

Rooftop Housing
Group Limited

Annual report
and financial statements

2009/2010

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Chair's report

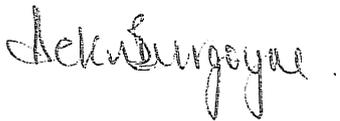
The Group continues to deliver excellent services and provide value for money. This is demonstrated in the results of the full STATUS satisfaction survey undertaken during the year. The results were outstanding with 87% of our residents stating they were satisfied or very satisfied with our services. This performance puts us amongst the top quartile of associations.

However, we are always striving to improve and have a programme of involvement, through engagement, with our residents concerning our compliance with the Tenant Services Authority (TSA) national standards and developing our local standards. This involvement with residents continues to develop through the spending of the rent restructure reserve which has been mentioned in previous years. Our residents have directly influenced the spending of this £4.5 million fund. This includes £100,000 set aside in a Community Fund which the residents, through the Customer Panel, decide how to spend.

The Group continues to meet the needs of people needing affordable housing. During the year Evesham and Pershore Housing Association (EPHA) started construction of its largest development, the £30 million ExtraCare Village in Gloucester, providing 169 homes in a mixture of rented and shared ownership accommodation, along with a central village, retail and service amenity complex plus a centre for the local Chinese Elders. Rooftop Homes Limited (RHL) started construction of its keyworker scheme in conjunction with the Royal Shrewsbury and Telford NHS Trust and the first 96 units of this 228 bed space scheme were brought into management during the year.

The other significant event of the year was G3 (Inspiring Individuals) Limited (G3) joining the Group. G3 was an established, respected and well regarded association providing specialist support and accommodation to young vulnerable homeless individuals within Gloucestershire. Within the Group G3 will be the specialist support provider for young and older people services. The bringing together of these support streams improves the long term viability and sustainability of support services, whose income streams could be vulnerable in the current constrained economic and financial environment.

The Group has performed strongly during the year and has generated a surplus for the first time since it was created in 2004. This is a tremendous achievement and reflects the hard work of all staff, directors and board members in ensuring the Group makes best use of its resources. This has been my first year as Chair of the Group and I am very proud of what has been achieved.



Helen Burgoyne
Chair
4 August 2010

Report of the Board

The Board is pleased to present its report and the audited financial statements for the year ended 31 March 2010. The report and financial statements are prepared in accordance with the Industrial and Provident Societies Act 1965 to 2002, the Housing Act 1996, the Accounting Requirements for Registered Social Landlords General Determination 2006 and the Statement of Recommended Practice (SORP) for Registered Social Landlords 2008.

Group structure

Rooftop Housing Group Limited (RHG), the Group parent, is a non-asset holding, non-charitable Industrial and Provident Society (2966 IR), registered with the Tenant Services Authority (L4404), providing operational and corporate services, including treasury management, information and communication technology, and human resources for the whole Group. It was formed on 12 November 2003. The shareholders of RHG include Evesham and Pershore Housing Association (EPHA), Rooftop Homes Limited (RHL) and the members of the parent Board.

EPHA was registered as an Industrial and Provident Society in May 1993 (27786R) and obtained registration with the Tenant Services Authority in September 1994 (LH4050). EPHA was initially established as an asset holding non-charitable body to take a transfer of part of the housing stock of Wychavon District Council in South Worcestershire. They converted to charitable status on 21 July 2004 and provide core social housing that meets charitable criteria.

RHL was also formed on 12 November 2003, as a new asset holding non-charitable Industrial and Provident Society (29660R) registered with the Tenant Services Authority (LH4405). All non-core social housing and commercial assets in 2004 were transferred to RHL. It provides housing that falls within the Tenant Services Authority's definition of core business including keyworker and registered care activities. It also owns and operates market rented stock, residential garages and garage courts. These commercial activities are undertaken with the express intention of generating revenue surpluses and capital growth that can be ploughed back into affordable housing activities.

G3, formerly Gloucester Youth Housing Association, was incorporated on 4 April 1986 as a charitable Industrial and Provident Society (2521 IR) and joined the Rooftop Housing Group on 1 October 2009. G3 will provide all the support services for the Group. This includes the young homeless service traditionally provided by G3 along with the older people support previously provided by EPHA.

Rooftop Management Limited (RML) is a wholly owned commercial subsidiary company (Registered in England 3569438), and provided stock condition survey services, and asset management software (Rooftop Asset Management Software, RAMS), to other housing associations and local authorities, as a commercial enterprise. This company became dormant from 31 March 2005.

Senior management team

The senior management team detailed on page 50, under the title of 'Executive officers', served throughout the period from 1 April 2009 to the date of this report unless otherwise stated.

Principal activities

The principal activity of the Group is to provide housing accommodation at affordable rents for people in housing need.

Additionally the Group provides:

- housing for sale through shared ownership schemes
- temporary housing accommodation through supported housing schemes
- housing accommodation for keyworkers
- housing accommodation for market rent
- a limited amount of commercial property
- development and management of older persons schemes in partnership with the ExtraCare Charitable Trust
- provision of support services primarily to young and older people.

In addition RHG has an underlying commitment to tackling social and financial exclusion and building sustainable communities. This is done through many partnerships with local authorities, police and voluntary groups.

The Board

RHG is governed within the framework set by its rules as an Industrial and Provident Society. These state that RHG will have a Board and determine its membership. The Board consists of 11 non-executive Board Members, including two representatives from EPHA, two from RHL, one from G3 and one tenant. The remaining five Board members are independents who bring to the Group a wide range of skills, experience and expertise. In making appointments to the Board the Group seeks members with a range of skills that it requires to effectively govern its business. The Board can also use its ability to co-opt additional individual members, including executives, should it so wish.

The Board Members of EPHA, RHL and G3 were carefully selected to make sure that they have the mix of skills and experience appropriate to their roles within the Group. EPHA's Board reflects its origins and customer involvement through representation by Wychavon District Council and tenants.

Audit Committee

The Group parent, RHG, is responsible for arranging all internal and external audit services throughout the Group. The Group Board has delegated initial responsibility for audit functions to an Audit Committee, which comprises Board Members from across the Group. The current membership is :

- Garth Raymer (Chair), RHG
- Allan Brace, EPHA,RHL,RHG,G3
- John Hill , RHG
- Leslie Edwards, RHL, EPHA
- Kim Fowkes RHL, EPHA
- Helen Gore, G3

The members of the Audit Committee are chosen for their appropriate skills, while representing the composition of the Group.

The Audit Committee has responsibility for reviewing the adequacy of all risk and control related statements prior to endorsement by the relevant Boards, managing key risks facing the Group and reviewing all internal control processes so that the Group can be reasonably assured that appropriate and effective risk management arrangements are in place.

Code of governance

The Board has formally adopted the National Housing Federation's Codes within the Governance policy (Excellence in Governance, Excellence in Service Delivery and Accountability and Excellence in Standards of Conduct) and confirms that RHG complies with the codes in all material respects.

Resident involvement

The Board believes that it is vital to get its residents involved in the decisions made about the services that it provides.

To make the most of resident involvement the Group:

- has established a Residents Action Team;
- has active customer and service review panels;
- holds regular customer events;
- sends out quarterly magazines and an annual report of performance;
- consults customers directly on specific issues;
- operates a 'mystery shopper' scheme; and
- operates a comprehensive website.

The above arrangements are considered the most appropriate way of making sure that the Group provides the best possible service to its residents.

Statement of the Board's financial responsibilities

The Board is required by law to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of RHG, and of the surplus or deficit for that period.

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

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

The Board is responsible for maintaining proper accounting records, which disclose with reasonable accuracy, at any time, the financial position of RHG, and to enable it to make sure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. The Board is also responsible for maintaining a satisfactory system of control over the accounting records and transactions, and for safeguarding the assets of RHG and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Internal controls assurance statement

The Board is the ultimate governing body and is responsible for the system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board confirms there is an ongoing process for identifying, evaluating and managing

the significant risks faced by the Group, that has been in place for the year under review and up to the date of approval of the annual report and accounts, and that this process is regularly reviewed by the Board.

During the year, the Board and/or Audit Committee have received the following evidence to support the effectiveness of the internal controls:

- Reports on risk management are presented to every Audit Committee meeting. The top scoring risks are viewed on screen electronically for discussion at every meeting. The Risk Map is reviewed formally by the Board on an annual basis.
- Internal audit reports including the annual report 2009/10. Each internal audit report gives an overall assessment on the reliance that can be placed on the controls; these are classified as substantial, reasonable, limited or no assurance. All of the systems reviewed by internal audit during 2009/10 were assessed as substantial or reasonable assurance with the exception of one which was assessed as limited assurance. The Board actively monitors all recommendations and controls.
- Management reports on operational and financial matters. All board reports include a risk management summary which clearly shows any new risks identified.
- Quarterly performance pack which includes monitoring reports, performance against goals and projects and key performance indicators.
- Group budgets which are approved by the boards following a review of the annual budget proposals for compliance with the Group budget parameters and financial policies by the Audit Committee.
- Development appraisal assumptions.
- All policies and strategies are approved by the Board or Audit Committee.
- Fraud and hospitality registers.
- External auditors reports and management letter.
- Tenant Services Authority (TSA) Viability review (green light).
- Annual Self Assessment Compliance Statement (SACS) review.

There were no identified weaknesses in internal controls, which resulted in material losses, contingencies or uncertainties that require disclosure in these financial statements.

Employees

Within the Group structure all staff are employed by RHG, the Group parent. RHG is committed to promoting equality of opportunity in its employment practices. Applications for employment from persons with black or minority ethnic origin or disability are given full and fair consideration for all vacancies.

In the event of an employee becoming disabled, every effort is made to retain them so that their employment within the Group may continue. It is the policy of the Group that training, career development and promotion opportunities should be available to all employees.

The Group has continued its practice of consulting and keeping employees informed on matters that affect them and on the progress of the Group. This is carried out in a number of ways including: formal consultation with the employee forum, departmental meetings and a core brief.

Health and safety

The Board is aware of its responsibilities on all matters relating to health and safety. They have prepared health and safety policies and ensured all staff have undergone a programme of training on health and safety matters. In addition the Group has established a Safety Committee which is led by the Facilities and Health and Safety Manager.

Insurance

RHG maintains insurance policies for members of the Board and executive directors against liabilities in relation to the Group.

Political and charitable donations

RHG did not make any political contributions, but made charitable donations of £7,909 (2009: £14,887).

Post balance sheet events

The Board considers that there have been no events since the year end that have had a significant effect on the Group's financial position.

Going concern

The Board considers that it has adequate resources to continue in operation for the foreseeable future. For this reason, it continues to adopt the 'going concern' principle in the financial statements.

Annual General Meeting

The Annual General Meeting will be held on 15 September 2010.

External auditors

A resolution to re-appoint Mazars LLP will be proposed at the Annual General Meeting.

Disclosure of information to auditors

In the case of each of the persons who are board members at the date when this report was approved:

- so far as each of the board members is aware, there is no relevant audit information of which the company's auditors are unaware; and
- each of the board members has taken all the steps that he/she ought to have taken as a board member to make him/herself aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information.

By order of the Board



Helen Burgoyne

Chair

4 August 2010

Financial review

The report and accounts for the year ended 31 March 2010 have been prepared in accordance with applicable accounting standards. The accounting policies have been reviewed and RHG has adopted the Statement of Recommended Practice (SORP) 2008.

Objectives

The Group is a 'mature' Large Scale Voluntary Transfer (LSVT) association. It no longer borrows money to fund revenue activities but rather only borrows to invest in more housing properties. The funders have set a 70% gearing limit, which means the borrowing of the Group cannot exceed 70% of the housing property values. A key aim is to provide properties for those in housing need and the Group will develop the maximum number of properties each year within this gearing limit.

As a mature LSVT the Group aims to generate operating cash surpluses each year. It is the accumulation of these cash surpluses that will enable the loans to be repaid within the agreed timescales. This aim is also re-enforced by the funders requirement for operating surpluses on a cash basis to be at least 110% of interest payments on a rolling three year basis.

Therefore, the financial plans are guided by two key principles:

- Only borrow to invest
- Generate operating cash surpluses

The cash surpluses increase the financial strength of the Group whilst the borrowing to invest ensures new properties are acquired to satisfy housing need.

A key objective for the Group in 2009 was 'Making best use of resources: we will make best use of our financial, ICT and human resources to support and deliver excellent services and homes for customers and the community'. This was supported by the goal of 'Implement the corporate plan consistent with operating costs that are within 3% of the average for our peer group' (LSVT Northern Associations). This has been achieved and this goal is now replaced with 'Demonstrating improving Value for Money measured by the HouseMark efficiency framework. By March 2015 this should deliver efficiency gains valued at £3 million or 5% of operating costs whichever is greater, of which 50% should be cashable gains.

Overview

The overall financial performance for the year has been a dramatic improvement over 2009 with an operating surplus being reported for the first time since the formation of the Group. This is a tremendous achievement in the current difficult economic and financial climate. The shared ownership activity has remained buoyant with 12 sales during the year generating £0.2 million surplus. However, the most positive impact has been the lower interest rates on the variable loans with the Base Rate at historic lows of 0.5%.

Funding facilities

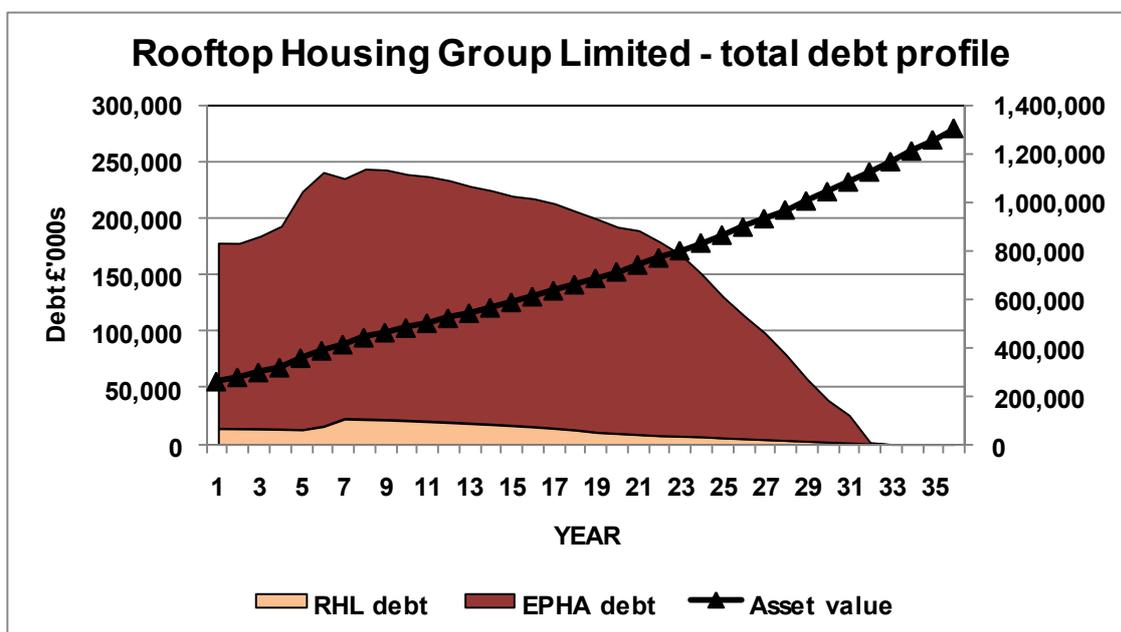
The creation of the Group structure in 2004 was accompanied by a refinancing. Nationwide Building Society continued to provide the loan financing through a bi-lateral facility to EPHA and RHL. This provided a total £120 million loan facility: £100 million for EPHA and £20 million for RHL, at lower interest cost and improved security requirements.

In 2006 EPHA arranged a new £80 million facility with Lloyds TSB creating a total £200 million facility across the Group. This Lloyds TSB facility provided the £23 million required for the Bishop's Cleeve purchase plus £5 million for investing in the Bishop's Cleeve stock. The remaining Lloyds TSB facility will be used to fund the current and future development programme including the ExtraCare Village in Gloucester.

The EPHA facility with Nationwide Building Society is extendable, enabling the Group to maintain a rolling programme of new developments. In January 2007 EPHA extended the facility by four years to year 2040/41 (total 33 year facility). In September 2007 a renegotiated facility with Nationwide Building Society was finalised with lower margins and more straightforward corporate covenants.

In January 2009 RHL arranged a new £14 million facility with Lloyds TSB to provide the long term finance for the keyworker scheme for the Royal Shrewsbury and Telford NHS Trust.

The total loan facilities for the Group are therefore £214 million of which £152 million has been drawn at 31 March 2010. This will increase to just under £250 million over the next ten years (to 2020), reflecting the development activity of the Group. There will be, therefore, a requirement to arrange an additional £34 million for EPHA by 2012/13 to ensure sufficient funds exist to fund the ten year development programme.



Income and expenditure account

The turnover increased to almost £24 million during the year and a surplus was recorded for the first time since the formation of the Group. This surplus was generated after charging almost £2 million of property depreciation and a surplus of £0.2 million from shared ownership sales. Traditionally the Group has set low rents and under rent restructuring guidelines the Group has been able to increase rents to a higher level than originally envisaged in the business plan. This additional income has been credited to a specific rent restructuring reserve for investment in special projects, which have been agreed with residents. As at 31 March 2010 this reserve stood at £4.3 million.

Group highlights, five year summary

Income and expenditure account	Budget	Actual	Actual	Actual	Actual
	2011	2010	2009	2008	2007
	£'000	£'000	£'000	£'000	£'000
Turnover	24,622	23,962	22,209	21,289	19,338
Operating costs	(18,681)	(17,905)	(16,283)	(14,993)	(14,907)
Operating surplus	5,941	6,057	5,926	6,296	4,431
Goodwill write-off on acquisition	-	217	-	-	-
Surplus/(deficit) on disposals	(74)	(34)	35	90	100
Net interest costs	(7,451)	(6,011)	(6,935)	(7,252)	(6,522)
Surplus/(deficit) on operating activities	(1,584)	229	(974)	(866)	(1,991)

The operating surplus has largely been stable at close to £6 million and this is budgeted to continue for 2011. The much lower operating surplus in 2007 was the result of 'catching up' of maintenance programmes which experienced delays in 2006. Subsequently the Group's operating performance has improved with increased income as RHG continues to grow. The level of operating surplus in 2009 was slightly lower than expected due to higher responsive maintenance costs and a higher bad debt provision. This is a reflection of the current difficult economic and financial climate. Some residents have found it difficult to meet their financial obligations and a high number of evictions have resulted in higher voids expenditure and an increased bad debt provision. This situation improved in 2010, with responsive maintenance now running at normal levels.

The operating surplus is budgeted to reduce slightly for the year ending 31 March 2011 due to not budgeting for any shared ownership sales and reinstating a contingency budget. The budget for 2011 indicates a return to making a deficit on operating activities. This is due to assuming an increase in interest rates during the year from the current 0.5% to 4% by 31 March 2011.

Review of balance sheet

The housing properties are valued on either an existing use basis (EUV-SH) or market value – tenanted basis (MV-T) depending on whether there are restrictions over disposals. At 31 March 2010 the properties were valued at £264 million, a £39 million increase over last year. The increase largely reflects the additions to the housing stock and the construction of the ExtraCare Village at Gloucester and the keyworker scheme at Shrewsbury. The difference between the value of the stock and its cost is reflected in the revaluation reserve, which increased by £23 million and currently stands at £120 million.

Balance Sheet	Actual 2010 £'000	Actual 2009 £'000	Actual 2008 £'000	Actual 2007 £'000	Actual 2006 £'000
Housing properties	263,852	225,040	208,294	196,874	177,027
Other fixed assets	445	475	501	493	413
Net current (liabilities)/assets	(722)	(4,139)	626	(1,444)	(694)
Net assets	263,575	221,376	209,421	195,923	176,746
Loans (due over one year)	151,847	133,893	124,841	112,497	108,548
Provisions	118	68	56	80	40
Reserves:					
Revaluation	120,438	97,464	94,082	93,112	76,810
Designated	5,858	6,095	4,428	4,287	2,693
Revenue	(14,686)	(16,144)	(13,986)	(14,053)	(11,345)
Total reserves	111,610	87,415	84,524	83,346	68,158
Total capital and reserves	263,575	221,376	209,421	195,923	176,746

The value of the Group's housing properties has increased by almost 50% over the past five years. This reflects the growth of properties from acquisitions like the Midland Heart portfolio in 2009 and new build schemes such as the ExtraCare Village in Gloucester and keyworker scheme in Shrewsbury. In addition the increase is a reflection of the increasing value of the housing stock.

The Group is committed to using its balance sheet strength to ensure its ongoing development aspirations can be delivered. Despite the significant growth over the past four years the gearing ratio in 2010 at 58% is slightly less than the 61% in 2006.

The revenue reserve deficit has reduced for the first time since the formation of the Rooftop Housing Group. The cumulative revenue reserve deficit has reduced by £1.5 million over the year. This deficit reserve reflects the accounting treatment of non-cash transactions rather than weak finances. The total property depreciation charge over the past four years amounts to £7.5 million and this is reflected in the revenue reserve deficit. The total movement in reserves reflects the financial strength of the Group and this has increased to over £111 million as at 31 March 2010 which is an increase of 64% over the past five years.

Cash flow

The extracts from the Group's cashflow statement are given below:

	Actual 2010	Actual 2009	Actual 2008	Actual 2007	Actual 2006
	£'000	£'000	£'000	£'000	£'000
Cash from operating activities	9,522	11,167	7,166	6,932	4,484
Cash on financing	(5,967)	(6,924)	(7,303)	(6,389)	(5,269)
Net cash from operations	3,555	4,243	(137)	543	(785)
Net capital expenditure	(21,455)	(14,604)	(11,535)	(4,641)	(28,058)
Increase in loan	17,967	9,009	12,397	4,031	23,405
Net cash from investment	67	(1,352)	725	(67)	(5,438)

RHG aims to generate sufficient income from operating activities to service the interest costs whilst capital expenditure is largely funded by loans or grants. This objective was easily achieved and will remain a key aim for the future. The increasing level of capital expenditure reflects the investment during 2009 and 2010 in the ExtraCare Village in Gloucester and keyworker scheme in Shrewsbury.

Management Costs

As Group parent, RHG provides all the operational and corporate services for the whole Group. RHG is committed to providing cost-effective services and ensuring value for money principles are followed. When the parent was formed in 2004 it reviewed a number of its corporate services and made efficiency savings which ensured that the average cost of managing the Group's properties is lower than traditional or other large scale stock transfer associations.

The operating results have continued to be very good and I am pleased to report that RHG continues to demonstrate robust financial health.



Charles Brotherton
Finance Director
 4 August 2010

Operational review

Our Mission

All member associations within the Rooftop Housing Group are committed to improving the quality of life of people and the communities in which they live. This mission is to be achieved by providing excellent housing and related services, improving existing homes, providing new homes and working with a range of partners to benefit their communities.

The most significant event of the year was the admission to the Group of a specialist unregistered housing association, G3 (Inspiring Individuals) Limited (G3) based in Gloucester. G3 joined the Group on 1 October 2009 bringing a wealth of experience in providing support and accommodation to young people in Gloucestershire. Within Rooftop, the board of G3 has taken overall responsibility for all support and care services including direct provision to our young and older residents as well as support services provided by other specialist organisations on our behalf. The business case for the merger allows us to achieve a separation of estate management services, strengthens governance of support services and will generate economies of scale in response to national financial constraints.

The Group undertook a number of reviews during the year. Our overall Development Strategy was given a clear regional focus upon local authorities in Worcestershire and Gloucestershire allied to implementation of our Community Strategy. Several front line services were reviewed against the requirements of the Audit Commission Key Lines of Enquiry to maintain the Housing Excellence status awarded to us in June 2008. A fundamental review of our internal financial regulations and contract standing orders was completed. We reviewed Pension Scheme options for future entrants and made changes to our schemes following consultation with employees. The boards considered their own structures and have implemented a governance improvement plan designed to streamline and renew membership over the next three years.

In response to the effects of the global financial crisis and prospect of a change in Government, the Group undertook a major review of its objectives and goals using a strategic planning software tool (Clearview) that helps us to critically review the sociological, technical, environmental and political factors affecting our business and to look again at our strengths, weaknesses, opportunities and threats. Objectives are delivered through achievement of corporate goals. Each of the goals will be achieved through a number of projects that are managed using Clearview.

The three objectives and goals are:

1. Services: We will develop, deliver and sustain excellent services to all our customers.

- Carry out a five year programme of service reviews to maintain excellent services as defined by the Audit Commission (New goal)
- By March 2014, ensure that all Rooftop customers enjoy excellent access to services, in person and through digital technology, delivering best practice in customer care (New goal)
- Develop existing and new Supported Housing services and partnerships to maintain support income at 7% of group turnover and develop overall supported activity including lettings income to 25% of group turnover by March 2015 (New goal)
- Equalities and diversity - to ensure the delivery of excellent services to all of our customers (current goal)

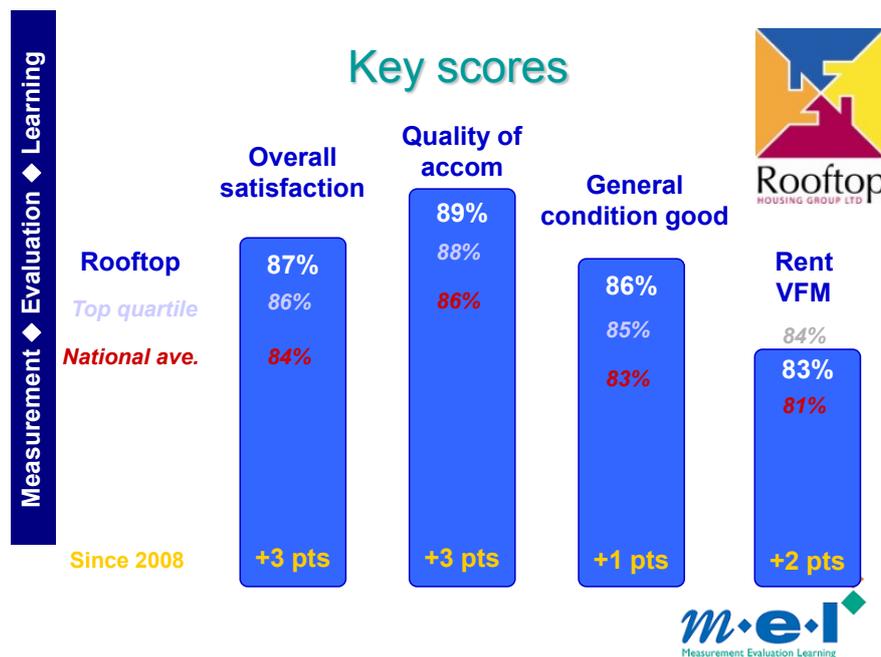
- Develop new Supported Housing services and partnership agreements to increase customer numbers by 15% (goal finishing 2010/11)
 - Maintain excellent services as defined by the Audit Commission (goal finishing in 2010/12)
- 2. Community needs: Working with partners, we will contribute toward the creation of cohesive and inclusive communities; developing new build and refurbishment schemes that respond to housing needs identified by national and regional strategies that are environmentally sustainable.**
- (EPHA) Provide new affordable homes for an average of 150 waiting list applicants per annum over the next five years (New goal)
 - Improve the environmental sustainability and affordability of our homes, achieving an average SAP rating of 70 by 2015 (67 sector average score) (New goal)
 - Create a sustainable business unit within EPHA that develops and manages a minimum of 66 pitches/homes for the gypsy and traveller community in the South Midlands and North Gloucestershire area by 2014 (New goal)
 - To deliver an annually agreed programme of projects to meet the Community Strategies of our local authority partners (New goal starting 2012)
 - Deliver the approved Rent Restructuring Reserve projects by March 2015 (New goal)
 - Expand RHL's portfolio to 600 homes by March 2014 (current goal modified)
 - Achieve 150 EPHA homes under the National Affordable Housing programme (NAHP) to meet the needs of 750 households between April 2008 and March 2013 (of which 550 will be for rent) (goal finishing 2011/12)
 - To actively participate in community development, striving to ensure that our contributions are highly regarded (goal finishing 2010/11)
- 3. Making best use of resources: We will make best use of our financial, ICT and human resources to support and deliver excellent services and homes for customers and the community.**
- Optimise use of our people, skills and internal capacity by implementation of the HR Strategy and an annual plan of improved business processes (New goal)
 - Demonstrate improving Value for Money measured by the HouseMark efficiency framework. By March 2015 this should deliver efficiency gains valued at £3 million, or 5% of operating costs whichever is the greater, of which 50% should be cashable gains (New goal)
 - Capital Receipts - To generate £70 million net capital receipts from shared ownership sales of existing homes by March 2015, providing £40 million for reinvestment in new homes, £30 million for reinvestment in existing homes and services (New goal)
 - Use our new build, maintenance and environmental investment capacity to deliver training, employment and local enterprise opportunities for at least 100 unemployed people within South Worcestershire and North Gloucestershire (New goal)
 - Deliver Value for Money specifically through the joint procurement initiative for asset management aiming to achieve efficiency gains of 12% by March 2013 and through efficiency gains on other activities averaging 2.5% per annum (goal finishing 2010/11)
 - Maintaining compliance with Tenant Services Authority regulatory requirements (goal finishing 2011/12)
 - Make best use of Information Technology (goal finishing in 2010/11)

Twelve new goals have been added during the review. Eight existing goals will continue until projects linked to them are complete and generally the goals have been tightened to ensure delivery within our five year plan. For 2009/10, 11 out of the 14 goals were completely on target and our goal for environmental sustainability was revised to ensure it is deliverable within our expected level of resources.

The new goals recognise that the affordable housing environment is going to be increasingly challenged by public sector financial cut backs that will result in increasing demand for the services we provide. Maintaining excellent services, investment in our stock of homes particularly retrofitting to enhance environmental sustainability and continuing a supply of new homes are significant challenges. The Group is responding by making efficient use of our resources and exploring whether we can generate capital receipts through shared ownership sales of certain categories of existing homes.

Customer satisfaction

A STATUS survey of resident satisfaction was undertaken in November 2009. The survey indicated 87% overall satisfaction with our services, an increase of 3% from our last survey result. Our performance on resident satisfaction is top quartile or above for many indicators when benchmarked with peer organisations.



Condition of our homes

RHG has achieved the Government's Decent Homes Standard for all of its stock. This was achieved in 2008, much earlier than the Government's 2010 deadline. Our 100% stock condition survey ensures that maintenance programmes are directed to renewal of building components that are near the end of their life cycle. The survey database has been regularly updated and a comprehensive review was undertaken in 2009 to ensure that our 40 year cash flows provide adequate resources.

The Group is committed to improve the homes beyond the Decent Homes Standard. A number of additional improvement programmes totalling over £6 million are being funded from our rent restructuring reserve.

Regulatory performance

We are regulated by the Tenant Services Authority (TSA) the government agency that regulated all affordable housing providers in England during 2009/10. The 2009 Regulatory Judgement indicates the Group achieves the equivalent of green lights in all three areas: financial viability, governance, and management. The TSA has also carried out a Viability Review (VR) that forms the basis of the Group's green light for viability in the Regulatory Judgement. This is based on the submission of the 30 year debt capacity model.

The boards carried out a self assessment of compliance with the TSA Regulatory Code that concluded the Group is fully compliant. The TSA acknowledged that the Group operates a robust framework of self assessment. Together with our residents the Group fully embraced the TSA consultation upon the new framework of national standards that will apply from April 2010 and is now progressing towards the determination of our own local standards for publication in October 2010.

In 2009/10 the National Housing Federation published three new codes, Excellence in Service Delivery and Accountability, Excellence in Governance and Excellence in Standards of Conduct. Board members have reviewed the codes to confirm compliance and have formally adopted all three.

Operational performance

The TSA collects data on a range of performance indicators and these are published on their website and also inform the TSA assessment of management performance. We subscribe to the HouseMark benchmarking service who collect data to enable us to compare our performance against similar large scale voluntary transfer associations.

Outcomes at 31 March 2009 include:

- Management costs per property are better than average at £570 per property per annum.
- Spend on responsive repairs and voids is below average at £525 per property per annum.
- The average cost of repairs is below average at £89 per job but we do more repairs per property than most housing associations.
- The re-let period for voids was upper quartile at just over 2.5 weeks.
- Emergency repairs are above average at 98.8% and routine repairs are upper quartile at 99.2%. Completion times for urgent repairs remain upper quartile at 99.0%.
- Rent arrears at 3.2% of the annual rent debit are just below average levels.

We publish our annual performance statistics for EPHA and RHL in our Resident Annual Report.

The Board has adopted six key indicators to measure the performance of the Group and determine how well it is performing over time and against its peers. The indicators are calculated in accordance with TSA guidelines and the results for the last five years are as follows:

	Upper Quartile	2010	2009	2008	2007	2006
(i) Voids available for letting as % of stock	0.8%	0.5%	0.8%	0.7%	0.2%	0.4%
(ii) Re-let interval days	22.7	21.5	18.1	13.8	16.5	22.4
(iii) % of urgent repairs completed	98.6%	97.1%	99.0%	98.7%	96.8%	94.8%
(iv) Rent collected as % rent due	99.9%	99.8%	99.5%	100.1%	99.3%	101.0%
(v) Rent arrears as % of rent due	2.8%	3.3%	3.2%	2.5%	2.4%	2.0%
(vi) % rent lost through voids	1.0%	0.7%	0.6%	0.7%	0.6%	0.6%

Providing new homes

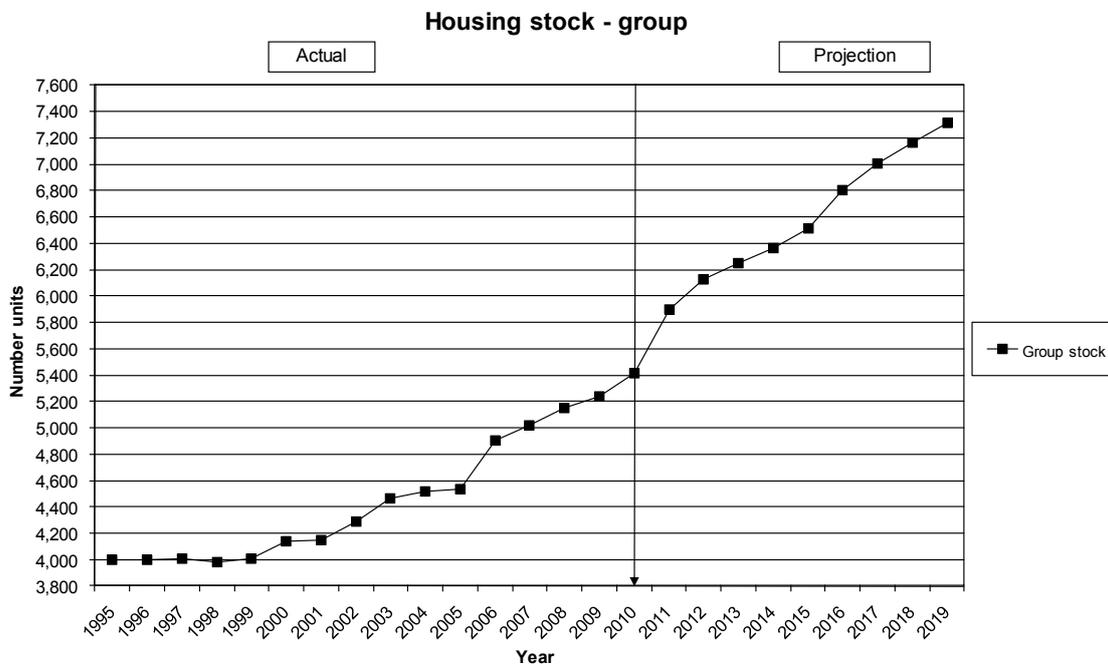
There are very strong needs for more affordable homes within our area of operation. The financial and housing market continues to exclude those on low incomes, particularly in the villages, where families on low incomes see fewer opportunities for purchasing or renting a home.

The Group has taken advantage of funding from the Homes and Communities Agency to expand our stock during 2009/10 recognising that grant funding is likely to reduce significantly in future years. We published and launched a guide to the provision of rural housing based upon our experiences over many years but particularly in the village of Eckington where challenges successfully overcome included the excavation of a Roman centurion body and relocating slow worms!

The Group also acquired stock from other landlords during the year, including British Red Cross and Dimensions leading to further reinvestment and remodelling in future years. We have continued to promote shared ownership opportunities and have successfully sold all homes offered on this basis.

Housing stock – group

There was continued steady growth of the Group’s stock in 2009/10, exceeding our new goal to provide at least 150 homes each year to meet housing needs. The number of homes owned or managed increased from 5240 to 5478 during the year (238) and is also set to exceed targets in 2010/11. Shared ownership provision will double with the completion of our ExtraCare village in Gloucester in November 2010 and will continue to be an important part of our service delivery as will keyworker homes with 96 new homes being added during the year in Shrewsbury for nurses and doctors.



Ian Hughes
Group Chief Executive
 4 August 2010

Report of the auditors on the financial statements

Independent auditors' report to the members of

Rooftop Housing Group Limited

We have audited the financial statements of Rooftop Housing Group Limited for the year ended 31 March 2010, which comprise the consolidated and company income and expenditure accounts, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes. These financial statements have been prepared under the historical cost convention, as modified for the revaluation of housing properties, and the accounting policies set out therein.

This report is made solely to Rooftop Housing Group Limited's members, as a body, in accordance with the relevant legislation. Our audit work has been undertaken so that we might state to the 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 Rooftop Housing Group Limited and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The Board's responsibilities for preparing the annual 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 report of the Board.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. We also report to you if, in our opinion, the report of the Board is not consistent with the financial statements, if the Group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Group is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises the Chair's report, report of the Board, and financial and operating reviews. 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 examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the board members in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom generally accepted accounting practice, of the state of affairs of the Group and the Company as at 31 March 2010, and of the result of the Group and the Company for the year then ended and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

Mazars LLP

Mazars LLP

Chartered Accountants and Statutory Auditor

Dudley, West Midlands, DY1 4PY.

Income & expenditure account - group

For the year ended 31 March 2010

	Notes	2010 £'000	2009 £'000
Turnover	2	23,962	22,209
Operating costs	2	(17,905)	(16,283)
Operating surplus	2	6,057	5,926
Goodwill write-off on acquisition	1	217	-
(Deficit)/surplus on sale of housing accommodation	4	(34)	35
Interest receivable	8	4	81
Interest payable and similar charges	9	(6,015)	(7,016)
Surplus/(deficit) on ordinary activities before taxation	7	229	(974)
Tax on surplus/(deficit) on ordinary activities	10	(60)	(58)
Surplus/(deficit) for the year	18	169	(1,032)

All amounts relate to continuing activities.

Note of historical cost surpluses and deficits

Reported surplus/(deficit) on ordinary activities before taxation		229	(974)
Realisation of property revaluation surpluses of previous years		158	57
Difference between a historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount		894	484
Historical cost surplus/(deficit) on ordinary activities before taxation		1,281	(433)
Historical cost surplus/(deficit) on ordinary activities after taxation		1,221	(491)
Statement of total recognised surpluses and deficits			
Surplus/(deficit) for the year		169	(1,032)
Unrealised surplus on revaluation of housing properties	18	24,026	3,923
Total recognised surplus relating to the year		24,195	2,891

The notes on pages 28-49 form part of these financial statements.

Income & expenditure account - company

For the year ended 31 March 2010

	Notes	2010 £'000	2009 £'000
Turnover	2	5,835	5,497
Operating costs	2	(5,826)	(5,467)
Operating surplus	2	9	30
Interest receivable	8	1	4
Surplus on ordinary activities before taxation	7	10	34
Tax on surplus on ordinary activities	10	(1)	(9)
Surplus for the year	18	9	25

All amounts relate to continuing activities

Note of historical cost surpluses and deficits

Reported surplus on ordinary activities before taxation		10	34
Realisation of property revaluation surpluses of previous years		-	-
Difference between a historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount		-	-
Historical cost surplus on ordinary activities before taxation		10	34
Historical cost surplus on ordinary activities after taxation		9	25

Statement of total recognised surpluses and deficits

Surplus for the year		9	25
Unrealised surplus on revaluation of housing properties	18	-	-
Total recognised surplus relating to the year		9	25

The notes on pages 28-49 form part of these financial statements.

Balance sheet as at 31 March 2010 - group

	Notes	2010 £'000	2009 £'000
Tangible fixed assets			
Housing properties		296,696	255,636
Social Housing Grant		(31,348)	(29,855)
Other capital grants		(1,496)	(741)
Net book value of housing properties	11	263,852	225,040
Other fixed assets	11	445	475
Total fixed assets		264,297	225,515
Current assets			
Stock and work in progress		8	7
First tranche shared ownership		4,873	452
Debtors	12	1,010	748
Cash at bank and in-hand	13	1,379	1,337
Total current assets		7,270	2,544
Creditors			
Amounts falling due within one year	14	(7,992)	(6,683)
Net current liabilities		(722)	(4,139)
Net assets		263,575	221,376
Creditors			
Amounts falling due after more than one year	15	151,847	133,893
Provision for liabilities and charges	16	118	68
Capital and reserves			
Share capital	17	-	-
Revaluation reserve	18	120,438	97,464
Designated reserves	18	5,858	6,095
Revenue reserve	18	(14,686)	(16,144)
Total capital and reserves		263,575	221,376

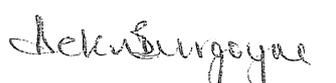
In view of the constitution of RHG, all shareholdings relate to non-equity interests, as disclosed in note 17. The notes on pages 28-49 form part of these financial statements.

The financial statements on pages 22-49 were approved by the Board on 4 August 2010 and were signed on its behalf by:

Secretary



Board Member



Board Member



Balance sheet as at 31 March 2010 - company

	Notes	2010 £'000	2009 £'000
Tangible fixed assets			
Other fixed assets	11	435	475
Total fixed assets		435	475
Current assets			
Stock and work in progress		8	7
Debtors	12	121	159
Cash at bank and in-hand	13	32	-
Total current assets		161	166
Creditors			
Amounts falling due within one year	14	(469)	(513)
Net current liabilities		(308)	(347)
Net assets		127	128
Creditors			
Amounts falling due after more than one year	15	-	-
Provision for liabilities and charges	16	(40)	(30)
Capital and reserves			
Share capital	17	-	-
Savings reserve	18	28	28
Revenue reserve	18	139	130
Total capital and reserves		127	128

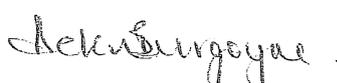
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The financial statements on pages 22–49 were approved by the Board on 4 August 2010 and were signed on its behalf by:

Secretary



Board Member



Board Member



Consolidated cash flow statement

		2010		2009	
	Notes	£'000	£'000	£'000	£'000
Net cash inflow from operating activities	(i)		9,522		11,167
Returns on investments and servicing of finance					
Interest received		4		81	
Interest paid		(5,971)		(7,005)	
Net cash outflow from returns on investments and servicing of finance			(5,967)		(6,924)
Taxation					
Corporation tax paid			(49)		(8)
Capital expenditure and financial investment					
Net proceeds from sale of properties		678		115	
Purchase of housing properties		(24,493)		(18,923)	
Acquisition of subsidiary		266		-	
Social Housing Grant received		2,248		4,317	
Cash paid for purchase of other fixed assets		(105)		(105)	
Net cash outflow from capital expenditure			(21,406)		(14,596)
Cash outflow before use of liquid resources and financing	(ii)		(17,900)		(10,361)
Financing					
Increase in secured loan	(iii)		17,967		9,009
Increase/(decrease) in cash in the year	(iii)		67		(1,352)

The notes on page 27 form part of this cash flow statement.

Consolidated cash flow statement

(i) Reconciliation of operating surplus for the year to net cash flow from operating activities.

	2010	2009
	£'000	£'000
Operating surplus	6,057	5,926
Depreciation	2,085	1,834
(Increase)/decrease in stock	(1)	1
Decrease in debtors	269	875
Increase in creditors	1,112	2,531
Net cash inflow from operating activities	9,522	11,167

(ii) Reconciliation of net cash inflow to movement in net debt.

	2010	2009
	£'000	£'000
Increase/(decrease) in cash in the year	67	(1,352)
Cash inflow from increase in debt	(17,967)	(9,009)
Change in net debt resulting from cash flows	(17,900)	(10,361)
Net debt at 1 April	(132,759)	(122,398)
Net debt at 31 March	(150,659)	(132,759)

(iii) Analysis of changes in net debt and management of liquid resources.

	1 April 2009	Cash flow	31 March 2010
	£'000	£'000	£'000
a) Management of liquid resources			
Cash at bank and in hand	1,312	67	1,379
b) Changes in net debt			
Loans	(134,071)	(17,967)	(152,038)
	(132,759)	(17,900)	(150,659)

1. Principle accounting policies

Basis of accounting

The financial statements are prepared in accordance with applicable Accounting Standards in the United Kingdom and in accordance with the 2008 Statement of Recommended Practice issued by the National Housing Federation of Housing Associations 'Accounting by Registered Social Landlords'. The financial statements comply with the Accounting Requirements for Registered Social Landlords General Determination 2006.

Accounting convention

The financial statements are prepared under the historical cost convention, as modified to include the valuation of housing properties at existing use value by a registered social landlord or market value on a tenanted basis.

Group accounts

The accounts are prepared on the basis that each company is an individual entity. The consolidated financial statements for Rooftop Housing Group Limited incorporate the financial statements of Evesham and Pershore Housing Association Limited, Rooftop Homes Limited, G3 (Inspiring Individuals) Limited and Rooftop Management Limited. These companies are all subsidiaries within the meaning of the Industrial and Provident Societies Act 1965 and the Housing Act 1996.

G3 (Inspiring Individuals) Limited joined the Group on 1 October 2009. The acquisition method of accounting has been adopted, so that the results of G3 (Inspiring Individuals) Limited are included in the Group income and expenditure account from the date of acquisition.

Negative Goodwill arising on consolidation, in respect of this acquisition during the year, is written off in full in the year of acquisition. This is not in accordance with the 2008 SORP which requires negative goodwill to be taken to reserves and released to the income and expenditure account by equal instalments over its estimated life. The board is of the opinion that the treatment required by the 2008 SORP would not present a true and fair view because of the nature of the assets acquired.

Turnover

Turnover for RHG as parent represents charges to the subsidiaries and other associations for the provision of management and corporate services and income from asset management software sales and support. The Group turnover represents rental and service charge income for affordable housing plus market rent property, keyworker accommodation and shared ownership sales.

Proceeds from the first tranche disposals of shared ownership properties are accounted for in turnover in the income and expenditure account in the period in which the disposal occurs. The cost of sales includes the incidental costs of executing the sale and a proportion of the overall costs of the property determined by the percentage of the property sold under the first tranche sale. The cost of sale is adjusted, where necessary, to ensure the surplus on sale is restricted to the overall surplus on the scheme.

Service charges

The Group operates variable and fixed service charges depending on the requirements of the respective tenancy agreements. Where the charge is variable an assessment is made of whether costs have been over or under recovered and an appropriate prepayment or accrual provided for in the accounts.

Right to buy income and sales

Surpluses and deficits arising from the disposal of properties under the Right to Buy legislation are disclosed on the face of the income and expenditure account after the operating result and before interest. On the occurrence of a sale a relevant proportion of the proceeds are clawed back by Wychavon District Council. The surplus or deficit is calculated by comparing the net proceeds received by the Group with the carrying value of the property sold.

Shared ownership properties

Shared ownership properties under construction are proportionally split between current and fixed assets, determined by the percentage of the properties to be sold under the first tranche sales.

Housing properties

Housing properties including shared ownership properties are valued independently annually. The surplus or deficit on revaluation is transferred to a revaluation reserve. The surplus or deficit on revaluation is the difference between the cost of the property less Social Housing or other grant and the amount of the valuation. The cost of the properties is their purchase price together with improvement costs and incidental costs of acquisition.

As required by Financial Reporting Standard for Tangible Fixed Assets (FRS15), the Group has reviewed the economic useful lives of its housing properties and depreciates the property costs, less sum of grants, freehold land and residual value.

Depreciation is charged so as to write down the cost (net of Social Housing Grant) of freehold housing properties to their estimated residual value on a straight line basis over their expected useful economic lives as follows:

General needs	100 years
Sheltered and supported	100 years
Non-traditional	15 years
Garages	25 years
Leased property	Over life of the lease
Shared ownership	100 years

Freehold land is not depreciated. The difference between the depreciation charge on the historical cost of properties and that based on the valuation is transferred to the revenue reserve on an annual basis.

Housing properties in the course of construction are stated at cost less Social Housing or other grant received against expenditure and are not depreciated. They are transferred into housing properties when completed.

Land donated, or acquired below market value is included in cost at its valuation, with the donation treated as a capital grant when it relates to a specific project.

The market rent properties are investment properties in accordance with SSAP 19 and are not depreciated but are revalued periodically with the valuation being reflected in the accounts.

Impairment

Impairment is a charge to the income and expenditure account and represents a permanent reduction in the economic value of an asset. It is a requirement of Financial Reporting Standard for Impairment of Fixed Assets and Goodwill (FRS11) that all properties with an estimated useful life of more than 50 years have an impairment review. Where there is an indication that impairment has occurred a review of the income stream is carried out. Impaired properties are valued at recoverable amount, being the higher of net realisable economic value and value in use.

Other fixed assets and depreciation

Tangible fixed assets other than Housing Properties are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of those assets at the following annual rates:

Office furniture	25%
Office equipment	20% - 33%
IT networking	10%
Computer equipment	20%-33%
Leasehold improvements	Over life of the lease

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

Social Housing Grant

Social Housing Grant (SHG) is paid by the Homes and Communities Agency (formerly the Housing Corporation) and local authorities against the cost of development and major repairs. SHG may be repayable under certain circumstances, but would normally be recycled, primarily on the sale of property. The amount repayable will normally be the lower of the SHG received and the net proceeds of the sale. SHG received in advance of expenditure incurred on individual schemes is included in creditors.

Recycling of Capital Grant

Upon the sale of a property any attributable SHG is recorded in the Recycled Capital Grant Fund (RCGF) for re-investment in eligible housing properties with a prescribed time-scale. The amounts are repayable if not used within the time-scale.

The RCGF is shown as a creditor until it is spent or repaid.

Disposal Proceeds Fund

The net disposal proceeds as a result of the sale of a property under Social Homebuy are credited to a disposal proceeds fund.

The main objective of the fund is to provide replacement properties for social rent at no greater subsidy cost than properties provided through the National Affordable Housing Programme (NAHP).

Capitalisation of interest

Interest on the loan financing a development is capitalised from the purchase of land or property and/or the start on site up to the date of practical completion. The amount takes into account interest earned on SHG received in advance.

Capitalisation of development overheads

As a result of the introduction of Financial Reporting Standard for Tangible Fixed Assets (FRS15) together with the requirements outlined in the Statement of Recommended Practice for Registered Social Landlords, only specific and directly attributable costs are capitalised.

Supported housing schemes managed by agents

The Group owns a number of schemes that are run by specialist agencies. The agents carry the financial risk from operating the scheme and, therefore, the income and expenditure account only includes the income and expenditure that relates solely to the Group. Any other income and expenditure related to the scheme is excluded from the income and expenditure account.

Supporting People (SP) income

SP funding was introduced on 1 April 2003 and replaced Supported Housing Management Grant. SP contracts are entered into with local authorities and are of two types:

- i. Block subsidy is determined on the support needs of each tenant
- ii. Block gross is a fixed sum determined by the number of qualifying bed spaces and minimum occupying levels, or number of support hours as agreed with the local authority.

Investments

Any investment by one Group member to another is shown at historical cost.

Major and cyclical repairs and maintenance

The Group only capitalises major repairs expenditure on housing properties where it increases the net rental stream by:

- i. extending its useful economic life or
- ii. the improvement enables a higher rental income to be charged (for example, first time central heating, double glazing and in-curtledge parking).

All other major repairs expenditure is charged to the income and expenditure account as incurred.

Provisions

The Group only provides for contractual and constructive liabilities where it has a present obligation to transfer economic benefits as a result of past events, it is probable that a transfer of economic benefit will result and a reliable estimate can be made of the amount of the obligation.

Pension costs

The Group has traditionally operated two defined benefit pension schemes, contracted out of the state scheme. Contributions to pension schemes are calculated as a percentage of pensionable salaries of the employees, determined in accordance with actuarial advice. The cost of providing pensions is charged to the income and expenditure account.

With G3 (Inspiring Individuals) Limited joining the Group there is also a money purchase defined contribution scheme. Contributions to the pension scheme are calculated as a percentage of pensionable salaries of the employees as agreed by the Board. The cost of providing pensions is charged to the income and expenditure account.

Leased assets

Rentals paid under operating leases are charged to the income and expenditure account in the period to which they relate. There are no finance leases.

Value Added Tax (VAT)

The Group is VAT registered but the majority of its income, being housing rents and right to buy sales, is exempt for VAT purposes and this gives rise to a partial exemption calculation. Expenditure is therefore shown inclusive of VAT and the input VAT recovered is deducted from lettings expenditure.

Deferred taxation

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method on all timing differences that have arisen, but not reversed by the balance sheet date, unless such provision is not permitted by FRS 19.

Deferred tax is not provided for in respect of gains on the sale of non-monetary assets, if the taxable gain will probably be rolled over, or on revaluation gains on housing properties unless there is a binding agreement to sell them at the balance sheet date.

Replacement equipment reserve

This reserve is established to fund the future replacement cost of furniture and equipment at all the sheltered and supported housing schemes for EPHA and the keyworker accommodation for RHL.

Repairs reserve

This reserve applies to RHL. The aim of the reserve is to build up a sufficient fund to pay for the elemental renewals, as identified in the stock condition survey when they are due.

Rent restructure reserve

The introduction of the national rent restructure guidelines has enabled EPHA's rent to be increased at a faster rate than anticipated in the business plan. These higher rent increases have generated additional income. The EPHA board has decided this extra income should be credited to this specific reserve.

Property disposal reserve

When EPHA and RHL dispose of a property, the value is written out of the balance sheet and the disposal proceeds credited to the bank account. Any surplus between the proceeds and value is credited to the property disposal reserve.

This fund is to be used in creating another income producing asset. This can either be a new property, or an extension/improvement to an existing property where the rents can be increased.

Savings reserve

The creation of the Group structure generated revenue savings for EPHA in addition to the tax savings. The value of these savings is transferred to this reserve, until the EPHA board has decided how to spend the funds.

2. Group turnover, operating costs & operating surplus

	2010			2009		
	Turnover	Operating costs	Operating surplus/ (deficit)	Turnover	Operating costs	Operating surplus/ (deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
Group						
Social housing lettings						
Housing accommodation	17,903	(13,272)	4,631	16,556	(11,955)	4,601
Supported housing	2,550	(1,678)	872	2,159	(1,611)	548
Keyworker	975	(642)	333	827	(553)	274
Other	408	(167)	241	378	(249)	129
Total	21,836	(15,759)	6,077	19,920	(14,368)	5,552
Other social housing activities						
Shared ownership sales	818	(634)	184	1,500	(957)	543
Supporting people	1,055	(1,026)	29	573	(649)	(76)
Non-letting activities	29	(167)	(138)	21	(112)	(91)
Total	23,738	(17,586)	6,152	22,014	(16,086)	5,928
Non-social housing activities						
Market renting	187	(195)	(8)	175	(104)	71
Other activities	37	(124)	(87)	20	(93)	(73)
Total	23,962	(17,905)	6,057	22,209	(16,283)	5,926
Company						
Other social housing activities						
Non-lettings activities	5,798	(5,702)	96	5,477	(5,374)	103
Total	5,798	(5,702)	96	5,477	(5,374)	103
Non-social housing activities						
Other activities	37	(124)	(87)	20	(93)	(73)
Total	5,835	(5,826)	9	5,497	(5,467)	30

3. Income and expenditure from social housing lettings

	General	Supported	Other	Total
	£'000	£'000	£'000	£'000
Group 2010				
Rent receivable net of identifiable service charges	18,312	1,732	408	20,452
Charges for support services	-	131	-	131
Service income	500	599	-	1,099
Net rental income	18,812	2,462	408	21,682
Other revenue income	66	88	-	154
Total income from social housing lettings	18,878	2,550	408	21,836
Management	2,620	484	29	3,133
Services	1,379	480	19	1,878
Routine maintenance	3,597	370	25	3,992
Planned maintenance	4,604	144	7	4,755
Rent losses from bad debts	39	20	4	63
Depreciation of housing properties	1,675	180	83	1,938
Operating costs on social housing lettings	13,914	1,678	167	15,759
Operating surplus on social housing lettings	4,964	872	241	6,077
Rent losses from voids	123	47	94	264
Group 2009				
Rent receivable net of identifiable service charges	16,837	1,550	378	18,765
Charges for support services	-	109	-	109
Service income	444	496	-	940
Net rental income	17,281	2,155	378	19,814
Other revenue income	102	4	-	106
Total income from social housing lettings	17,383	2,159	378	19,920
Management	2,448	255	23	2,726
Services	992	661	24	1,677
Routine maintenance	3,763	338	28	4,129
Planned maintenance	3,525	176	92	3,793
Rent losses from bad debts	339	-	1	340
Depreciation of housing properties	1,441	181	81	1,703
Operating costs on social housing lettings	12,508	1,611	249	14,368
Operating surplus on social housing lettings	4,875	548	129	5,552
Rent losses from voids	95	37	74	206

4. Sale of housing accommodation

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Sale of housing properties				
Receipts from sale of housing properties	697	127	-	-
Book value of properties sold	(712)	(80)	-	-
Other operating costs and costs of disposal	(19)	(12)	-	-
(Deficit)/surplus on sale of properties	(34)	35	-	-

5. Directors' emoluments and expenses

The directors are defined as the members of the Board and the executive officers as given on page 50.

RHG Board Member allowance entitlements were as follows:

	£	No.
Group Chair	10,172	1
Subsidiary and Committee Chairmen	7,178	3
Group Vice Chair	5,150	1
Members	3,730	12

The allowances paid during the year totalled £81,079 (2009; £77,970). This is within the 0.39% of turnover guideline as suggested by the National Housing Federation.

The emoluments of the executive officers were as follows:

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Salaries and taxable benefits	474	424	474	424
Pension contributions (see note 21)	71	57	71	57
	545	481	545	481

The emoluments of the Group Chief Executive were as follows:

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Emoluments (excluding pension contributions) and including benefits in kind	125	121	125	121

The Group Chief Executive is an ordinary member of the pension scheme administered by Worcestershire County Council.

Directors' emoluments (excluding pension contributions) fell within the ranges:

	2010	2009
	Number	Number
£25,001 - £30,000	1	-
£65,001 - £70,000	-	1
£70,001 - £75,000	1	-
£75,001 - £80,000	1	3
£80,001 - £85,000	1	-
£85,001 - £90,000	1	-
£120,001 - £125,000	-	1
£125,001 - £130,000	1	-

6. Employee information

The number of full-time equivalents (FTE 35 hour week) was:

	Group		Company	
	2010	2009	2010	2009
	Number	Number	Number	Number
	FTE	FTE	FTE	FTE
Maintenance and management of housing stock	54.71	51.44	52.51	51.44
Development of housing stock	6.91	5.86	6.91	5.86
Central administrative services	37.49	42.51	34.06	42.51
Provision of tenant support	54.44	17.34	21.56	17.34
Provision of other services	3.17	-	3.17	-
Total at 31 March	156.72	117.15	118.21	117.15
The average number of FTE during the year	122.47	104.01	105.30	104.01
Staff costs (for the above persons):	£000's	£000's	£000's	£000's
Wages and salaries	3,773	3,150	3,291	3,150
Social security costs	299	239	263	239
Pension costs (see note 21)	392	307	378	307
Total	4,464	3,696	3,932	3,696

7. Surplus on ordinary activities before taxation

	Group		Company	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
The surplus on ordinary activities before taxation is stated after charging:				
Depreciation	2,085	1,834	145	131
External auditors' remuneration (including value added tax)				
- in their capacity as auditors	22	20	2	2
- in respect of taxation	-	-	-	-
- in respect of other services	21	1	20	-
Operating lease rentals – land and buildings	98	90	90	90

8. Interest receivable

	Group		Company	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
From banks	4	81	1	4
Total	4	81	1	4

9. Interest payable and similar charges

	Group		Company	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Total interest payable on loans repayable in less than five years	70	70	-	-
Total interest payable on development and housing loans repayable wholly or partly in more than five years	6,646	7,132	-	-
Less: interest capitalised	(701)	(186)	-	-
Total	6,015	7,016	-	-

The rate used to calculate capitalised interest was 5.1% (2009; 5.5%) being the average rate of borrowing.

10. Taxation - group

	2010	2009
	£'000	£'000
Current tax:		
UK corporation tax on surplus/(deficit) for the year	11	51
Adjustment in respect of previous periods	(1)	(5)
Total current tax	10	46
Deferred tax:		
Origination and reversal of timing differences	46	(11)
Adjustment in respect of previous periods	4	4
Effect of changes in tax rate on opening liability	-	19
Total deferred tax	50	12
Tax on surplus/(deficit) on ordinary activities	60	58
Factors affecting tax charge for the year		
The tax assessed for the year is lower (2009; higher) than the standard rate of corporation tax in the UK as explained below:		
Surplus/(deficit) on ordinary activities before tax	229	(974)
Surplus/(deficit) on ordinary activities multiplied by the standard rate of corporation tax in the UK	64	(272)
Effects of:		
Expenses not deductible for tax purposes	79	38
Marginal relief	-	(13)
Capital allowances in excess of depreciation	(57)	18
Tax credits	(4)	-
Capital gains chargeable for the year	7	21
Income not taxable for tax purposes	(81)	-
Unrelieved tax losses and other deductions	10	-
Charity income - not taxable	(7)	270
Adjustment in respect of previous periods	(1)	(5)
Other timing differences	-	(11)
Current tax charge for the year	10	46

10. Taxation - company

	2010	2009
	£'000	£'000
Current tax:		
UK corporation tax on surplus for the year	11	32
Adjustment in respect of previous periods	-	-
Total current tax	11	32
Deferred tax:		
Origination and reversal of timing differences	(10)	(20)
Effect of changes in tax rate on opening liability	-	(3)
Total deferred tax	(10)	(23)
Tax on surplus on ordinary activities	1	9

Factors affecting tax charge for the year

The tax assessed for the year is higher (2009; higher) than the standard rate of corporation tax in the UK (28%) as explained below:

Surplus on ordinary activities before tax	10	34
Surplus on ordinary activities multiplied by the standard rate of corporation tax in the UK (28%) (2009: 28%)	3	10
Effects of:		
Expenses not deductible for tax purposes	2	9
Tax credits	(4)	-
Capital allowances less than depreciation	10	20
Marginal relief	-	(7)
Current tax charge for the year	11	32

RHL is recognised by the HM Revenue & Customs as an investment company for taxation purposes.

Within RHG, Evesham and Pershore Housing Association Limited adopted charitable status as an Industrial and Provident Society thereby avoiding the need to pay corporation tax in the future. EPHA has some £7.5 million (2009; £7.5 million) of tax losses that are available to be carried forward against any future non-charitable surpluses.

G3 is recognised by the HM Revenue & Customs as a charity for taxation purposes.

11. Tangible fixed assets - housing properties & land - group

Housing properties	Freehold land	Social housing properties for lettings	Shared Ownership	Housing properties under construction	Investment properties	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 April 2009	536	209,566	3,146	13,743	2,801	229,792
Additions	-	294	-	19,326	-	19,620
Disposals	-	(548)	(99)	-	-	(647)
Transfer between categories	-	7,122	221	(7,343)	-	-
Revaluation	-	21,366	137	-	6	21,509
At 31 March 2010	536	237,800	3,405	25,726	2,807	270,274
Social housing grant (SHG) and other capital grants						
At 1 April 2009	-	-	-	(4,752)	-	(4,752)
Received during the year	-	(43)	-	(2,205)	-	(2,248)
Transfer between categories	-	(425)	(110)	535	-	-
Revaluation	-	468	110	-	-	578
At 31 March 2010	-	-	-	(6,422)	-	(6,422)
Depreciation						
At 1 April 2009	-	-	-	-	-	-
Charge for year	-	1,916	22	-	-	1,938
Revaluation	-	(1,916)	(22)	-	-	(1,938)
At 31 March 2010	-	-	-	-	-	-
Net book value at 31 March 2010	536	237,800	3,405	19,304	2,807	263,852
Net book value at 31 March 2009	536	209,566	3,146	8,991	2,801	225,040
Cost or valuation at 31 March 2010 is represented by:						
Gross cost	536	149,571	3,504	25,726	1,851	181,188
Less SHG and other grants	-	(26,000)	(422)	(6,422)	-	(32,844)
Revaluation	-	114,229	323	-	956	115,508
Total	536	237,800	3,405	19,304	2,807	263,852

The net book value of social housing properties held on a long lease is £3.1 million (2009; £2.9 million).

The amount capitalised in the year in respect of works to existing properties is £0.15 million (2009; £0.5 million). The amount charged to the income and expenditure account in respect of works to existing properties is £4.8 million (2009; £3.8 million).

Other tangible fixed assets - group

	Motor vehicles	Office furniture and equipment	Computer equipment and software	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2009	-	721	1,110	1,831
Additions	-	-	105	105
Acquisition of subsidiary	10	10	-	20
At 31 March 2010	10	731	1,215	1,956
Depreciation				
At 1 April 2009	-	451	905	1,356
Acquisition of subsidiary	5	3	-	8
Charge for year	1	49	97	147
At 31 March 2010	6	503	1,002	1,511
Net book value at 31 March 2010	4	228	213	445
Net book value at 31 March 2009	-	270	205	475

Other tangible fixed assets - company

	Motor vehicles	Office furniture and equipment	Computer equipment and software	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2009	-	721	1,110	1,831
Additions	-	-	105	105
Disposals	-	-	-	-
At 31 March 2010	-	721	1,215	1,936
Depreciation				
At 1 April 2009	-	451	905	1,356
Disposals	-	-	-	-
Charge for the year	-	48	97	145
At 31 March 2010	-	499	1,002	1,501
Net book value at 31 March 2010	-	222	213	435
Net book value at 31 March 2009	-	270	205	475

The historical cost net book value of completed housing properties as at 31 March 2010 is as follows:

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Cost	154,926	147,803	-	-
Less: SHG	(26,422)	(25,844)	-	-
Depreciation	(7,720)	(6,675)	-	-
Historical cost net book value	120,784	115,284	-	-

The majority of housing properties of the subsidiary undertaking, EPHA, were valued as at 31 March 2010 on the basis of existing use value - social housing (EUV - SH). The existing use value for social housing assesses the dwellings on the basis that they would be managed and owned by an organisation committed to the provision of rented accommodation let at an affordable rent, and that the vacant units would be re-let on similar terms rather than sold into the open market. The net book value of EPHA properties valued on an EUV-SH basis is £186.4 million (2009; £166.6 million). Where the properties have no restrictions on disposal they were valued on the market value - tenanted basis (MV-T). The MV-T value assesses the dwellings on the basis that they would be subject to any secure or assured tenancies that may prevail together with any other conditions or restrictions to which the properties may be subject. It is assumed that properties becoming void may be sold as opposed to re-let and that a mortgagee in possession may increase rents on existing tenancies to market levels. The net book value of EPHA properties valued on a MV-T basis is £36.6 million (2009; £33.1 million).

The EUV - SH valuation method discounts the cash flows from rental and other income less management, maintenance and repair expenditure to their present value. The main assumptions used were:

- Discount rate 5.0% - 6.5% (real)
- Annual growth in rental income over 35 years Increases to achieve target rents in accordance with the rent plan and 0.5% (real) thereafter.
- Annual increase in expenditure 0.5% (real) long term
- Property sales Forecasts of right-to-buy sales are based on analysis, past experience and current trends.

Savills, Chartered Surveyors, carried out the EUV - SH valuation in accordance with the RICS Appraisal and Valuation Standards (5th Edition) manual and takes into account the performance standards for Registered Providers published by the Tenant Services Authority.

The MV-T valuation method discounts the cash flows from rental and other income less management, maintenance and repair expenditure to their present value. The main assumptions used were:

- Discount rate 5.5% - 7.75% (real)
- Annual growth in rental income Assured rents 0.5% (real). Secure (fair) rents increase in accordance with rent plan.
- Annual increase in expenditure 0.5% (real) long term
- Property sales Forecasts of sales are based upon analysis of past lettings experience with void properties being sold.

Savills, Chartered Surveyors, carried out the MV-T valuation in accordance with the RICS Appraisal and Valuation Standards (5th Edition) manual.

Certain properties are subject to the right-to-buy and, under a sharing agreement with Wychavon District Council, a proportion of 68% (2009; 68%) of the sale proceeds are paid to the Council.

RHL's housing stock and other assets have been valued on the basis of market value, subject to leases and tenancies (as appropriate). This assumes that: in the case of the private rented stock that properties could be sold on the open market with vacant possession following termination of the assured shorthold tenancies; in the case of the keyworker properties and care home the capitalised net income arising from the various lease arrangements; and the garages on the basis of capitalised net income assuming continued existing use. The garages valuation also takes into account the redevelopment potential at a number of sites. The net book value of the RHL properties is £21.0 million (2009; £15.9 million),

Varying assumptions such as discount rate have been used reflecting the characteristics and methodology applicable in each case.

Savills, Chartered Surveyors, carried out the valuation in accordance with the RICS Appraisal and Valuation Standards (5th Edition) manual.

The valuer is 'external' and the valuation is as at 31 March 2010.

It should be noted that future growth in both capital and rental values may not occur and values can fall as well as rise.

12. Debtors

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Amounts receivable within one year				
Rents and service charges	1,159	1,047	-	-
Less: provision for doubtful debts	(493)	(549)	-	-
	666	498	-	-
Amounts due from subsidiaries	-	-	42	53
Other debtors	261	156	19	25
Prepayments and accrued income	83	94	60	81
Total	1,010	748	121	159

13. Cash at bank and in-hand

There were no specific charges on RHG's cash at bank and in-hand at 31 March 2010 or 31 March 2009.

14. Creditors: amounts falling due within one year

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Bank overdraft	-	25	-	25
Social housing grant received in advance	958	-	-	-
Housing loan repayable in one year	191	178	-	-
Recycled capital grant fund	1	1	-	-
Disposal proceeds fund	145	69	-	-
Trade creditors	2,618	2,216	128	132
Right-to-buy sale proceeds due to Wychavon District Council	225	66	-	-
Accruals in respect of repairs	419	370	-	-
Amounts payable on housing development and major repairs	1,628	2,322	-	-
Interest payable	572	528	-	-
Corporation tax	11	51	11	32
Other taxation and social security	33	11	-	-
Amounts due to subsidiaries	-	-	214	189
Other accruals	1,191	846	116	135
Total	7,992	6,683	469	513

The movement in the year on the disposal proceeds fund is the sale of one property under social homebuy.

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

Housing loans	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Repayable between one and two years	206	193	-	-
Repayable between two and five years	701	653	-	-
Repayable, otherwise than by instalments, in five years or more	150,940	133,047	-	-
Total	151,847	133,893	-	-

Housing loans are secured by specific charges on certain of the Group's housing properties and by a floating charge over the remaining assets. The interest rates are fixed between 3.8% and 6.6% or vary with market rates. Of the agreed facility £151.8 million (2009: £133.9 million) has been drawn down by the Group to date. The total loan facility is £214 million and is due for repayment by 2040.

16. Provisions for liabilities and charges

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Deferred taxation				
At 1 April	68	56	(30)	(7)
Charge for the year	50	12	(10)	(23)
At 31 March	118	68	(40)	(30)
The deferred taxation provision comprises:				
Accelerated capital allowances	151	84	(17)	(7)
Other timing differences	(10)	7	-	-
Losses	(23)	(23)	(23)	(23)
At 31 March	118	68	(40)	(30)

17. Share capital

	Group		Company	
	2010 £	2009 £	2010 £	2009 £
Shares of £1 each issued and fully paid				
At 1 April	36	38	6	6
Acquisition of subsidiary	27	-	-	-
Issued during the year	3	3	1	1
Cancelled during the year	(20)	(5)	-	(1)
At 31 March	46	36	7	6

The share capital of RHG consists of shares with a nominal value of £1, each of which carries no rights to dividends or other income. Shares in issue are not capable of being repaid or transferred. Where a shareholder ceases to be a member that person's share is cancelled and the amount paid by them then becomes the property of RHG. Therefore, all shareholdings relate to non-equity interests and there are no equity interests in RHG. Subsidiaries and RHG Board Members may be admitted as shareholders in accordance with policies.

18. Reserves

group	Designated reserves	Revenue reserve	Revaluation reserve	Total
	£'000	£'000	£'000	£'000
At 1 April 2009	6,095	(16,144)	97,464	87,415
Surplus for the year	-	169	-	169
Transfer of realised revaluation gain	-	158	(158)	-
Transfer of depreciation adjustment on revalued amounts	-	894	(894)	-
Transfer to designated reserves	632	(632)	-	-
Transfer from designated reserves	(869)	869	-	-
Net revaluation	-	-	24,026	24,026
At 31 March 2010	5,858	(14,686)	120,438	111,610

The rent restructuring reserve is included in designated reserves and the balance at 31 March 2010 is £4.3 million.

company	Revenue reserve	Savings reserve	Total
	£'000	£'000	£'000
At 1 April 2009	130	28	158
Surplus for the year	9	-	9
At 31 March 2010	139	28	167

19. Reconciliation of movement in members' funds

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Result for the year	169	(1,032)	9	25
Revaluation adjustment	24,026	3,923	-	-
Total gains recognised in the year	24,195	2,891	9	25
Balance at 1 April	87,415	84,524	158	133
Balance as at 31 March	111,610	87,415	167	158

20. Capital commitments - group

	2010	2009
	£'000	£'000
Capital expenditure contracted for in respect of development expenditure but not provided for in the financial statements	27,531	38,541
Capital expenditure authorised by the Board but not contracted for in respect of development expenditure	27,776	43,822
Total	55,307	82,363

The Group expects to finance the above expenditure by:

Social Housing Grant receivable	18,796	23,254
Internal/external subsidies	-	1,000
Sales proceeds shared ownership	13,822	13,977
Loans to be received but already agreed	22,689	44,132
Total	55,307	82,363

The Group commenced its largest ever development schemes in 2009. The ExtraCare village in Gloucester has a contract value of £20 million and the Shrewsbury keyworker has a contract value of £9 million. To date the completed works on these two schemes total £26 million. The contracted capital expenditure commitment is based on all developments currently on site. The commitment for capital expenditure authorised but not contracted for is based on development schemes in the business plan.

21. Pension obligations

RHG operates two defined benefit schemes and one defined contribution scheme for employees. The assets of the defined benefit schemes are held in separately administered funds under the Local Government Superannuation Scheme by Worcestershire County Council and the Social Housing Pension Scheme (SHPS) operated by The Pensions Trust. The defined contribution scheme assets are held in separately administered fund operated by Aegon Scottish Equitable.

Social Housing Pension Scheme (SHPS)

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

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

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

The last formal valuation of the Scheme was performed as at 30 September 2008 by a professional 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 liabilities of £633 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 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%.

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

RHG participates in the Pensions Trust's Growth Plan as an AVC investment option for members of the Social Housing Pension Scheme. As at the balance sheet date there was one active member of the Plan employed by RHG.

Local Government (Worcestershire County Council) Scheme

The employer participates in the Worcestershire County Council Pension Fund which is a part of the Local Government Pension Scheme (LGPS), a multi-employer scheme. The LGPS is a defined benefit scheme.

Under Worcestershire County Council Pension Fund the contribution rate required of RHG is set on a grouped basis, combining the experience of the employer with a number of other employers also participating in the Fund. Within this group, assets and liabilities of the Fund are not separately identified as part of the triennial actuarial valuations between the various employers participating. As a result RHG is unable to identify the relevant share of the underlying assets and liabilities in the Fund. These accounts have therefore been drawn up in accordance with FRS17 on the basis that the pension cost is accounted for as for a defined contribution scheme.

Information about the overall funding position of the Worcestershire County Council Pension Fund was provided by the actuary to the Fund in his report dated March 2008 on the actuarial valuation of the Fund as at 31 March 2007. That valuation showed that the overall funding position of the Fund as a whole was 72%, the deficit being £495.2 million. The contributions payable by the employers, participating in the grouping to which RHG belongs, are based on the position of the group as a whole within the Fund, which is reassessed at each triennial valuation.

The next actuarial valuation of the Worcestershire County Council Pension Fund will be carried out with an effective date of 31 March 2010, with revised contribution rates being effective with effect from 1 April 2011.

The assumptions that have the most significant effect on the results of the valuation and other relevant data are as follows:

Financial assumptions

Rate of inflation	3.6%
Rate of increase in salaries	5.1%
Rate of increase in pensions	3.6%
Discount rate	6.1%

Expected rate of return on assets

Equities	7.5%
Government bonds	4.6%
Other bonds	6.1%
Other	5.2%

Split of assets between investment categories

Equities	88.6%
Bonds	8.5%
Other	2.9%

22. Legislative provisions

RHG is incorporated under the Industrial and Provident Societies Act 1965 and is registered with the Tenant Services Authority under the Housing Act 1996.

23. Related party transactions

Transactions with tenant and council nominated Board Members are at arms length on normal commercial terms and they cannot use their position to their advantage.

RHG charged a management fee of £5,554,885 (2009; £5,231,524) to EPHA and £258,522 (2009; £223,981) to RHL. Salary costs of £42,450 (2009; £0) were recharged from RHG to G3.

24. Units

	2010		2009	
	Owned and managed	Managed by others	Total	Total
Under development at the end of the year				
Units for rent	161	169	330	409
Under management at the end of the year				
General needs housing	4,318	11	4,329	4,353
Supported housing and housing for older people	337	191	528	428
Residential care homes	-	46	46	46
Intermediate rent	18	-	18	18
Key-worker accommodation	173	76	249	153
Staff/warden accommodation	-	-	-	2
Leasehold properties	103	-	103	102
Low cost home ownership accommodation	78	-	78	77
Managed on behalf of another landlord	82	-	82	16
Units for rent	5,109	324	5,433	5,195
Total units social housing	5,270	493	5,763	5,604
Market renting	30	15	45	45
Total units non-social housing	30	15	45	45
Total units for rent	5,300	508	5,808	5,649
Retained freeholds and estate charges	285	-	285	293

25. Contingent liabilities and financial commitments

As part of the transfer agreement with Wychavon District Council, Evesham and Pershore Housing Association Limited provided various indemnities to the Council in respect of obligations the association assumed upon the transfer.

In the view of the Board there is little likelihood of any liability arising in respect of these indemnities and accordingly no provision is reflected in these financial statements.

Annual commitments under non-cancellable operating leases in respect of land and buildings	Group		Company	
	2010	2009	2010	2009
Expiring :	£'000	£'000	£'000	£'000
- In less than one year	-	-	-	-
- Greater than one year but less than five years	17	-	-	-
- Greater than five years	90	90	90	90
	107	90	90	90

Board, committees, executive, advisors and registered office

Registered office	70 High Street Evesham WRI1 4YD
Board	<ul style="list-style-type: none">- Helen Burgoyne (Chair from 30 September 2009)- Gerry Barnett (Vice Chair)- Allan Brace- John Hill- Andrew Potter- Garth Raymer- Deep Sagar (started 30 September 2009)- John Stanley- Anita Taylor- Toby Whiting (started 25 November 2009)- Richard Williams (Chair until 30 September 2009)
Executive officers	<ul style="list-style-type: none">- Ian Hughes, Group Chief Executive- Charles Brotherton, Finance Director- Sheila Morris, Secretary and Human Resources Director- David Hannon, Development Director- Juliana Crowe, Director of Housing and Communities- Catherine Kevis, Support and Care Director (started 1 Oct 2009)
External auditors	Mazars LLP The Broadway Dudley DY1 4PY
Bankers	Barclays Bank Plc 54 High Street Worcester WRI 2QQ Yorkshire Bank Plc 5 Northgate Street Gloucester GL1 2AH
Internal auditors	TIAA Ltd 54-56 Gosport Business Centre Gosport PO13 0FQ
Principal solicitors	Trowers & Hamlins Sceptre Court 40 Tower Hill London EC3N 4DX
Other legal advisors	Needham & James LLP 25 Meer Street Stratford Upon Avon Warwickshire CV37 6QB

Other legal advisors	Anthony Collins Solicitors LLP 134 Edmund Street Birmingham B2 2ES
Lenders	Nationwide Building Society Kings Park Road Moulton Park Northampton NN3 6NW Lloyds Banking Group PO Box 908 125 Colmore Row Birmingham B3 2DS
Funding advisors	BWNL 3 Juniper Lodge 70 Brent View Road London NW9 7EF
Insurance brokers	Zurich Municipal Zurich House Ballsbridge Park Dublin 4 Ireland
Taxation advisors	Baker Tilly LLP City Plaza Birmingham B2 5AF
Valuers	Savills Plc 19/20 City Business Centre 6 Brighton Road Horsham West Sussex RH13 5BB
Housing inspection	HQN Ltd 8-9 York Place Scarborough North Yorkshire YO11 2NP
Support services inspection	The Centre for Housing and Support Elgar House Shrub Hill Road Worcester WR4 9EE
Performance analysis	HouseMark Ltd 8 Riley Court Millburn Hill Road University of Warwick Science Park Coventry CV4 7JJ

Biographies of Board Members

Helen Burgoyne MA MRICS (Independent)

Helen is Chair of Rooftop Housing Group (RHG). She is a general practice chartered surveyor and since 2001 has been a self-employed housing consultant. She mainly undertakes work in the registered provider and local authority sectors, specialising in governance, valuation, business planning, inspection preparation and service reviews. She qualified in 1992 with Knight Frank in London and then moved to Savills, working with them in both London and Bath. Her experience includes both commercial and residential property.

Gerry Barnett (Independent)

Gerry was founder Chair of Evesham and Pershore Housing Association (EPHA), is currently Vice-Chair of RHG, and is a former Chairman of Wychavon District Council and the Wychavon Festival of Brass. He is a local journalist. He was born, educated and, national service apart, has lived all his life in Ashton-under-Hill where he is a member of the Parish Council and a former Governor at Ashton-under-Hill First School as well as Bredon Hill Middle School. He is also Vice Chairman of the League of Friends of Evesham Community Hospital.

Allan Brace MSc, FCA (Nominee from EPHA)

Allan is Vice Chair of EPHA and is a Board Member of RHL and G3 (Inspiring Individuals) Limited (G3). He is also a member of the Audit Committee. After serving articles in London with a fore-runner of Ernst & Young to become a chartered accountant, Allan studied for a Business Master's degree at Warwick University. Following industrial management experience with Henry Boot, BOC, Simon and GEI, he was a senior post holder at Pershore Group of Colleges, appointed as Director of Finance and Administration and Clerk to the Corporation. He now works part time as a consultant in finance and property management issues.

John Hill FCA (Independent)

John is Vice Chair of the Audit Committee. A chartered accountant who has worked for many years in industry, for both private and public limited companies, he has gained experience as a Commercial Director as well as a Finance Director. John now runs his own accountancy practice offering accounting and business advice to local businesses. He is also a Rotarian.

Andrew Potter BSc (Nominee from RHL)

Andrew is Chair of RHL and a non-designatory Board Member of EPHA. He joined the electricity supply industry as a graduate trainee in 1972. After various posts in South Western Electricity, including personnel, training, customer service and marketing, he joined Midlands Electricity prior to privatisation. He served as a Board Member of Sandwell Training and Enterprise Council and was a founder Board Member of Tipton City Challenge Limited, which undertook major urban regeneration projects with both public and private sector partners. He recently retired as Managing Director (Engineering Services) at Aquila Network Services Limited, which was responsible for the safe operation, construction and maintenance of the electricity distribution network throughout the West Midlands.

Garth Raymer FCA (Independent)

Garth is Chair of the Group's Audit Committee. He is a former senior partner in a local firm of chartered accountants and has over 35 years experience of business life in Evesham. He is presently an undergraduate at the University of Worcester reading Archaeology and Heritage Studies. He has previously been involved with special needs housing with Evesham, Pershore and District Mencap as a member of the Brookhouse Management Committee for over 20 years. He was also a member of the EPHA Yates Court ExtraCare charitable appeal in Evesham and is active in various other local bodies.

Deep Sagar (Nominee from RHL)

Deep is Vice Chair of RHL and a Board Member of EPHA. He combines management consultancy with governance positions. Previously he worked internationally, mainly for Coca-Cola and Unilever-Best Foods, in general management, marketing and sales. He has studied English, economics and management and attended Cambridge and Delhi universities. His board memberships include LEASE, Riverside Home Ownership and Turnstone Support.

John Stanley JP (Nominee from EPHA)

John is Chair of EPHA and a Board Member of Rooftop Homes Limited (RHL). He took early retirement after a 32 year career with IBM, where he held a number of senior management positions in the UK and Europe. He is a Magistrate and sits on the Bromsgrove and Redditch Bench and is an Independent Appeals Panel Chairman for Worcestershire County Council.

Anita Taylor (Tenant)

Anita's background is in retail and customer services and she has lived in the area for many years. She became a tenant Board Member of EPHA in 2001 and has served on the Group board since 2003. She is a founder member and Chair of EPHA's Customer Panel. She is also a resident member of the Communications Panel.

Toby Whiting (Nominee from G3)

Toby is Chair of G3. He is a communications/PR professional and currently Deputy Head of Publications within the Public Affairs section at the University of Oxford. Previously he has worked in the private and not for profit sectors.

Richard Williams FFB, FPCS, FNAEA (Independent)

Richard was formerly Chairman of RHG from 2003 to 2009 and, prior to that, of EPHA from 1995 to 2003. He is currently Chairman of the Development and Asset Management Committee of the Matrix Housing Partnership. Richard is a former member of the National Housing Federation Regional Council, a Fellow of the National Association of Estate Agents, a Fellow of the Property Consultants Society, a Trustee of St Andrews in Pershore and a Fellow of the Faculty of Building. He owned an estate agency in Pershore from 1985, before retiring in December 2005. He is founder President of the Rotary Club of Bredon Hill, and is an independent Appeals Panel Chairman for Worcestershire County Council.

