our objectives and targets.

**Fig 1.8**

PERFORMANCE STATISTICS (% UNLESS OTHERWISE STATED)		2010	2009
1.	Resident satisfaction with us as a landlord *	85.9	85.9
2.	Resident satisfaction that we take their views into account *	69.0	69.0
3.	Current rent arrears (all social housing)	4.6	5.7
4.	Number of evictions for arrears	11.0	25.0
5.	Voids as a percentage of stock	1.0	1.1
6.	Void turnaround (in days)	25.0	29.0
7.	Homes failing Decent Homes Standard	0.05	2.9
8.	Emergency repair jobs completed on time	98.9	97.0
9.	Urgent repair jobs completed on time	98.5	95.7
10.	Routine 1 repairs completed on time	99.0	97.2
11.	Routine 2 repairs completed on time	97.7	98.4
12.	Percentage of homes with a valid gas safety certificate	99.9	99.9
13.	Average time to answer calls to the customer service centre (in seconds)	9.5	9.0
14.	Percentage of calls to the customer service centre answered	96.0	94.0
15.	Percentage of residents we have profiled for bespoke services	91.0	76.0

\* Resident satisfaction was measured in 2007 and is due to be measured again in 2010.

During the year the Group carried out a continuous improvement review of the income management function and it is pleasing to note that the changes made to the processes and procedures have resulted in an improvement in arrears performance. It is particularly pleasing to also note that, at the same time, the number of evictions for rent arrears has also reduced.

One of the recommendations made by the above review group was to recruit a welfare benefits adviser to assist our residents with housing benefit and other benefit claims. This has proven to be very popular with our residents and has contributed to the improvement in arrears.

Demand for our properties remains high with only 1% of our properties empty at the year end.

At the end of the year, 7 properties failed to meet the Decent Homes Standard and of these 5 were as a result of residents refusing the Association access to perform the necessary works. It is our intention the reach 100% compliance as soon as possible and certainly before the end of December 2010.

Our performance on gas safety was maintained with 99.9% of properties having a gas safety certificate. At the end of April 2010 this had risen to 100%.

The general picture is one of improving performance. We are determined to see that this continues over the coming year.

## OUTLOOK GOING FORWARD

We have seen an election that has resulted in a coalition government, something most of us have not seen before, and a crisis across Europe as to whether sovereign governments will default on their debts. It is impossible to predict precisely how these events will affect the environment in which we work over the coming year but Muir Group is prepared to react and modify its strategy, if necessary, as events unfold.

Whilst the economy is now technically out of recession and house prices are reportedly increasing there are still challenges ahead of us where we and our stakeholders stand to be affected by economic factors. Not least of these will be the reductions in government spending that are forecast for the coming years.

Our plans are to continue to develop in a sustainable manner and at 31 March our development programme included 73 general needs and 20 supported homes at advanced stages of development.

The Group's business plan is robust and will be adapted to cope with significant changes. It is not reliant on assumed surpluses from property sales.

The Group's focus will be on improving our services to residents, improving our environmental awareness and profile, reacting to change and maintaining financial stability.

## MAJOR RISKS

The Association's Board and Senior Management Team prepare an annual risk appraisal that is periodically updated during the course of the year as new risks are identified. A risk consultant is also commissioned to review the Association's risk analysis methodology. This analysis is then used to concentrate resources on managing those risks that are of relatively high importance. In addition to the above, for each specific risk a control and monitoring procedure or procedures are identified and responsibility for the effective operation of these is allocated to a member of staff.

The Board have assessed the following risks as those which, should they occur, are likely to have a significant effect on future performance:

RISK	EFFECT AND ACTION BEING TAKEN
Government policy on rents	The new coalition government has stated that it has a priority to reduce government spending. It is not clear what this will mean in the longer term but could affect future rent increases. We have modelled the effects of such a change in policy so we can take appropriate action if necessary.
Reducing levels and rates of capital grant	This is likely to increase competition for diminishing resources which in turn is likely to put pressure on the number of homes the Group can deliver or on the long term financial sustainability of development. We will monitor competition and be prepared to act quickly to changes. We will ensure that we differentiate the Group as one that performs and delivers on our promises.
Liquidity	If access to long term funding at acceptable costs were restricted this would reduce the Group's development activities. There are signs that access to funding is becoming easier and that margins are reducing. The Board has agreed to take advantage of these improvements and approach the market for long term funding to meet its requirements over the medium term.
Exposure to the housing market	Changes in market conditions expose the Group to additional costs or charges for impairment, that affect financial performance and stability. We are reviewing our home ownership product range to increase demand and reduce the exposure to risk. We are also limiting our total exposure so that any adverse movement in conditions does not materially compromise financial stability.

## EMPLOYMENT AND EQUAL OPPORTUNITIES

The Group considers that employee involvement is essential to the continuing development and success of its business and uses a variety of methods to inform, consult and involve its employees. The Group is committed to equality of opportunity and its employment policies reflect this.

Consultation with employees is primarily through a staff association. The staff association members are drawn from all areas

of the Group's activities and members are volunteers or elected where appropriate. The staff association meets at least four times a year but can meet more often if required.

The Group has a formal policy on disability and will implement, as far as practicable, the Employment Services 'Code of Practice on the Employment of Disabled People'.

We have a programme of training events for all staff and an annual staff conference. We promote an activity fund where the Group will contribute half the cost (up to £100) towards an activity or course chosen by the member

of staff. We have also introduced a fund to sponsor staff raising funds for charity through sponsored events or activities.

During the year we achieved inclusion in the Sunday Times Top 100 Small Companies to work for, as well as receiving a two star accreditation.

## HEALTH AND SAFETY AND THE ENVIRONMENT

The Board and Officers of the Group are aware of their responsibilities in relation to all

matters of health, safety and the environment. Detailed policies have been prepared on health and safety and provide for staff training and education on such matters. The Board has a Health and Safety sub group overseeing these matters.

The Group aims to manage its activities so that adverse effects on the environment are minimised. The Board have during the year created an Environmental and Sustainability sub group to consider detailed progress on these matters. The Board has also approved a new staffing appointment for the coming year to ensure the Group comply with best practice.

## GOING CONCERN

The Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

## STATEMENT OF THE RESPONSIBILITIES OF THE BOARD FOR THE FINANCIAL STATEMENTS

The Housing Act 1996 requires the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the surplus of the Group for that period.

The Board confirms that in preparing the financial statements for the year ended 31

March 2010 suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made. The Board also confirms that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The Board is also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable it to ensure that the financial statements comply with Schedule 1 of the Housing Act 1996 (as amended by the Housing Act 2004) and the Accounting Requirements for Registered Social Landlords General Determination 2006. It is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## BOARD MEMBERS' STATEMENT

As far as the Board are aware, there is no relevant audit information of which the auditors are unaware.

The Board Members have taken all steps they ought to have taken as Board Members in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

## AUDITORS

The Auditors, Beever & Struthers, have expressed their willingness to continue in office. Accordingly, a resolution is to be proposed at the Annual General Meeting for their reappointment as auditors.

## CORPORATE GOVERNANCE

The term 'corporate governance' covers the framework and rules that are used to determine how and by whom an organisation is run. It includes the laws and regulations the organisation must comply with together with the structures put in place internally to meet compliance.

The Association is governed by a Board of Management. This is composed of eleven non-executive members, plus the Chief Executive. The Association is managed by a Senior Management Team headed by the Chief Executive and supported by three Directors: Finance and Central Services, Development and Housing Services.

The Board Members and Senior Management Team are listed on page 3. Non executive Board members hold a £1 fully paid share in the Association. The Senior Management Team do not hold an interest in the Association's share capital. Two of the non executive Board Members are tenants of the Association. There are three places allocated on the Board for non-Executive Board members who are residents.

In addition to the above, the Association has an Audit Committee that has detailed terms of reference and is responsible for overseeing the internal control framework including internal audit and risk management.

The TSA's 'Regulatory framework for social housing in England from April 2010' includes a governance and financial viability standard which states 'registered providers shall adopt and comply with an appropriate code of governance. They shall give the reasons for their choice and explain areas of non-compliance with their chosen code'.

The Board has adopted the National Housing Federation's 'Excellence in Governance' Code, having considered several potentially suitable codes of governance. The NHF's Code was selected by the Board because it was considered the most relevant and suitable to the Association's circumstances and the most familiar, being an update of the Code that has been used successfully for a number of years. The Board has assessed the Association against the Code's guidelines and considers there to be full compliance in all material respects with the exception of guideline C1 (5).

Guideline C1(5) recommends 'overall maximum terms of office for individual board members, the chair and other officers' and that such 'maximum terms of office should usually be 2 to 3 terms, with an overall maximum period of board service for non-executive board member of no more than 9 years. Current best practice suggests a maximum term of 6 years'. The Board does not accept this recommendation

and has stated that 'we consider that there are significant advantages in having some Board members with considerable experience both of the housing sector in general and Muir Group in particular and that these clearly outweigh any perceived disadvantage of not having a maximum term of office. In any event experience is that the Board is regularly 'refreshed' through the natural process of retirements and new appointments, as a result of which the composition of the Board is rarely unchanged from one year to the next'

The Board has also adopted the National Housing Federation's 'Excellence in Standards of Conduct' Code and made a commitment to uphold the code and adhere to high standards of conduct. The Board has assessed the Association against the Code's guidelines and considers there to be full compliance in all material respects.

Resident involvement in decision making is a key objective of the Association. During the year Regional Committees made up of residents and non residents have been replaced with two Regional Resident Forums consisting entirely of residents. The role of the Forums is to scrutinise, monitor and govern the Association's services at a regional and local level via customer feedback, reports from staff and by monitoring the delivery of 'Local Plans'. When finalised, the Regional Resident Forums will approve and monitor the delivery of 'Local Offers'. In addition the Association has also formed a number of service improvement groups, which sit outside

the formal governance structure. These groups consist entirely of residents and are the main consultative vehicles through which residents to help specify and monitor service levels and standards.

It is the intention of the Board to take this resident involvement further with the creation of a residents' 'Scrutiny Panel'. This is the Association's response to the Tenant Services Authority's requirement for co-regulation and resident led self-regulation, and will ensure that the Senior Officers and Board are held to account for the services they provide and the decisions they make. It will also ensure that residents have the ability to challenge and effect real change.

## STATEMENT OF COMPLIANCE WITH THE STATEMENT OF RECOMMENDED ACCOUNTING PRACTICE

The Board confirms that this Operating and Financial Review has been prepared in accordance with the principles set out in the 2008 Statement of Recommended Practice.

## BOARD STATEMENT ON INTERNAL CONTROL

The Board has overall responsibility for establishing and maintaining the whole system of internal control and reviewing its effectiveness. This applies to the Association and its subsidiaries.

The Board recognises that no system of internal control can provide absolute assurance against material misstatement or loss, or eliminate all risks of failure to achieve business objectives. The system of internal control is designed to manage key risks and to provide reasonable assurance that planned business objectives and outcomes are achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Association's assets and interests.

In meeting its responsibilities the Board has adopted a risk-based approach to internal controls, which are embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the Association is exposed and is consistent with the principles contained in the Housing Corporation's circular 07/07: Internal controls assurance.

This process adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework includes:

### IDENTIFICATION AND EVALUATION OF KEY RISKS

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal

and ongoing process of management review in each area of the Association's activities. The executive team regularly considers and receives reports on significant risks facing the Association and the Chief Executive is responsible for reporting to the Board any significant changes affecting key risks.

### FRAUD RISK MANAGEMENT

There are policies and procedures to minimise the potential occurrence of fraud and to investigate fraud when it occurs.

### CONTROL ENVIRONMENT AND PROCEDURES

The Board retains responsibility for a defined range of issues covering strategic, operational, and financial and compliance issues including treasury strategy and new investment projects. The Board has adopted and disseminated to all employees a Code of Conduct for Employees. This sets out the Association's policies with regard to the quality, integrity and ethics of its employees. It is supported by a framework of policies, procedures and standing orders with which employees must comply. These cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection and fraud prevention and detection.

### INFORMATION AND FINANCIAL REPORTING SYSTEMS

Financial reporting procedures include detailed budgets for the year ahead and detailed quarterly management accounts and monthly forecasts for the remainder of the year. These are reviewed in detail by the executive directors and are considered and approved by the Board. The Board also regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

### MONITORING AND CORRECTIVE ACTION

A process of control, self-assessment and regular management reporting on control issues provides hierarchical assurance to successive levels of management and to the Board. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those that may have a material impact on the financial statements and delivery of our services.

### INTERNAL AUDIT ASSURANCE


The internal control framework and the risk management process are subject to regular review by Internal Auditors who advise the executive directors and report to the Audit Committee. The Audit Committee considers

internal control and risk at each of its meetings during the year.

The Audit Committee conducts an annual review of the effectiveness of the system of internal control and takes account of any changes that may be needed to maintain the effectiveness of the risk management and controls process. The Audit Committee makes an annual report to the Board. The Board has received this report.

The Board confirms that there is an ongoing process for identifying and managing significant risks faced by the Association. This process has been in place throughout the year under review, up to the date of the annual report and financial statements, and is regularly reviewed by the Board.

The Chief Executive reports annually to the Board on behalf of the Executive team on material changes in the business and the external environment that affect significant risks.



A.M. Diggle  
*Chairman*



# Report of the Independent Auditors to the Members of Muir Group Housing Association Limited

We have audited the financial statements on pages 18 to 45 which have been prepared on the basis of the policies set out on pages 21 to 23.

This report is made solely to the Association's members, as a body, in accordance with 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 AUDITORS

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

Board's Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial & Provident Societies Acts 1965 to 2002, the Industrial and Provident Societies (Group Accounts) Regulations 1969, schedule 1 of the Housing Act 1996 (as amended by the Housing Act 2004) and the Accounting Requirements for Registered Social Landlords General Determination 2006. We also report to you if the Association has not kept proper accounting records, if the Association has not maintained a satisfactory control over its transactions, if the financial statements are not in agreement with the books of account, and if we have not received all the information and explanations, which are necessary for the purpose of our audit.

We read information contained in the Board Report and the Operating and Financial Review, and consider whether it is inconsistent

with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## BASIS OF OPINION

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

We planned our audit so as to obtain all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are

free from material misstatement, whether caused by fraud, irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## OPINION

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Association and of the Group as at 31 March 2010 and of their surpluses for the year then ended and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Industrial and Provident Societies (Group Accounts) Regulations 1969, schedule 1 of the Housing Act 1996 (as amended by the Housing Act 2004) and the Accounting Requirements for Registered Social Landlords General Determination 2006.

**Beever and Struthers**  
Chartered Accountants  
Registered Auditors  
St. George's House  
215-219 Chester Road  
Manchester M15 4JE

*Dated: 21st July 2010*

## Income and Expenditure Account *for the Year Ended 31 March 2010*

	Note	GROUP 2010 £'000	MUIR 2010 £'000	GROUP 2009 £'000	MUIR 2009 £'000
Turnover	2	21,235	21,235	23,410	23,383
Operating costs	2	(16,704)	(16,697)	(15,558)	(15,501)
Cost of Sales	2	(955)	(955)	(4,009)	(4,009)
<b>Operating surplus before interest</b>	2	<b>3,576</b>	<b>3,583</b>	3,843	3,873
Surplus on sale of properties not developed for outright sale	25	71	71	20	20
Interest receivable and similar income	5	6	6	39	36
Interest payable and similar charges	6	(2,642)	(2,642)	(2,872)	(2,872)
<b>Surplus on ordinary activities before taxation</b>	4	<b>1,011</b>	<b>1,018</b>	1,030	1,057
Tax on surplus on ordinary activities	27	-	-	-	-
<b>Surplus for the financial year</b>		<b>1,011</b>	<b>1,018</b>	1,030	1,057

## Statement of Recognised Surpluses and Deficits *for the Year Ended 31 March 2010*

	GROUP 2010 £'000	MUIR 2010 £'000	GROUP 2009 £'000	MUIR 2009 £'000
<b>Surplus for the financial year</b>	<b>1,011</b>	<b>1,018</b>	1,030	1,057
Prior year adjustment	-	-	3,212	3,212
<b>Total recognised surplus</b>	<b>1,011</b>	<b>1,018</b>	4,242	4,269

All amounts relate to continuing activities.

All surpluses and deficits are historic cost surpluses and deficits.


The notes on pages 21 to 45 form an integral part of these financial statements.

## Balance Sheet *as at 31 March 2010*

	Note	GROUP 2010 £'000	MUIR 2010 £'000	GROUP 2009 £'000	MUIR 2009 £'000
<b>TANGIBLE FIXED ASSETS</b>					
Housing properties	9	184,614	184,614	178,654	178,654
Social housing and other grants	9	(100,137)	(100,137)	(95,662)	(95,662)
		84,477	84,477	82,992	82,992
Other fixed assets	10	1,379	1,379	1,138	1,138
		85,856	85,856	84,130	84,130
<b>CURRENT ASSETS</b>					
Properties for sale	11	49	49	808	808
Debtors due within one year	12	2,932	2,938	2,867	2,869
Investments	13	2,878	2,878	3,191	3,191
Cash at bank and in hand		256	190	213	144
		6,115	6,055	7,079	7,012
<b>CREDITORS</b>					
Amounts falling due within one year	14	(5,070)	(5,070)	(4,531)	(4,531)
<b>NET CURRENT ASSETS</b>		1,045	985	2,548	2,481
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		86,901	86,841	86,678	86,611
<b>CREDITORS</b>					
Amounts falling due after one year	15	51,664	51,664	52,452	52,452
<b>CAPITAL AND RESERVES</b>					
Share capital	17	-	-	-	-
Designated reserves	18	-	-	6,697	6,697
Revenue reserves	19	35,237	35,177	27,529	27,462
		86,901	86,841	86,678	86,611

The notes on pages 21 to 45 form an integral part of these financial statements. The financial statements were approved by the Board on 21 July 2010 and signed on its behalf by:

  
A.M. Diggle *Chairman*

  
B. Bailey *Deputy Chairman*

  
J.R. Bellis *Secretary/Chief Executive*

## Cash Flow Statement *For The Year Ended 31 March 2010*

	Note	2010 £'000	2010 £'000	2009 £'000	2009 £'000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	22		<b>5,806</b>		9,060
<b>RETURNS ON INVESTMENT AND SERVICING OF FINANCE</b>					
Interest received		6		39	
Interest paid		(2,621)		(3,257)	
<b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			<b>(2,615)</b>		(3,218)
<b>INVESTING ACTIVITIES</b>					
Purchase and construction of housing properties		(6,971)		(12,784)	
Purchase of other fixed assets		(886)		(506)	
Social housing grants received		4,545		3,703	
Sales of housing properties		409		-	
Sales of other fixed assets		156		101	
<b>NET CASH OUTFLOW FROM INVESTING</b>			<b>(2,747)</b>		(9,486)
<b>NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING</b>	24		<b>444</b>		(3,644)
<b>FINANCING</b>					
Housing loans received		-		5,000	
Housing loans repaid		(714)		(587)	
	23		<b>(714)</b>		4,413
<b>MANAGEMENT OF LIQUID RESOURCES</b>	24		<b>313</b>		(679)
			<b>43</b>		90
<b>CHANGE IN LIQUID RESOURCES</b>					
Cash	24	43		90	
	24		<b>43</b>		90

# Notes to the Financial Statements 31 March 2010

## 1. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards and Statements of Recommended Practice in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

### BASIS OF ACCOUNTING

The financial statements are prepared under the historical cost convention and comply with the Housing Act 1996 (as amended by the Housing Act 2004), the Accounting Requirements for Registered Social Landlords General Determination 2006 and the Statement of Recommended Practice 2008.

### CONSOLIDATION

The group financial statements have been prepared by consolidating the results of Muir Group Housing Association Ltd and Friends of Muir Group. Unless otherwise stated, the notes to the financial statements relate to both the Group and the Association.

### TURNOVER

Turnover represents rental income receivable, grants from local authorities and the Homes and Communities Agency, management

services, first tranche sales of shared ownership properties and other income.

### SUPPORTING PEOPLE INCOME AND COSTS

This income includes Supporting People (SP) contract income received from Administering Authorities, plus support charges to individual tenants. When accounted for as part of rent, the income is shown as "*Charges for support services*" in income from Social Housing Lettings. The related costs are shown as "*Care and support*" expenditure in expenditure from Social Housing Lettings.

If the charges to individuals are not dealt with as part of rent, the income and related costs are shown as "*Supporting people contract income*" in Other Social Housing Activities.

### SUPPORTED HOUSING PROJECTS MANAGED BY AGENCIES

The Association, as owner of the projects, claims social housing and other revenue grants. The treatment of other income and expenditure in respect of projects depends upon whether the Association carries the financial risk.

Where the Association carries the financial risk, for example, the losses from voids and arrears, all the project's income and expenditure is included in the income and expenditure account.

Where the agency carries the financial risk, the income and expenditure account includes only that income and expenditure which relates solely to the Association. Other income and expenditure of projects in this category is excluded from the income and expenditure account.

### PROPERTIES FOR SHARED OWNERSHIP SALE

The Association has adopted the accounting treatment specified in the Statement of Recommended Accounting Practice (2008) such that:

- the cost of shared ownership properties are split proportionally between current and fixed assets based on the proportion of the equity sold as the first tranche,
- the costs of the first tranche proportions are accounted for as current assets and the related sales proceeds are shown in turnover, and
- the remaining element of the shared ownership property is accounted for as a fixed asset so that any subsequent sale is treated as a disposal or part disposal of a fixed asset.

### INTEREST PAYABLE AND INTEREST RECEIVABLE

Interest is capitalised on capital borrowed to finance developments to the extent

that it accrues in respect of the period of development if it represents either:

- a) interest on borrowings specifically financing the development programme after deduction of interest on social housing grant (SHG) in advance; or
- b) interest on borrowings of the Association as a whole after deduction of interest on SHG in advance to the extent that they can be deemed to be financing the development programme.

Interest payable is allocated at a rate on the carrying amount over the period of the borrowing. Other interest payable / receivable is charged to the income and expenditure account in the year.

#### OPERATING LEASE PAYMENTS

Rentals paid under operating leases are charged to the income and expenditure account as incurred.

#### PENSIONS

The Association participates in the SHPS defined benefit final salary pension scheme. Contributions are based on pension costs across the various participating Associations taken as a whole. The assets of the scheme are invested and managed independently of the finances of the Association. Pension costs are assessed in accordance with the advice of an independent qualified actuary. Costs include the regular cost of providing benefits, which it is intended should remain a substantially level percentage of current and expected future

earnings of the employees covered. Variations from the regular pensions costs are spread evenly through the income and expenditure account over the average remaining service lives of the current employees.

#### TAXATION

As an exempt charity, Muir Group is currently not liable for Corporation Tax by agreement with the Inland Revenue.

#### HOUSING PROPERTIES

Housing properties are principally properties available for rent and are stated at cost less social housing grant. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development periods, and expenditure incurred in respect of improvements, which comprise the modernisation and extension of existing properties.

Development costs include the cost of salaries and direct expenses of the development department.

As required by FRS 15, the Association has reviewed the economic useful lives of its housing properties and depreciates the property cost less grants and freehold land.

Depreciation is charged on a straight-line basis over the expected economic useful lives of the properties. The economic useful life for the majority of properties has been determined to be 100 years, though a number of properties have been considered to have a shorter life.

Depreciation rates charged range between 1% and 6.7%

Depreciation is first charged in the year following the year in which a property is completed, no charge is made in the year of acquisition.

All properties are reviewed for impairment annually.

#### WORKS TO EXISTING HOUSING PROPERTIES

The Association capitalises any expenditure on housing properties which increases the net rental stream over the life of the property. An increase in the net rental stream may arise through an increase in the rental income, a reduction in future maintenance costs, or a significant extension of the life of the property. During the year, no such works were capitalised.

#### SOCIAL HOUSING GRANT

Social housing grant (SHG) receivable from the Homes and Communities Agency and local authorities is utilised to reduce the capital costs of housing properties. SHG receivable is calculated on a fixed basis depending on the size, location and type of housing property.

SHG due from the Homes and Communities Agency and local authorities is included as a current asset. 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.

Where, following the sale of a property, SHG

becomes repayable; it is included as a current liability until it is repaid. SHG is subordinated in respect of loans on agreement with the Homes and Communities Agency.

The Association under certain conditions can recycle SHG if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by the Homes and Communities Agency. However, SHG may have to be repaid if certain conditions are not met.

#### OTHER TANGIBLE FIXED ASSETS AND DEPRECIATION

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to the estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

Freehold buildings and long leasehold buildings	1% - 2%
Short leasehold property	over the life of the lease
Furniture, fixtures and fittings	20%
Computer equipment	33%
Motor vehicles	25%.

A full year's depreciation is charged on assets in the year of purchase, but no charge is made in the year of disposal.

#### INVESTMENTS

Investments are valued at the lower of cost and net realisable value.

#### LOAN SET UP COSTS

Costs arising from the setting up of loans are capitalised and amortised through the income and expenditure account over the term of the particular loan. The costs are shown in the balance sheet against the outstanding loans.

#### CYCLICAL REPAIRS AND EQUIPMENT REPLACEMENT

The Association is committed to a planned programme of cyclical repairs and maintenance and equipment replacement. However, in keeping with common practice, the opening balance in the cyclical repairs and equipment replacement reserve has been transferred to the revenue reserve. This reserve will no longer be used in the preparation of Financial Statements.

#### MAJOR REPAIRS RESERVE

The Association is committed to fund major repairs. However, in keeping with common practice the opening balance in the major repairs reserve has been transferred to the revenue reserve. This reserve will no longer be used in the preparation of Financial Statements.

#### PROVISIONS

The Association provides for contractual liabilities and future obligations arising from known circumstances at the balance sheet date.

#### LANDSCAPING RESERVE

The Association is committed to fund landscaping costs connected with properties which have been sold under the Right to Buy legislation and for which the Association does not receive income. However, in keeping with common practice the opening balance in the landscaping reserve has been transferred to the revenue reserve. This reserve will no longer be used in the preparation of Financial Statements.

No Right to Buy sales that fit this category have taken place in the year.

#### RECYCLING OF CAPITAL GRANT

Where SHG is recycled, as described above, the SHG is credited to a fund, which appears as a creditor, falling due after more than one year, until spent or it becomes repayable.

#### DISPOSAL PROCEEDS FUND

Net disposal proceeds from right to acquire sales are credited to this fund, which is held in creditors falling due after more than one year, until spent or it becomes repayable.

## 2. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	TURNOVER £'000	OPERATING COSTS £'000	COST OF SALES £'000	2010 OPERATING SURPLUS £'000
<b>INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS</b>				
Housing accommodation	16,219	(12,245)	-	<b>3,974</b>
Supported housing accommodation	2,020	(2,145)	-	<b>(125)</b>
Shared ownership accommodation	893	(479)	-	<b>414</b>
	19,132	(14,869)	-	<b>4,263</b>
<b>Other Social Housing Activities</b>				
Development costs	-	(732)	-	<b>(732)</b>
First tranche shared ownership sales	1,001	-	(955)	<b>46</b>
Supporting people contract income	369	(337)	-	<b>32</b>
Floating support	365	(384)	-	<b>(19)</b>
	20,867	(16,322)	(955)	<b>3,590</b>
<b>OTHER INCOME AND EXPENDITURE</b>				
Management services	136	(136)	-	-
Other	232	(239)	-	<b>(7)</b>
<b>Turnover &amp; Operating Costs - Muir</b>	21,235	(16,697)	(955)	<b>3,583</b>
Other subsidiaries	-	(7)	-	<b>(7)</b>
<b>Turnover &amp; Operating Costs - Group</b>	21,235	(16,704)	(955)	<b>3,576</b>

## 2. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS (CONT.)

	TURNOVER £'000	OPERATING COSTS £'000	COST OF SALES £'000	2009 OPERATING SURPLUS £'000
<b>INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS</b>				
Housing accommodation	14,844	(11,730)	-	3,114
Supported housing accommodation	1,895	(1,867)	-	28
Shared ownership accommodation	781	(303)	-	478
	17,520	(13,900)	-	3,620
<b>Other Social Housing Activities</b>				
Development costs	-	(649)	-	(649)
First tranche shared ownership sales	4,644	-	(4,009)	635
Supporting people contract income	393	(376)	-	17
Floating support	399	(386)	-	13
	22,956	(15,311)	(4,009)	3,636
<b>OTHER INCOME AND EXPENDITURE</b>				
Management services	125	(125)	-	-
Other	302	(65)	-	237
<b>Turnover &amp; Operating Costs - Muir</b>	23,383	(15,501)	(4,009)	3,873
Other subsidiaries	27	(57)	-	(30)
<b>Turnover &amp; Operating Costs - Group</b>	23,410	(15,558)	(4,009)	3,843

## 3. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	HOUSING ACCOMMODATION £'000	SUPPORTED HOUSING £'000	SHARED OWNERSHIP £'000	2010 TOTAL £'000	2009 TOTAL £'000
<b>INCOME</b>					
Rents	15,293	1,169	667	<b>17,129</b>	15,648
Charges for support services	198	128	-	<b>326</b>	321
Service charges	728	609	226	<b>1,563</b>	1,415
Net rents receivable	16,219	1,906	893	<b>19,018</b>	17,384
Revenue grants from local authorities and other agencies	-	114	-	<b>114</b>	136
<b>Total Income From Lettings</b>	<b>16,219</b>	<b>2,020</b>	<b>893</b>	<b>19,132</b>	<b>17,520</b>
<b>EXPENDITURE</b>					
Services	1,003	526	164	<b>1,693</b>	1,634
Management	3,714	956	179	<b>4,849</b>	3,931
Care and support	328	71	-	<b>399</b>	392
Routine maintenance	2,586	302	10	<b>2,898</b>	3,034
Planned maintenance	574	73	8	<b>655</b>	690
Major repairs expenditure	2,837	154	-	<b>2,991</b>	2,101
Adaptations	464	7	-	<b>471</b>	239
Rent losses from bad debts	163	19	-	<b>182</b>	181
Depreciation	579	26	118	<b>723</b>	568
Impairment	(6)	-	-	<b>(6)</b>	1,117
Lease costs	3	11	-	<b>14</b>	13
<b>Total Expenditure on Lettings</b>	<b>12,245</b>	<b>2,145</b>	<b>479</b>	<b>14,869</b>	<b>13,900</b>
<b>Operating Surplus On Letting Activities</b>	<b>3,974</b>	<b>(125)</b>	<b>414</b>	<b>4,263</b>	<b>3,620</b>
Rent losses from voids	159	83	-	<b>242</b>	235

#### 4. OPERATING SURPLUS

	2010 £'000	2009 £'000
The operating surplus is arrived at after charging / (crediting):		
Bad debts – rents and general	182	181
Depreciation of tangible fixed assets	1,353	928
Impairment of tangible fixed assets	(6)	1,117
Profit on sale of fixed assets	(18)	(24)
Auditors' remuneration (including VAT)		
- for audit services	18	16
Other revenue grants	(165)	(506)
Operating lease payments	106	106

#### 5. INTEREST RECEIVABLE AND OTHER INCOME

	2010 £'000	2009 £'000
Interest receivable and similar income - Muir	6	36
Income receivable and similar income - Subsidiaries	-	3
<b>Interest Receivable and Other Income – Group</b>	<b>6</b>	<b>39</b>

#### 6. NET INTEREST PAYABLE AND SIMILAR CHARGES

	2010 £'000	2009 £'000
Interest on loans repayable in more than five years by instalments	2,689	3,123
Interest payable capitalised on housing properties under construction	(47)	(257)
Interest payable on R.C.G.F	-	6
	<b>2,642</b>	<b>2,872</b>

The weighted average interest on borrowings at 5% (2009:5.62%) was used for calculating capitalised interest

## 7. EMPLOYEES (Full Time Equivalents)

	2010 No.	2009 No.
<b>Average weekly number of employees:</b>		
Office staff	98	94
Care staff	33	34
Wardens, caretakers and cleaners	9	11
	<b>140</b>	139

	2010 £'000	2009 £'000
<b>Staff costs</b>		
Wages and salaries	3,747	3,578
Social security costs	294	280
Other pension costs	375	332
	<b>4,416</b>	4,190

**OTHER PENSION COSTS**

The Association participates in the Social Housing Pension Scheme (SHPS). SHPS is a multi-employer, defined benefit scheme that is funded and contracted out of the state scheme.

The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate, to March 2007. From April 2007 there are three benefit structures available, namely:

- Final salary with a 1/60th accrual rate.
- Final salary with a 1/70th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate.

From April 2010 there are a further two benefit

structures available, namely:

- Final salary with a 1/80th accrual rate
- Career average revalued earnings with a 1/80th accrual rate.

A defined contribution benefit structure will be made available from 1 October 2010.

An employer can elect to operate different benefit structures for their active members and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

The Association has operated the final salary with a 1/60th accrual rate benefit structure for both active members as at 1 April 2007 and

for new entrants from 1 April 2007. This does not reflect any benefit structure changes made from April 2010.

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, in respect of each benefit structure, so that the Scheme can meet its pension obligations as they fall due. From April 2007 the split of the total contribution rate between member and employer is set at individual employer level, subject to the employer paying no less than 50% of the total contribution rate. From 1 April 2010 the requirement for employers to pay at least 50% of the total

contribution rate no longer applies.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The Association paid contributions at the rate of 14.85% during the accounting period. Member contributions varied between 5.65% and 7.65% depending on their age.

The charge to the Association for the year was £375k (2009 £332k).

As at the balance sheet date there were 108 active members of the Scheme employed by the Association. The annual pensionable payroll in respect of these members was £2,710,528. Membership of the Scheme continues to be offered to employees.

It is not possible to identify the share of underlying assets and liabilities belonging to individual participating employers. This is because the Scheme is a multi-employer Scheme where the Scheme assets are co-mingled for investment purposes, and benefits are paid from total Scheme assets. Accordingly, due to the nature of the Scheme, the income and expenditure account charge for the period under FRS17 represents the employer contribution payable.

The last formal actuarial valuation of the

Scheme was performed at 30 September 2008 by a professionally qualified actuary, using the Projected Unit Method. The market value of the Scheme's assets at this date was £1,527 million. The valuation revealed a shortfall of assets compared to liabilities of £663 million, equivalent to a past service funding level of 69.7%.

The financial assumptions underlying the valuation as at 30 September 2008 were as follows:

Valuation Discount Rates	%pa
• Pre retirement	7.8
• Non Pensioner Post retirement	6.2
• Pensioner Post retirement	5.6
• Pensionable earnings growth	4.7
• Price inflation	3.2

#### Pension Increases

• Pre 88 GMP	0.0
• Post 88 GMP	2.8
• Excess over GMP	3.0

Expenses for death-in-service insurance, administration and PPF levy are included in the contribution rate.

The valuation was carried out using the following demographic assumptions:

Mortality pre retirement – PA92 Year of Birth, long cohort projection, minimum improvement 1%pa

Mortality post retirement – 90% S1PA Year of Birth, long cohort projection, minimum improvement 1%pa.

The long-term joint contribution rates that will

apply from April 2010 required from employers and members to meet the cost of future benefit accrual were assessed at:

Benefit structure	Long-term joint %
Final salary with a 1/60th accrual rate	17.8
Final salary with a 1/70th accrual rate	15.4
Career average revalued earnings with a 1/60th accrual rate	14.9
Final salary with a 1/80th accrual rate	13.5
Career average revalued earnings with a 1/80th accrual rate	11.9

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a Recovery Plan setting out the steps to be taken to make up the shortfall.

Following consideration of the results of the actuarial valuation it was agreed that the shortfall of £663 million would be dealt with by the payment of deficit contributions of 7.5% of pensionable salaries, increasing each year in line with salary growth assumptions, from 1 April 2010 to 30 September 2020, dropping to 3.1% from 1 October 2020 to 30 September 2023. Pensionable earnings at 30 September 2008 are used as the reference point for calculating these deficit contributions. These deficit contributions are

in addition to the long-term joint contribution rates set out in the table above.

Employers that participate in the Scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate).

Employers that have closed the Scheme to new entrants are required to pay an additional employer contribution loading of 3.0% to reflect the higher costs of a closed arrangement.

A small number of employers are required to contribute at a different rate to reflect the amortisation of a surplus or deficit on the transfer of assets and past service liabilities from another pension scheme into the SHPS Scheme.

Employers joining the Scheme after 1 October 2002 that do not transfer any past service liabilities to the Scheme pay contributions at the ongoing future service contribution rate. This rate is reviewed at each valuation and applies until the second valuation after the date of joining the Scheme, at which point the standard employer contribution rate is payable. Contribution rates are changed on the 1 April that falls 18 months after the valuation date.

A copy of the Recovery Plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial

valuation assumptions and / or Recovery Plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the Recovery Plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the Recovery Plan). The Regulator is currently in the process of reviewing the Recovery Plan for SHPS in respect of the September 2008 actuarial valuation. A response from the Regulator is expected in due course.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2009. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £1,723 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £738 million, equivalent to a past service funding level of 70.0%.

As a result of pension scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an

allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

The Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme based on the financial position of the Scheme as at 30 September 2009. As of this date the estimated employer debt for the Association was £12m.

The Association also participates in the Pension Trust's Growth Plan (the Plan), which is a multi-employer pension Plan. The Plan is funded and is not contracted out of the state scheme.

Contributions paid into the Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001

contributions were invested in personal funds that have a capital guarantee and which are converted to pension on retirement, either within the Plan or by the purchase of an annuity.

The rules of the Plan allow for the declaration of bonuses and / or investment credits if this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses/ investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

The Trustee commissions an actuarial valuation of the Growth Plan every 3 years. The purpose of the actuarial valuation is to determine the funding position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The rules of the Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.

The Association continues to offer the Growth Plan as an AVC investment option for members of SHPS. The members pay contributions at a rate of their choice. The Association does not pay any contributions to the Growth Plan. At the balance sheet date there were 5 active members of the Plan.

The valuation results at 30 September 2008 have now been completed and have been formalised. The valuation of the Plan was performed by a professionally qualified actuary using the Projected Unit Method. The market value of the Plan's assets at the valuation date was £742 million and the Plan's Technical Provisions (i.e. past service liabilities) were £771 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £29 million, equivalent to a funding level of 96%.

The financial assumptions underlying the valuation as at 30 September 2008 were as follows:

	<b>%pa</b>
• Investment return pre retirement	7.6
• Investment return post retirement Actives / Deferreds	5.1
• Pensioners	5.6
• Bonuses on accrued benefits	0.0
• Rate of price inflation	3.2

In determining the investment return assumptions the Trustee considered advice from the Scheme Actuary relating to the probability of achieving particular levels of investment return. The Trustee has incorporated an element of prudence into the pre and post retirement investment return assumptions; such that there is a 60% expectation that the return will be in excess of that assumed and a 40% chance that the return will be lower than that assumed over the next 10 years.

The Scheme Actuary has prepared a funding

position update as at 30 September 2009. The market value of the Plan's assets at that date was £765 million and the Plan's Technical Provisions (i.e. past service liabilities) were £820 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £55 million, equivalent to a funding level of 93%.

If an actuarial valuation reveals a shortfall of assets compared to liabilities, the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

In view of the small funding deficit and the level of prudence implicit in the assumptions used to calculate the Plan liabilities the Trustee has prepared a recovery plan on the basis that no additional contributions from participating employers are required at this point in time. In reaching this decision the Trustee has taken actuarial advice and has been advised that the shortfall of £29 million (as at 30 September 2008) will be cleared within 10 years if the investment returns from assets are in line with the "best estimate" assumptions. "Best estimate" means that there is a 50% expectation that the return will be in excess of that assumed and a 50% expectation that the return will be lower than that assumed over the next 10 years. These "best estimate" assumptions are 8.4% per annum pre retirement, 5.1% per annum post retirement (actives and dererreds) and 5.6% per annum post retirement (pensioners).

A copy of the recovery plan must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions

Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the Plan liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Plan (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2008 valuation was forwarded to the Pensions Regulator on 18 December 2009.

The next full actuarial valuation will be carried out as at 30 September 2011.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan. The Trustee's current policy is that it only applies to employers with pre October 2001

liabilities in the Plan. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Plan. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Plan's pre October 2001 liability attributable to employment with the leaving employer compared to the total amount of the Plan's pre October 2001 liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors

including total Plan liabilities, Plan investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

The Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2009. As at this date, the estimated employer debt for the Association was £120k.

## 8. DIRECTORS' REMUNERATION AND PAYMENTS TO MEMBERS

The directors are defined as the members of the Board, the Chief Executive and the Executive Officers with Director in their job title. Their emoluments are shown below:

### Salaries and expenses paid to Directors

		Salary £	Vehicle Benefit £	Pension £	2010 Total £	2009 Total £	2010 Expenses £	2009 Expenses £
J R Bellis	Chief Executive	90,000	7,684	13,365	<b>111,049</b>	99,159	<b>752</b>	882
A R D Hunt	Director of Finance & Central Services	72,000	5,206	10,692	<b>87,898</b>	78,385	<b>880</b>	239
D Robinson	Director of Development	68,400	5,770	10,157	<b>84,327</b>	74,196	<b>2,372</b>	2,590
S Scott	Director of Housing Services	68,400	6,438	10,157	<b>84,995</b>	75,923	<b>1,515</b>	1077
<b>Totals</b>		<b>298,800</b>	<b>25,098</b>	<b>44,371</b>	<b>368,269</b>	338,905	<b>5,519</b>	4,788

The Chief Executive is an ordinary member of the pension scheme which is a final salary scheme funded by annual contributions from the employer and employee. No enhanced or special terms apply and there are no additional pension arrangements. A contribution by the Association of £13,365 (2009 £11,828) was paid in addition to the Chief Executive's own personal contributions.

## Salaries and expenses paid to Board Members

		2010 Salaries £	2009 Salaries £	2010 Expenses £	2009 Expenses £
A M Diggle	Chairman	8,352	8,352	796	446
B J Bailey	Deputy Chair	6,525	6,525	-	-
M J Griffiths	Deputy Chair	6,525	6,525	1,133	1,013
J F Cheshire	Chairman- Audit Committee	6,525	6,525	403	258
D G Booth		4,176	4,176	407	1,571
R J Collinson		4,176	4,176	402	493
C Mosley		4,176	4,176	1,995	627
L Patterson		4,176	4,176	2,462	2,672
H A Abid		889	-	-	-
L Kersh		-	348	-	-
S F Sheen		4,176	4,176	722	992
J A Winders		4,176	4,176	278	307
		<b>53,872</b>	53,331	<b>8,598</b>	8,379
Salaries paid to Board members as a % of turnover		<b>0.25%</b>	0.23%		

Board pay was introduced from 1 October 2004 at levels in accordance with NHF guidelines at the time. Since that date there has been one increase of 4.4% from 1 October 2007. The level of Board pay is reviewed every two years by the Remuneration & HR Committee with advice on market comparisons using specialist employment and remuneration consultants.

Individual Board member performance is assessed as part of the annual appraisal process. A review of the Board as a whole is undertaken annually as part of its performance and effectiveness self-assessment.

## 9. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

	Housing Properties		Shared Ownership Properties		TOTAL £'000
	Held for Letting £'000	Under Construction £'000	Completed £'000	Under Construction £'000	
<b>Cost</b>					
At 1 April 2009	159,827	4,109	20,869	-	184,805
Adjustment to opening balance	-	-	(92)	-	(92)
	159,827	4,109	20,777	-	184,713
Schemes completed in year	5,597	(5,597)	-	-	-
Additions to cost	332	6,524	275	-	7,131
Transfer to current assets	-	-	(641)	-	(641)
Transfer from current assets	-	-	518	-	518
Interest capitalised (net)	-	45	2	-	47
Disposals	(18)	-	(241)	-	(259)
At 31 March 2010	<b>165,738</b>	<b>5,081</b>	<b>20,690</b>	-	<b>191,509</b>
<b>Depreciation</b>					
At 1 April 2009	5,729	-	422	-	6,151
Adjustment to opening balance	-	-	(92)	-	(92)
	5,729	-	330	-	6,059
Charge for year	721	-	131	-	852
Impairment	-	-	(5)	-	(5)
Disposals	-	-	(11)	-	(11)
At 31 March 2010	<b>6,450</b>	-	<b>445</b>	-	<b>6,895</b>
<b>Net Cost after Depreciation</b>					
At 1 April 2009	154,098	4,109	20,447	-	178,654
At 31 March 2010	<b>159,288</b>	<b>5,081</b>	<b>20,245</b>	-	<b>184,614</b>

## 9. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES (CONT.)

	Housing Properties		Shared Ownership Properties		TOTAL £'000
	Held for Letting £'000	Under Construction £'000	Completed £'000	Under Construction £'000	
<b>SHG and other grants</b>					
At 1 April 2009	87,946	3,112	4,604	-	95,662
Reclassification	-	-	-	-	-
Schemes completed in year	3,114	(3,114)	-	-	-
Additions	25	4,432	49	-	4,506
Disposals	-	-	(31)	-	(31)
At 31 March 2010	<b>91,085</b>	<b>4,430</b>	<b>4,622</b>	-	<b>100,137</b>
<b>Net Book Value</b>					
At 1 April 2009	66,152	997	15,843	-	82,992
At 31 March 2010	<b>68,203</b>	<b>651</b>	<b>15,623</b>	-	<b>84,477</b>

Total expenditure in the year on works to existing properties amounted to £3.4 million. None of this expenditure has been capitalised.

Additions to housing properties during the year include capitalised administration costs of £165k (2009: £361k).

	2010 £'000	2009 £'000
<b>Housing properties comprise:</b>		
Freehold land and buildings	<b>72,629</b>	72,470
Short leaseholds	<b>784</b>	840
Long leasehold land and buildings	<b>11,064</b>	9,682
	<b>84,477</b>	82,992

## 10. TANGIBLE FIXED ASSETS – OTHER

	Freehold Offices £'000	Long Leasehold Offices £'000	Commercial Property £'000	Furniture Fixtures & Fittings £'000	Computer & Office Equipment £'000	Motor Vehicles £'000	TOTAL £'000
<b>Cost</b>							
At 1 April 2009	226	693	32	362	1,207	657	3,177
Additions	-	-	-	111	480	201	792
Disposals	-	-	-	-	-	(156)	(156)
At 31 March 2010	<b>226</b>	<b>693</b>	<b>32</b>	<b>473</b>	<b>1,687</b>	<b>702</b>	<b>3,813</b>
<b>Depreciation</b>							
At 1 April 2009	79	297	7	323	1,035	298	2,039
Charged in year	4	13	1	51	267	176	512
Disposals	-	-	-	-	-	(117)	(117)
At 31 March 2010	<b>83</b>	<b>310</b>	<b>8</b>	<b>374</b>	<b>1,302</b>	<b>357</b>	<b>2,434</b>
<b>Net Book Value</b>							
At 1 April 2009	147	396	25	39	172	359	1,138
At 31 March 2010	<b>143</b>	<b>383</b>	<b>24</b>	<b>99</b>	<b>385</b>	<b>345</b>	<b>1,379</b>

## 11. PROPERTIES FOR SALE

	2010 £'000	2009 £'000
At 1 April	<b>808</b>	5,527
Transfers from housing properties	<b>641</b>	-
Transfers to housing properties	<b>(518)</b>	-
Transfers to cost of sale	<b>(882)</b>	(4,719)
At 31 March	<b>49</b>	808

## 12. DEBTORS

	GROUP 2010 £'000	MUIR 2010 £'000	GROUP 2009 £'000	MUIR 2009 £'000
<b>DUE WITHIN ONE YEAR</b>				
Arrears of rent and service charges	882	882	966	966
Less: provision for bad debts	(293)	(293)	(322)	(322)
	589	589	644	644
Social housing grant receivable	1,670	1,670	1,786	1,774
Other debtors	353	353	195	209
Prepayments and accrued income	320	320	242	242
Amounts owed by group undertakings	-	6	-	-
	<b>2,932</b>	<b>2,938</b>	2,867	2,869

## 13. CURRENT ASSET INVESTMENTS

	GROUP 2010 £'000	MUIR 2010 £'000	GROUP 2009 £'000	MUIR 2009 £'000
Money market deposits	2,878	2,878	3,191	3,191

## 14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP 2010 £'000	MUIR 2010 £'000	GROUP 2009 £'000	MUIR 2009 £'000
Debt (note 16)	712	712	676	676
Recycled Capital Grant Fund	45	45	54	54
RTA Disposal Proceeds Fund	-	-	59	59
Rent and service charges received in advance	510	510	459	459
Other taxation and social security	110	110	19	19
Trade creditors	578	578	417	417
Other creditors	284	284	492	492
Accruals & deferred income	2,831	2,831	2,355	2,355
	<b>5,070</b>	<b>5,070</b>	4,531	4,531

## 15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	GROUP 2010 £'000	MUIR 2010 £'000	GROUP 2009 £'000	MUIR 2009 £'000
Debt (note 16)	51,616	51,616	52,366	52,366
Recycled Capital Grant Fund	48	48	77	77
RTA Disposal Proceeds Fund	-	-	9	9
	<b>51,664</b>	<b>51,664</b>	52,452	52,452

Movement in RCGF and DPF balances	Opening balance £'000	Transfers in £'000	Transfers out £'000	Interest accrued £'000	Closing balance £'000
RCGF	131	51	(89)	-	93
DPF	68		(68)	-	-
	<b>199</b>	<b>51</b>	<b>(157)</b>	-	<b>93</b>

There are no amounts due for repayment to the Tenant Services Authority, (2009: £Nil).

## 16. DEBT ANALYSIS

	2010 £'000	2009 £'000
<b>Due within one year</b>		
Bank and building society loans	703	667
Local authority loans	9	9
	<b>712</b>	<b>676</b>

	2010 £'000	2009 £'000
<b>Due after more than one year</b>		
Bank and building society loans	46,636	47,367
Local authority loans	737	743
Other loans	4,501	4,501
	<b>51,874</b>	<b>52,611</b>

	2010 £'000	2009 £'000
Debt is repayable as follows:		
Between one and two years	750	712
Between two and five years	2,514	2,377
After five years	48,610	49,522
Less: loan set up costs	(258)	(245)
	<b>51,616</b>	<b>52,366</b>

All loans are secured by specific fixed charges over the Association's housing properties.

Bank and building society loans are repayable by instalment, apart from Newcastle Building Society loans, which have bullet repayments due in 2045. Final settlements of all loans are due between 2014 and 2045. Rates of interest charged vary between 1.02% and 11.185%.

Local authority loans are repayable by instalment with final instalments falling between 2031 and 2037. Rates of interest charged vary between 4.8% and 15.125%.

Other loans are repayable by a single amount in 2019 the interest rate charged being 8.375%.

## 17. SHARE CAPITAL

	Muir 2010 £	Muir 2009 £
Authorised, issued and fully paid:		
At 1 April	87	89
Shares issued during the year	-	1
Shares surrendered during the year	(1)	(3)
At 31 March	86	87

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

## 18. DESIGNATED RESERVES

	Cyclical Repairs and Equipment Replacement £'000	Landscaping £'000	Major Repairs £'000	TOTAL £'000
At 1 April 2009	2,116	426	4,155	6,697
Transfers to Revenue Reserves	(2,116)	(426)	(4,155)	(6,697)
At 31 March 2010	-	-	-	-

## 19. REVENUE RESERVES

	GROUP 2010 £'000	MUIR 2010 £'000	GROUP 2009 £'000	MUIR 2009 £'000
At 1 April	27,529	27,462	26,445	26,350
Transfers from Designated Reserves	6,697	6,697	-	-
	<b>34,226</b>	<b>34,159</b>	26,445	26,350
Surplus after designations for the year	1,011	1,018	1,084	1,112
At 31 March	<b>35,237</b>	<b>35,177</b>	27,529	27,462

## 20. PROVISIONS

There was no requirement to make any provisions at the year end.

## 21. FINANCIAL COMMITMENTS

	GROUP 2010 £'000	GROUP 2009 £'000
The Association's capital expenditure commitments are as follows:		
Expenditure contracted for but not provided in the accounts	6,420	5,915
Expenditure authorised by the board but not contracted	-	-
	<b>6,420</b>	5,915

The Association expects to finance the above commitments from sales proceeds, social housing grant and loans.

At 31 March 2010 the Association had contracted loan facilities of £7 million at its disposal, all of which was fully secured and available for drawdown on 2 days notice.

## 22. RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2010 £'000	2009 £'000
Operating surplus	3,576	3,843
Depreciation of tangible fixed assets	1,353	913
Impairment of tangible fixed assets	(6)	234
Surplus on disposal of assets	(23)	(24)
Surplus on disposal of properties	(46)	(635)
<b>Working Capital Movements</b>	<b>4,854</b>	<b>5,226</b>
Properties for sale	759	4,719
Debtors	(182)	139
Creditors	375	(1,024)
<b>Net Cash Inflow From Operating Activities</b>	<b>5,806</b>	<b>9,060</b>

## 23. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2010 £'000	2009 £'000
Change in cash in the period	43	90
Change in investments	(313)	679
Cash used to repay loans	714	587
Cash introduced from loan facilities	-	(5,000)
Change in net debt	444	(3,644)
Net debt at 1 April	(49,638)	(45,994)
Net debt at 31 March	(49,194)	(49,638)

## 24. ANALYSIS OF CHANGES IN DEBT

	1 April 2009 £'000	Cashflows £'000	Other Changes £'000	31 March 2010 £'000
Cash and bank	213	43	-	<b>256</b>
Debt due within one year	(676)	676	(712)	<b>(712)</b>
Debt due after one year	(52,366)	38	712	<b>(51,616)</b>
Current asset investment	3,191	(313)	-	<b>2,878</b>
	<b>(49,638)</b>	<b>444</b>	<b>-</b>	<b>(49,194)</b>

## 25. SALE OF PROPERTIES NOT DEVELOPED FOR OUTRIGHT SALE

	Shared Ownership £'000	Others £'000	2010 TOTAL £'000	2009 TOTAL £'000
Proceeds of sales	409	-	<b>409</b>	50
Less: Costs of sales	(338)	-	<b>(338)</b>	(30)
	<b>71</b>	<b>-</b>	<b>71</b>	<b>20</b>

## 26. UNITS / BED SPACES

	2010 No.	2009 No.
<b>UNDER DEVELOPMENT AT END OF YEAR</b>		
General needs accommodation	73	79
Supported housing accommodation	20	17
Shared ownership accommodation	-	-
	<b>93</b>	<b>96</b>
<b>UNDER MANAGEMENT AT END OF YEAR</b>		
General needs accommodation	4,014	3,992
Supported housing accommodation	290	270
Shared ownership accommodation	391	383
Leasehold schemes for the elderly	23	23
Leasehold management	111	108
Managed for others	27	27
Supported owned but managed by others	135	121
	<b>4,991</b>	<b>4,924</b>
<b>TOTAL</b>	<b>5,084</b>	<b>5,020</b>

	2010 No.	2009 No.
<b>SHARED OWNERSHIP UNITS</b>		
Programme as at 1 April	19	112
Completed during the Year	-	67
Sold during the Year	(17)	(68)
Transferred to Rent	(1)	(43)
Transferred to Rent to Homebuy during the Year and let	-	(1)
Transferred to Rent to Homebuy during the year and not let	-	(48)
Available for sale as at 31 March	<b>1</b>	<b>19</b>

## 27. TAXATION

The Association is exempt from UK Corporation tax due to its charitable objects.

There is no liability for taxation in the year. There are also no factors affecting the tax charge for the period.

## 28. OPERATING LEASE COMMITMENTS

The Association has the following annual operating lease commitments at 31 March 2010 in respect of land and buildings:

	2010 £'000	2009 £'000
Expiring within one year	-	-
Expiring within two and five years	99	92
Expiring in over five years	-	-
	<b>99</b>	<b>92</b>

## 29. HOMES AND COMMUNITIES AGENCY GRANT RECEIVABLE DURING THE YEAR

Capital grants receivable during the year amounted to £4,506k

## 30. RELATED PARTIES

During the year three tenants have served on the Board of Muir Group. All of these tenants hold or held tenancy agreements on normal terms and cannot use their position to their advantage.

During the year there were also four Councillors who served on the Board of Muir Group. All transactions with the Councils on

which these Board members sit were made at arms length.

Fees and expenses payable to firms providing professional services to the Association in which members of the Association have a business interest, but such members are neither members of the Board nor any Committee nor Officers or employees of the Association: £Nil (2009 £Nil).

The only payments made, or benefits granted to the persons referred to in Section 1(2) of the Housing Act 1996 as stated above, being permitted by Section 1(3).

Under Financial Reporting Standard 8 disclosure is not required of transactions within the Group as the results of the subsidiaries are included within these financial statements.

# Do you need help to read this?



Please contact us: tel: 0300 123 1222 or  
textphone(minicom): 0300 123 3005

## Arabic

المركز المالي

هل تحتاج إلى مساعدة لقراءة هذا؟ يرجى منك الاتصال بنا

## Polish

Informacja finansowa

Potrzebujesz pomocy, aby to przeczytać? Skontaktuj się z nami.

## Portuguese

Relatório financeiro

Necessita de ajuda para ler isto? Entre em contacto conosco

## Punjabi

ਵਿੱਤੀ ਚਿੱਠਾ (ਸਟੇਟਮੈਂਟ)

ਕੀ ਇਹਨੂੰ ਸਮਝਣ ਲਈ ਤੁਹਾਨੂੰ ਮਦਦ ਦੀ ਲੋੜ ਹੈ? ਕਿਰਪਾ ਕਰਕੇ ਸਾਡੇ ਨਾਲ ਗੱਲ ਕਰੋ।

## Somali

Caddeynta Dhaqaalaha

Ma u baahan tahay in lagaa kaalmeeyo akhrinta feylkan? Fadlan nala soo xiriir.

## Turkish

Mali Rapor

Bunu okumak için yardıma ihtiyacınız var mı? Lütfen bizimle kontak kurunuz

**This document is also available in large print, audio or any other language upon request.**

**Could you translate information for us?** The six languages above are the ones most commonly used by our residents apart from English. If you have translation abilities in any of these languages, we want to hear from you, contact Kathryn Smith on **0300 123 1222**.



Muir Group Housing Association Limited

**You can contact us:**

- By telephoning our customer services team on: 0300 123 1222
- By Textphone (Minicom) on: 0300 123 3005 or by using the Text Relay service on 18001 followed by the number you wish to contact

- By Facsimile to: 01928 404026
- Via our website at [www.muir.org.uk](http://www.muir.org.uk)
- By email to [info@muir.org.uk](mailto:info@muir.org.uk)
- In person by speaking to any member of staff
- By requesting a home visit

- By writing to us at:  
Muir Group Housing Association Ltd,  
PO BOX 136, Frodsham WA6 1AW
- Or, you can visit us at one of our offices below:

**Registered Head Office** – Old Government House, Dee Hills Park, Chester, Cheshire CH3 5AR *Open Mon-Fri, 9am-5pm*

**Area Offices** Blackpool – 67 Chepstow Rd, Blackpool, Lancashire FY3 7PH *Open Mon-Thurs, 9am-5pm, Fri 9am-4.30pm*

Burnley – Second Floor, Lodge House, Lodge Square, Cow Lane, Burnley, Lancashire BB11 1NW *Open Mon, Wed, Fri 9am-5pm Closed Tues & Thurs*

Glebe Green – 28 Vauxhall Way, Glebe Green, Winsford CW7 1NG *Open Mon, Tues & Thurs, 10am-5pm*

Helsby – Oakmere House, Mere's Edge, Chester Road, Helsby, Cheshire WA6 0DJ *Open Mon-Fri, 9am-5pm*

Huntingdon – Stable Court, Ferrars Road, Huntingdon, Cambridgeshire PE29 3DH *Open Mon, Wed, Fri 9am-5pm Closed Tues & Thurs*



Printed on FSC  
stock sourced from  
sustainable forests and  
all pulps are 100% ECF.

