Genesis

Financial Statements 2011

For year ending 31 March 2011

Genesis Housing Group Limited (Now amalgamated as Genesis Housing Association Limited

Report of the Board and Finacial Statesments

On 20 April 2011 Genesis Housing Group Limited amalgamated with Springboard Housing Association Limited Paddington Churches Housing Association Limited Pathmeads Housing Association to form Genesis Housing Association Limited.

Industrial and Provident Society number 31130R Tenant Services Authority registered number L4286 31 March 2011

Report and Financial Statements 2011

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The Board, Group Executive team, committees and professional advisers

The Board of Genesis Housing Group up to 20 April 2011

Charles Gurassa BA (Hons) MBA	Chair of Genesis Housing Group Limited (and Independent Member) - appointed 15 November 2010
David Kleeman MA (Cantab)	Independent Member (Interim Chair 22 September to 14 November 2010)
Rolande Anderson MA (Cantab)	Independent Member
David Turner FRICS DSC (Bohn)	Independent Member
Eugenie Turton MA (Cantab) CB	Independent Member
Neil Hadden BA (Hons) MCIH ACIS	Group Chief Executive (co-opted member)
Adrian Bell BA (Hons)	Chair of Genesis Housing Group Limited (and Independent Member) - resigned 21 September 2010
Leonora Thomson BA (Hons)	Chair of Paddington Churches Housing Association Limited - resigned 20 April 2011
Dapo Ladimeji MA MBA FCA CTA	Chair of Pathmeads Housing Association Limited - resigned 20 April 2011
Stephen Woolridge ACIB	Chair of Springboard Housing Association Limited - resigned 20 April 2011
Timothy Barker MA	Independent Member - resigned 21 September 2010

The Board of Genesis Housing Group from 20 April 2011

Charles Gurassa BA (Hons) MBA	Chair of Genesis Housing Group Limited (and Independent Member) - appointed 15 November 2010
David Kleeman MA (Cantab)	Independent Member (Interim Chair 22 September to 14 November 2010)
Rolande Anderson MA (Cantab)	Independent Member
David Turner FRICS DSC (Bohn)	Independent Member
Eugenie Turton MA (Cantab) CB	Independent Member
Brian Ansell	Independent Member
Imani Walker-Dougas BSC (Hons)	Independent Member
Colette O'Shea MSc MRICS	Independent Member – appointed 26 July 2011
Stephen East FCA FCT	Independent Member – appointed 26 July 2011
Neil Hadden BA (Hons) MCIH ACIS	Group Chief Executive (co-opted member)
Robert Kerse MA (Cantab) ACA	Director of Finance - appointed 3 May 2011
Tom McGregor BA (Hons) MBA	Chief Operating Officer

Group Executive team

Neil Hadden BA (Hons) MCIH ACIS	Group Chief Executive
Allison Sofekun BSc (Hons) ACA MBA	Group Director of Corporate Services
Tom McGregor BA (Hons) MBA	Chief Operating Officer
Steve Coleman	Group Director of Development - resigned 22 September 2010
John Carleton	Managing Director Genesis Homes - appointed 21 September 2010
Mark Gayfer BSc (Hons) FCA	Group Director of Finance resigned - 31 December 2010
Peter Cleland	Interim Group Director of Finance - appointed 8 December 2010; resigned 10 May 2011
Robert Kerse MA (Cantab) ACA	Director of Finance - appointed 3 May 2011
Jackie Bligh	Director of Governance and Compliance - appointed 1 March 2011
Olu Olanrewaju BSc (Hons) MRICS MBA	Divisional Director West - appointed 1 April 2011
Feargal Ward BA (Hons)	Divisional Director East - appointed 1 April 2011
Stephen Robertson LLB FCIH MA ACIS	Group Company Secretary - resigned 26 April 2011

Group committees

Group Audit and Risk Committee	Chair – David Kleeman MA (Cantab)
Remuneration and HR Committee	Chair – Rolande Anderson MA (Cantab)
Genesis Homes	Chair – David Turner FRICS
Diversity Committee	Chair – Rolande Anderson MA (Cantab)
Nominations Committee	Chair - Charles Gurassa BA (Hons) MBA

Secretary

Stephen Robertson LLB FCIH MA ACIS	Group Company Secretary - resigned 26 April 2011
Jackie Bligh	Group Company Secretary - appointed 26 April 2011

Registered office

Genesis Housing Group Limited
Capital House
25 Chapel Street
London
NW1 5DT

Bankers

Barclays Bank plc
Floor 28
1 Churchill Place
London
E14 5HP

Principal solicitors

Towers & Hamlins
Sceptre Court
40 Tower Hill
London
EC3N 4DX

Auditors

KPMG LLP
Chartered Accountants
and Registered Auditor
Arlington Business Park,
Theale
Reading
RG7 4SD

Report and Financial Statements 2011
Operating and financial review Year ended 31 March 2011

Overview of the business

The Group Board presents its report and audited financial statements for Genesis Housing Group Limited ("the Group") and its subsidiaries for the year ended 31 March 2011.

Genesis Housing Group is a registered provider of social housing and is one of the country's leading social investment businesses with approximately 41,000 (2010:c42,000) homes under management in London and the South East of England.

The core of the Group's property holdings is a very high value portfolio in Central and West London, which has increased in value substantially over time to provide a significant equity base for the Group. At 31 March 2011, the Group's owned housing stock was valued at £5.4billion (2010: £5.5billion) on a vacant possession basis in a desktop valuation.

Over the last five years the Group has sought to utilise this equity to maximise the supply of new social housing in the high demand areas of London and the South East. It received substantial public support via the Homes and Communities Agency ("HCA") for this work. This development programme reached a peak during financial year 2008-2009 when the economic downturn was at its most severe. The Group experienced a number of financial pressures as a consequence. The financial year 2010-2011 has been one of consolidation. Collapsing the group structure and bringing together the staffing structures into One Genesis has enabled the Group to make significant progress on its journey to adopting a consistent approach to the way it works.

The Group aims to maximise the social value derived from its portfolio of social housing and during the year has approved an asset management strategy reflecting this. A key part of this strategy is to enable its housing stock to exceed the Government's Decent Homes Standard. As part of this strategy the Group is open to the acquisition and disposal of assets, particularly those which it would be uneconomic to improve to the Decent Homes Standard. However, it plans to always acquire significantly more new social housing units each year than are sold. 137 social housing units were sold during the year (2010: 144 units) and 462 new affordable units were handed over from the development programme (2010: 915 units).

The Group aims to make a small net operating surplus after interest charges from its social housing portfolio and deliver a top quartile quality of service to its customers at an optimal cost. In view of the current economic climate and the new coalition Government's expressed aim to reduce the UK budget deficit, improving operating efficiency is one of the Group's key objectives.

The Group combines a commercial approach to the business of providing housing with a social ethos. Genesis offers a diverse range of housing options to its customers including:

- The provision of approximately 23,000 affordable homes for people unable to afford to rent or buy in the open market
- Support for vulnerable people through supported housing
- A range of housing products for the intermediate market, including shared ownership and intermediate market rent
- Development of new properties for affordable rent, shared ownership and also outright sale
- Temporary accommodation with more than 3,600 homes under contract to 14 local authorities
- Housing management contracts for local authorities, other housing associations, primary care and NHS trusts, developers and private investors with about 14,700 homes under management
- Community development and regeneration for existing properties to improve the quality of life in local neighbourhoods.

The Group's development programme will deliver around 4,000 homes over the next three years. The Group is an investment partner under the Homes and Communities Agency's National Affordable Housing Programme ("NAHP"). It has also been appointed as the Registered Provider for the Woodberry Down regeneration scheme in Hackney and is committed to the Grahame Park regeneration scheme in Barnet. Grahame Park is the largest Registered Provider led regeneration scheme in the UK.

Operating and financial review Year ended 31 March 2011

Our vision

Genesis' top priority is its commitment to deliver excellent services to all customers. There is no more important place than home. How residents use and enjoy their homes helps to determine what they get out of life and helps to shape their future.

Genesis has been building better futures for many years. Genesis' own future is going to be shaped by a rapidly changing housing market, increased demands for housing in and around London and the varying nature of housing provision. To meet these changes the Group's business needed to evolve to remain fit for purpose though the 'One Genesis One Brand' project.

When Genesis staff come to work in the morning everyone is working towards one purpose: to be a forward looking business that builds homes and neighbourhoods for diverse communities in London and the East of England. As one organisation there is one brand which captures the vision, mission and values. The vision was created with the contributions of many working at Genesis:

great service
great homes
great places and
great opportunities
...for our customers

The vision is what drives each and every person to deliver the mission:

To provide quality homes and services to enable our customers to build better futures

Our five values below guide behaviour and help to fulfil the vision:

- Customer focus – putting customers at the heart of everything we do, involving them and being accessible
- Respect – treating people as individuals, with integrity, respect and professionalism
- Partnership working – working in partnerships to deliver for our customers and communities
- Efficiency – making efficient use of our resources and continuously improving the way we do things
- Good employer – to be a good employer, valuing our staff and investing in them.

The new financial year 2011-2012 will be the first year of the new Genesis Housing Association and it is the second year of the journey towards becoming a leading housing association in terms of the quality of the services that are provided and the satisfaction with those services that is felt by the residents. The Corporate Strategy sets out five key, overriding strategic objectives. They are:

1. Re-energising the commitment to customers

2. Creating a modern effective governance and management structure

3. Improved performance levels

4. Focused engagement in strategic areas to deliver the localism agenda

5. Financial robustness

Operating and financial review Year ended 31 March 2011

Highlights for the year ended 31 March 2011

- Consulted with our, residents, staff, Board members, funders and TSA to gain consent to amalgamate the the 4 main Registered Providers to create Genesis Housing Association with effect from April 2011
- Welcomed the new Chair and a new Board
- Created regional Committees to ensure that our focus is on our customers and re-engergising our commitments to residents
- Welcomed 3 new members of the Group Executive Team
- Generated a surplus after impairment of £4.9, (2010:£12.7m) on turnover of £274.6m, (2010: £279.0m)
- Invested £37.7m (2010: £32.7m) in repairs and improvement
- Shenstone carried out 53,500 domestic repairs - that's more than 190 every working day
- Achieved 99.7% compliance with the Government's Decent Homes Standard for PCHA stock and 99.6% for Springboard HA stock
- Amalgamated St Matthew Housing with Springboard Housing Association to meet Decent Homes requirements for St Matthew's housing properties
- Invested £1.4m in Community Development Initiatives
- Completed 626 new homes (including 462 affordable homes)
- Sold 441 low cost home ownership properties
- Sold our share of the Grainger GenInvest portfolios
- Maintained a Moody's rating of A1 and a Fitch rating of AA-
- Rated as one of the Times Top 50 PLaces for Women to work and as 'one to watch' in the Times 100 Best Companies Survey
- Achieved RoSPA Gold award
- Retained IIP recognition

Operating and financial review Year ended 31 March 2011

Group structure changes

Over the past 12 months, the One Genesis project has brought together and simplified the legal, governance, staffing and service delivery structure across the Registered Providers in the Group.

During January 2011, the Boards of Genesis Housing Group, Pathmeads Housing Association Limited, Springboard Housing Association Limited and Paddington Churches Housing Association Limited gave an 'in principle' approval to the amalgamation of the group structure and the creation of Genesis Housing Association Limited and was approved by stakeholders in February and March 2011. The legal change to the structure was completed on 20 April 2011 when the four Registered Providers ceased to exist as separate legal entities.

The amalgamation has enabled the creation of a single administrative structure so that there is a clear focus on ensuring that excellent services are delivered to residents and that senior staff will be closer to local delivery mechanisms to ensure enhanced understanding of residents' views and experiences. This will enable a more responsive service and will ensure greater consistency so residents receive a service of an equally high standard across the organisation.

The new Association has one Executive Management Team and the number of layers of management between the Executive Management Team and the customer has been reduced with effect from April 2011. The main change to the design of the delivery of customer services is the creation of two operating divisions: West and East. The divisional structures have been developed to place together all the customer facing services ensuring that quality and performance can be managed and controlled as close to the service delivery points as possible. This structure enables the Association to have single centres of operational support serving the whole organisation, reducing duplication but also developing centres of professional, high performing services such as one contact centre, one specialist maintenance team and one income collection team. The changes to the staffing structures are budgeted to save £2m compared to the existing staff establishment.

Resident involvement ensures that the voice of residents is heard and provides a more effective partnership between the Association and its residents with, in many cases, a subsequent improvement in the quality of the services provided.

Resident involvement was undertaken in different ways across Genesis and the amalgamation has provided the opportunity to rationalise and strengthen the way in which this resident involvement is undertaken going forward. There is an increasing demand for greater involvement in the management of their homes from residents and this is supported by changing expectations of the regulator too.

A commitment to resident involvement has led to the creation of five geographically based Regional Committees and one Resident Scrutiny Panel. Five Regional Committees have been created with a membership made up of residents of different tenures, people with a strong local interest and people with experience of working with Local Authorities and other local organisations.

The Resident Scrutiny Panel will comprise two representatives from each Regional Committee. The Board is keen to ensure that these bodies are empowered to play a significant role in the setting, monitoring and accountability of customer service.

Operating and financial review Year ended 31 March 2011

Group Structure during 2010-2011

Genesis Housing Group consisted of five Registered Providers, a number of subsidiaries and joint ventures for developing and managing housing as well as nine almshouses for which Genesis is the corporate trustee.

Genesis Housing Group Limited
Group parent, providing strategic leadership, development, finance and corporate services to other members of the Group. During the year this company converted to a charitable Industrial and Provident Society.

Paddington Churches Housing Association Limited ("PCHA")
A charitable Industrial & Provident Society that provided housing services in London and Hertfordshire.

Pathmeads Housing Association Limited ("Pathmeads")
A charitable Industrial & Provident Society that delivered property management services to local authorities, other housing associations, primary care and NHS trusts, developers and private investors. The largest single provider in the country of temporary housing to the homeless.

Springboard Housing Association Limited ("Springboard")
A charitable Industrial & Provident Society that provided general needs and supported housing in areas across London, Essex and Hertfordshire with a specific focus on supporting older people and those with special needs. From 8 June 2010, the operations of St Matthew Housing were transferred into Springboard. These operations are the provision of supported housing in six counties in East Anglia and East Midlands with a specific focus on supporting homeless people.

Eastwards Trust
A charitable company limited by guarantee directed at people in need primarily from the black and minority ethnic communities in Newham and neighbouring boroughs.

GenFinance Limited
Special purpose non-charitable Industrial & Provident Society used as the Group's borrowing vehicle.

GenFinance II PLC
A PLC with the sole purpose of issuing the public bond in December 2009.

GenInvest Limited
Responsible for investing in and monitoring the Group's non regulated activities. The main investments were two partnerships with Grainger plc namely Grainger GenInvest LLP ("GGI1") and Grainger GenInvest No. 2 (2006) LLP ("GGI2") which own a combined portfolio of some 1,600 investment properties, largely financed by non-recourse bank debt. These investments were disposed of in March 2011.

Genesis Community Foundation
A charitable company limited by guarantee which aims to promote and develop socio-economic programmes for the benefit of the communities in areas where Genesis Housing Group operates.

Genesis Purchasing Limited
Provision of procurement services to aid the development and construction projects in the Group.

Pathmeads Property Services Limited (trading as Shenstone Services)
A limited company whose purpose is to provide maintenance services internally to Group companies and externally through maintenance contracts. .

Operating and financial review Year ended 31 March 2011

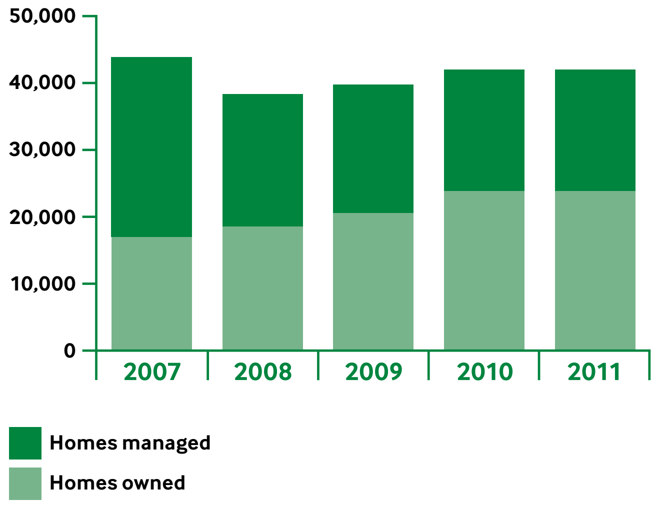
Growth in homes owned and managed

Since early 2008, Genesis Housing Group has restructured its development programme to ensure its long term viability and to sustain its status as a development partner of the HCA. In view of the external economic environment, the Group Board took a decision before the start of the financial year to focus on delivering the existing contracted development programme and entered into very few new contracted development obligations during the year. The Group completed 626 (2010: 2,062) new homes and commercial units during the year of which 257 were for rent (2010: 915), 117 were for Low Cost Home Ownership (2010: 705), 88 units were for intermediate rent (2010: 215), 156 were for outright sale (2010: 198) and 8 commercial units (2010: 29). The cost of new homes completed was £222.9m (2010: £400.2m). Funding received from the HCA was £73.8m (2010: £131.3m).

The total number of units managed by the Group has decreased by 1,134 units. The number of homes owned has increased by 606 units. The homes will continue to be managed by Genesis for at least six months of the new financial year. In line with the Asset Management Strategy, 137 existing properties were sold to private buyers during the year (2010: 144) and a further 220 to other Registered Providers and public regeneration agencies (2010: 108).

The contracts division is expecting a significant reduction in the number of units under management for 2011/2012. The management of the Westminster contract will cease in July 2011 resulting in a reduction in the number of units managed of 5,810.

Homes owned and managed



Operating and financial review Year ended 31 March 2011

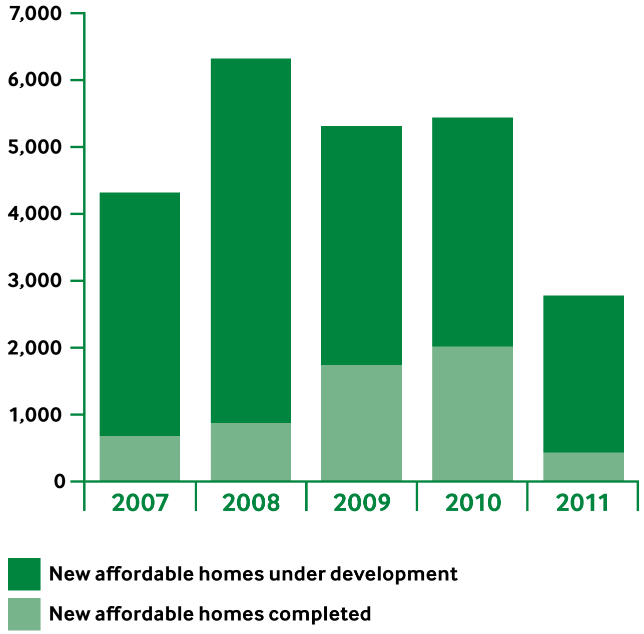
Development Strategy

For the last few years development activity has been dominated by efforts to obtain grant to develop out the land bank sites acquired before the onset of the housing market recession. The Group still has a land bank holding which it is seeking to develop out over the next 3 years of £68m (2010: £178m). Significant progress has been made over the last year to develop out the land bank and recover the Group's investment. Grant confirmations issued for developments previously held within the land bank totalled £69.1m (2010:£64.6m). Genesis is under contract on a number of these sites, including Stratford and Zenith, which over the next five years should provide 849 general needs units, 378 shared ownership units, 136 intermediate rent units, 446 private sale units, 336 market rent units and 18 commercial units. The number of homes under development at 31 March 2011 has decreased to 2,163 (2010: 3,509).

The Development Strategy for the next four years is focused on the bid to the HCA under the 2011-15 National Affordable Housing Programme submitted on 3 May 2011. The bid proposes a programme of new affordable homes funded by a combination of higher rents on re-lets of some existing properties, higher rents on new homes delivered, recycling of historic capital grants from properties sold and a limited amount of new capital grant

Development spend for 2011/2012 on committed schemes is projected to be £191m with grant receipts of £26m. This investment will result in 964 new affordable units coming into the Group. Once the 2011-2015 programme is agreed with the HCA some projects are likely also to come on to site in 2011/2012. The number of new units coming into the Group from the development programme is 3,133 affordable units. The chart following reflects the cumulative units handing over in the next few years as projected in the Group's Long Term Financial Plan. Achievement of this plan is dependent upon the nature of any agreement reached with the HCA and the partner local authorities under the 2011-2015 National Affordable Housing Programme.

Units in development and completed



Operating and financial review Year ended 31 March 2011

The Group currently has a number of strategic developments on-site:

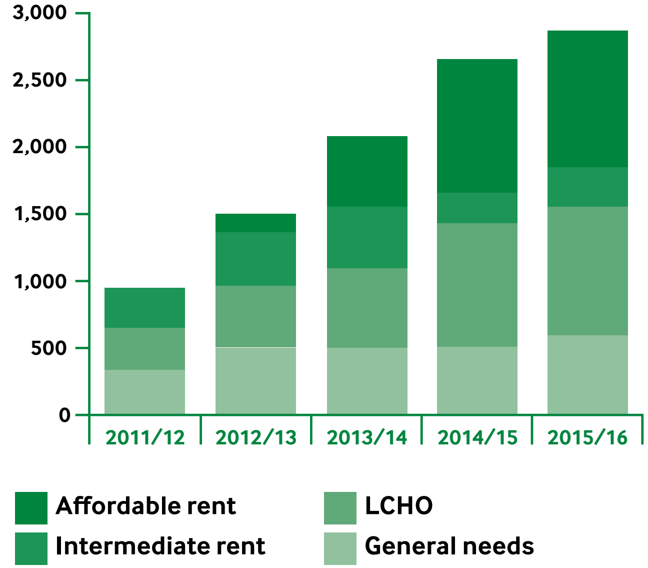
150 High Street, Stratford
Genesis is developing 711 units at this high profile site overlooking the Olympic stadium. Completion of the first units on the site is expected in August 2011, with the final units handing over in January 2013.

Woodberry Down Regeneration:
Genesis has entered into a principal development agreement with Hackney Council and Berkeley Homes to deliver the phased demolition and construction of 1,725 affordable homes through the regeneration of the Woodberry Down Estate. The regeneration will be over a period of 20 years and the total investment value for the total project is estimated at £182m. Genesis has contracted to purchase only the completed affordable units, with Berkeley Homes taking the sales risk on the private for sale unit.

Anglia Ruskin University site (ARU), Chelmsford, Essex:
Genesis acquired the site in 2007 and has since been working on a new planning application. The current development will allow for the construction of 226 units of affordable and 409 units of private for sale units on the site. The HCA has provided £10.8m of funding for the construction of £253m affordable units on phase 1 of the site. Due to worsening market conditions the site has been impaired by £7.7m in the current year.

Choices for Grahame Park:
Genesis has entered into a development agreement with London Borough of Barnet and is partnering with Countryside Properties to deliver this major regeneration scheme in North London. Genesis is acting as developer on this project through its development subsidiary, Choices for Grahame Park, which includes the delivery of circa 3,000 new homes in several phases. The initial phases are now delivering completed homes for residents.

Units in development and completed



Operating and financial review Year ended 31 March 2011

Financial Performance: Five year summary Income and Expenditure Account

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Operating income	**220.9**	208.8	195.4	179.3	187.3
Operating costs	**(184.9)**	(172.1)	(166.3)	(152.7)	(164.9)
Operating surplus	**36.0**	36.7	29.1	26.6	22.4
Net interest	**(37.9)**	(34.2)	(29.3)	(24.9)	(26.0)
Net operating (deficit)/surplus	**(1.9)**	2.5	(0.2)	1.7	(3.6)
Surplus on sale of assets	**27.9**	26.1	14.0	21.2	16.1
Impairment	**(20.7)**	(5.9)	(6.9)	(5.8)	-
Taxation	**0.1**	-	-	0.1	-
Asset management surplus	**7.3**	20.2	7.1	15.5	16.1
Surplus for the year from operations	**5.4**	22.7	6.9	17.2	12.5
Genesis Community	**(1.3)**	(0.8)	(1.3)	(1.3)	(0.8)
Joint venture activities	**(4.8)**	(9.2)*	(4.9)	(3.9)	(4.1)
Surplus on Sale of Joint Venture interest	**5.6**	-	-	-	-
Net group surplus for the year	**4.9**	12.7	0.7	12.0	7.6
Operating margin	**16.3%**	17.6%	14.9%	14.8%	12.0%
Net surplus margin	**2.2%**	6.1%	0.4%	6.7%	4.1%

*comprises operating loss of £4.2m and deferred tax write off of £5.0m

The table above has been compiled to reflect the Directors view of the most appropriate presentation of the Group's financial results and incorporates some reclassifications from the format used in the statutory accounts.

Operating and financial review Year ended 31 March 2011

Turnover and operating results

The financial statements demonstrate a much improved financial performance with a surplus for the year to 31 March 2011 of £4.9m (2010 £12.7m).

Group operating income – excluding the share of joint venture activities was £220.9m, an increase of 5.8% from 2010 (£208.8m). This was predominately due to the increase in unit numbers due to the development completions in the current year and the full year effect of development completions in the prior year.

The Operating Margin – is 16.3%, this is lower than the 19% average for traditional Registered Providers that is reported in the TSA Global Accounts for 2010.

The Group Surplus – before contribution to Genesis Community and excluding its share of joint venture activities has decreased from £22.7m to £5.4m, mainly as a result of the increase in impairment charge of £20.7m.

Surplus on sale – The surplus on disposal is higher than the previous year due to increased sales values achieved in the improved market despite reductions in the number of properties sold, as shown in the table below;

Impairment – The Board are looking at the best ways to develop the remaining land bank of £68m and has already secured grant and loan financing to achieve this for some sites. For the remaining sites the Board are continuing to explore the most suitable approach in terms of delivery and funding. In some cases sites will potentially benefit in economic terms from the changes to the Government's funding approach for affordable housing. Whilst capital grant per unit is significantly reduced there is the potential to offset this with higher rents, depending on the view of the Local Authority. However, the reductions in the availability of new capital grant in the future and the ongoing uncertainty surrounding the property market has limited the Group's appetite to rest its Development Strategy too heavily on profit from taking sales risk. The Group Board felt that a further substantial impairment charge of £20.7m,all relating to the landbank sites except for £0.07m on un-sold properties, was appropriate in 2010/11 (2009/10: £5.9m), bringing the total impairment charge over the past four years to £39.6m. The charge for 2010/11 is net of some write-backs of impairments reported in previous years (total £3.8m), where the Board consider that a higher amount is now recoverable in light of potentially higher rents and other factors affecting specific sites.

Joint Venture Activities – Genesis sold its share of the two Grainger GenInvest LLPs on 21 March 2011 for £15m. This has generated a surplus on disposal of £6.2m. As Genesis held an interest in the joint venture for the majority of the financial year it is required to report its share of the trading losses for this financial year. During May 2011, Genesis disposed of its share of the Bishopsgate Apartments LLP joint venture with Telford Homes, this generated a surplus of £1.1m. However, a provision of £1.7m has been made to reflect the share of accumulated profits on the joint venture balance sheet that are being forgone as a result of the sale proceeds only being equal to the cost of investment. Overall the impact on the Group is a loss of £0.6m. Quintessential Homes Wembley LLP is the only remaining joint venture in which the Group holds an interest. The investment is carried at a cost of £2.5m and as the development of the properties is now complete, the Group is expecting a return in excess of this carrying amount. Following the bond issue in December 2009, the weighted average cost of funds for the Group increased to 5.4% (2010: 4.2%). It is expected to fall in 2011/12 to 5%.

Exposure to interest rates is managed through the use of interest rate swaps and embedded fixed rate loans. At 31 March 2011, £220.5m of interest rate swaps were outstanding with an average maturity of thirty years. All interest rate swaps require approval by the Board of Genfinance Limited. The Group's total hedged position was £1,017m at 31 March 2011, representing 76% of the total borrowings.

Surplus on sale

	2011 No of units	2011 Sales value £m	2011 Cost of sales £m	2011 Surplus / (deficit) £m	2010 No of units	2010 Surplus / (deficit) £m
First tranche shared ownership sales	**454**	**32.8**	**(27.8)**	**5.0**	527	6.0
Sales of previously rented properties	**137**	**30.1**	**(7.5)**	**22.6**	144	18.9
Sales to regeneration agencies / other RPs	**129**	**30.8**	**(30.0)**	**0.8**	108	(1.1)
Staircasing of shared ownership	**34**	**2.8**	**(2.2)**	**0.6**	35	0.7
Right to buy and right to acquire	**8**	**1.9**	**(1.9)**	**-**	1	0.1
Newly developed homes for outright sale	**40**	**12.7**	**(12.5)**	**0.2**	94	1.5
Sale of commercial units	**7**	**2.6**	**(3.9)**	**(1.3)**	-	-
		113.7	**(85.8)**	**27.9**		26.1

Interest

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Net interest payable	**(53.9)**	(56.8)	(66.4)	(49.0)	(39.1)
Capitalised interest	**16.0**	22.6	37.1	24.1	13.1
Net interest	**(37.9)**	(34.2)	(29.3)	(24.9)	(26.0)

Operating and financial review Year ended 31 March 2011

Sectoral analysis

Turnover and operating surplus by activity is shown below:

	2011 Turnover £m	**2011 Operating surplus/ (deficit) £m**	**2011 Operating margin**	2010 Turnover £m	2010 Operating surplus/ (deficit) £m	2010 Operating margin
General needs	**97.1**	**26.6**	**27%**	86.5	25.4	29%
Supported housing	**27.3**	**1.1**	**4%**	28.2	0.3	1%
Low cost home ownership	**10.7**	**5.5**	**51%**	7.2	2.7	38%
Low cost ownership first tranche sales	**32.8**	**5.0**	**15%**	37.7	6.0	16%
Temporary accommodation	**63.9**	**2.3**	**4%**	67.7	3.1	5%
Keyworker accommodation	**7.2**	**2.3**	**32%**	6.8	2.8	41%
Outright sales	**12.7**	**0.2**	**2%**	25.1	(0.5)	2%
Other activities	**14.7**	**(3.1)**	**(21%)**	12.4	2.0	16%
Impairment charge	**-**	**(20.7)**	**-**	-	(5.9)	-
	266.4	**19.2**	**7%**	271.6	36.9	14%
Joint ventures	**8.2**	**3.4**	**41%**	7.4	3.4	46%
Total	**274.6**	**22.6**	**8%**	279.0	40.3	14%

Operating and financial review Year ended 31 March 2011

Financial Position - Balance sheets

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Completed housing properties	**2,125.2**	2,004.1	1,677.7	1,356.1	1,245.9
Development work in progress	**298.9**	410.5	606.4	569.5	387.0
Properties for sale (current assets)	**167.2**	145.2	158.5	157.5	10.6
Social housing grant and other grants	**(1,088.7)**	(1,042.9)	(925.0)	(834.1)	(764.9)
	1,502.6	1,516.9	1,517.6	1,249.0	878.6
Investments and other fixed assets	**22.6**	32.4	33.5	30.9	13.5
Share of joint venture assets/(liabilities)	**2.5**	(0.3)	(1.1)	40.1	19.0
Other net current assets	**24.7**	34.6	22.4	23.0	49.2
	1,552.4	1,583.6	1,572.6	1,343.0	960.3
Financed by:					
Loans	**1,346.6**	1,375.3	1,371.2	1,112.7	777.7
Other long term liabilities	**7.4**	23.2	30.0	33.8	16.1
Reserves	**198.4**	185.1	171.4	196.5	166.5
	1,552.4	1,583.6	1,572.6	1,343.0	960.3

Operating and financial review Year ended 31 March 2011

Housing properties

In addition to the development of new properties, the Group is committed to a programme of major repairs such as replacements of roofs, kitchens and bathrooms. Total spend on major repairs in the year was £16.0m (2010: £ 9.3m). The percentage of dwellings meeting the Decent Homes Standard is 99.6% at Springboard and 99.7% at PCHA.

An external desktop stock valuation was performed at the year end. The value of the Group's properties at 31 March 2011 under a variety of bases significantly exceeds the net book values included in the financial statements.

	Value 2011 £bn	Excess over book value £bn	Value 2011 £bn
Net Book Value	1.13	-	1.04
Existing use value for social housing (EUV-SH)	1.36	0.29	1.28
Market value subject to tenancies (MV-T)	2.96	0.87	3.02
Estimated vacant possession value (VP)	5.43	3.34	5.47

Analysis of values at 31 March 2011 by property type

	EUV-SH £bn	MV-T £bn	VP £bn
General needs housing	0.99	2.59	4.16
Supported housing	0.08	0.08	0.30
Shared ownership housing (LCHO)	0.16	0.16	0.70
Intermediate rent	0.05	0.05	0.10
Keyworker accommodation	0.08	0.08	0.17
Total	1.36	2.96	5.43

Analysis of values at 31 March 2011 by location

	EUV-SH £bn	MV-T £bn	VP £bn
Inner London	0.89	2.08	3.89
Outer London	0.18	0.37	0.64
Outside London	0.29	0.51	0.90
Total	1.36	2.96	5.43

Operating and financial review Year ended 31 March 2011

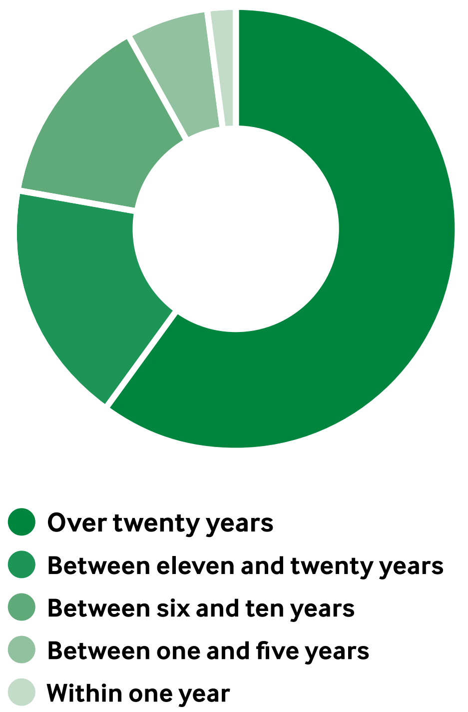
Capital structure & liquidity

At 31 March 2011, the Group's total borrowings were £1,342m from available facilities of £1,632m (2010: total borrowings were £1,375m from available facilities of £1,680m). At the same date, the Group had cash balances and overdraft facilities available of £37m and additionally had £202m of secured loan facilities available to draw down within two days, and a further £77m of borrowing facilities available for use once security is provided. Current projections indicate that this should be more than sufficient to fund the contracted obligations from the current development programme.

During the previous financial year a £250m Bond was issued through the Group Capital Markets company, Genfinance II plc. £200m of the bonds issued were sold with the remaining £50m held in reserve under a Custodian Agreement. If it is economically advantageous the Group is able to sell these Reserve Bonds up to 21 June 2012.

The repayment profile of the debt shows that 63%, £834m (2010: 65%, £873m) of the debt now due for repayment after 20 years.

There are a number of covenants in place which the Group monitors to ensure compliance. The measurements are against income, gearing and value in respect of external loans. Internally, the measures are aimed at controlling amounts on-lent between group members. Interest cover for the year was 161% (2010: 210%) against a minimum requirement of 100% and gearing cover was 52% (2010: 57%) against a maximum level of 65%.



Cash flows

The Group carries out a regular review of cash flow risk as part of its risk management procedures. The key elements of cash flow risk are fluctuations in interest rates, the availability of loan finance and property sales receipts. The directors are confident that, following the further strengthening of controls during the year, the risks are appropriately monitored and controlled.

The cash flow statement shows that during the year the Group generated net cash inflow of £19.4m (2010: £20.5m) and made net interest payments of £53.5m (2010: £53.1m). The Group decreased its net debt by £32.1m (2010: increase of £6.5m) in the year and received £73.8m (2010: £131.3m) and £52.0m (2010: £111.1m) in capital grants and properties sales respectively. Capital expenditure outflow on housing properties was £72.8m.

In the current uncertain economic climate, the Group's policy relating to liquidity is to hold sufficient and available loan facilities to meet three months' working capital requirements estimated at £35m (2010: £35m). Short-term balances are placed on overnight/short term deposits with banks from which the Group has borrowed. The Group operates strict investment guidelines in respect to surplus cash with the emphasis on the preservation of capital.

Operating and financial review Year ended 31 March 2011

Performance by subsidiary

Paddington Church Housing Association (PCHA)

PCHA was the largest Registered Provider in the Group and is the principal beneficiary of the development activity carried out by the Group. During 2010/2011 PCHA took into management 426 new affordable homes (2010: 926) and 246 Low Cost Home Ownership units (2010: 728). A further 164 units were received for intermediate rent (2010: 142), 13 commercial units (2010: 18) and 137 units for outright sale (2010: 27).

During the year certain sites, including the Chelmsford and Stoke Quay sites, which had been held in subsidiary development vehicles were transferred, or part-transferred, into PCHA. This reflected the Group's long-term objective that affordable housing assets sit within Registered Providers and private development assets sit within the development vehicle subsidiaries.

Springboard Housing Association Limited (SBHA)

On 8 June 2010 St Matthew Housing joined SBHA by means of a Transfer of Engagements. St Matthew ceased to be a separate legal entity. The impact of this has been to increase the number of units by 669. One of the reasons that St Matthew joined the Group was to complete its Decent Homes commitments and there was substantial investment in this during 2010/2011.

Pathmeads Housing Association Limited (PHA)

There was been a reduction of 426 (3.6%) in the number of temporary housing units in management due to the Government target to reduce the dependency on temporary housing. During the year the Government introduced changes to the Temporary Housing Funding regime by altering Housing Benefit rules. During the latter months of the year PHA had to negotiate significant reductions in landlords rents to ensure that the rent charged to the residents from April 2011 would be within the caps imposed in the regime. This renegotiation project exceeded expectations, however, it did result in a number of units being handed back to landlords who would not accept the reductions in the rent payable.

Eastwards Trust

Eastwards Trust is a community based organisation and has a track record in delivering both generic and specialist services for BME communities for over 29 years in Newham and neighbouring London Boroughs. Eastwards provide a range of services including preventative services that contribute to "The Government's Older People's Strategy" and "Transforming Social Care Agenda". The services include housing related support, homecare, day-care, lunch club provision and a wide range of activities and outings. The major source of income is currently by way of trust, grant and contract income from London Borough of Newham and Big Lottery Funding.

Genesis Community Foundation

The charity works with Genesis residents to make a real difference through community programmes such as employment and training as well as social activities for young and older people. Genesis Community continues to embed its work into the main stream of Genesis Housing Group.

This has been an exciting year for the charity as it has launched the very innovative and radical new programme called Opportunities Plus. is the latest strand in the overarching Opportunities for Life Change Programme. It is a programme designed to offer empowerment and support targeted at those of Genesis residents who need to improve their life chances, through giving them the tools to help themselves.

The three main strands to the Life Change Programme are Opportunities Plus, Young People's programme and the Programme for Old and Vulnerable People. In addition the charity has continued to deliver the externally funded employment outreach programmes commissioned by the London Boroughs of Hackney and Westminster City Council. The charity has also developed its Financial Inclusion Programme by the recruitment of a dedicated manager and additional advice staff. It continues to work in local communities and manages five community centres continues it's community capacity building Small Grants Programmes.

Operating and financial review Year ended 31 March 2011

Future Financial Performance

The table shows the performance in the long term financial plan compared to the performance of other peer associations as per the TSA Global Accounts. The analysis shows that the Group has a very high debt per unit compared to other associations which mean that the debt service ratios are poor compared to the peers. The various EBITDA ratios are approximations to cash generation and therefore measures of the ability to service the debt. Where the ratios are less than 100%, the implication is that the debt service cannot be achieved without support from income excluded from the calculation, for example, supporting operations through the sale of property assets. This is why EDITDA less capitalised major works plus profit on sales is the strongest ratio for the Group. However, the position in relation to operating margin indicates that there should be an opportunity to significantly improve efficiency, which would improve the debt cover position.

The Peer Association ratios show below, are median ratios from the TSA.

	Average Peer Association			Genesis Actuals	Genesis projection
	2007/08	2008/09	2009/10	2010/11	2010/11
Management cost per unit (£)	970	1,002	995	1,549	1,415
Routine Maintenance cost per unit (£)	893	1,019	1,052	433	578
Major work cost per unit (£)	694	641	677	706	585
Operating margin	20.8%	19.3%	21.6%	16.3%	17.6%
Effective interest	6.2%	5.6%	4.7%	3.0%	4.8%
EBITDA Ratio	123.5%	129.3%	158.1%	86.1%	87.6%
EBITDA less capitalised major works ratio	102.4%	105.5%	124.4%	71.6%	75.3%
EBITDA less capitalised major works plus profit	122.1%	118.2%	140.8%	123.2%	106.0%
Debt per unit	14,002	15,397	16,043	59,221	57,613

Operating and financial review Year ended 31 March 2011

Operating performance

The Corporate Plan contained six key success indicators. The targets set for 2010/2011 were based on achieving upper quartile performance levels to get within the top 10% of performers.

In 2010, Genesis has introduced real time telephone surveys to gain feedback from residents and to ensure that the residents are satisfied and happy with the services received. After extensive consultation 5 areas which are particularly important to residents are:

- Getting repairs completed;
- The way in which complaints are handled;
- The way in which anti-social behaviour incidents are dealt with;
- The process of signing a new tenancy agreement;
- Moving into a newly developed home.

In 2011-2012 Genesis Housing Association will use these surveys to measure progress against the service standards. Every six months a report will be published to see performance against the standards, understand the most common causes of complaints and what improvements are in the pipeline.

A rent freeze was applied during 2010/2011 due to the September RPI figure of minus 1.4% (2009/2010 rent increase 5.5%). The rent freeze was a unique opportunity to align the rent policy across the Group. Previously PCHA had applied rent increases on the anniversary of the tenancy, but the rent freeze enabled a standard Group rent increase date of first week in April to be introduced without the PCHA residents suffering more than one increase in a 12 month period. Also the target rent calculation was aligned across the Group at target plus 5% for general needs tenancies and target plus 10% for supported housing tenancies, which is within the boundaries set by the Government's Rent Restructuring policy.

Rent arrears remain reasonably high. This is partly due to the economic environment resulting in people failing to pay their rent and partly due to weaknesses in rent collection policies and procedures that have meant insufficient early intervention to collect arrears. As part of the amalgamation of the Registered Providers a single Customer Accounts team has been set up to administer the rent accounts and chase arrears. It is anticipated that this focussed team will improve rent arrears performance in the new financial year.

Key success indicators

	2010/11 actual	2010/11 target	2009/10 actual
Customer satisfaction	**70%**	75%	See below
Calls resolved 1st time by contact centre	**PHA - 76%*** **PCHA - 52%***	70%	63%*
Repairs completed 1st time	**61%**	70%	Not measured
Number of stock owned/managed	**40,859**	41,000	41,993
Annual surplus	**£4.9m**	£13m	£12.7m
Best Companies to work for score	**601**	620	603

* Based on a quarter 4 performance as only measured since January 2011

Housing management

	2011	2010	2009	2008	2007
Average secured weekly rent	**£101.56**	£101.56	£94.84	£89.36	£84.55
Average assured weekly rent	**£105.68**	£105.82	£99.35	£93.60	£88.71
Void rent loss as % of gross rent	**2.0%**	3.2%	3.0%	2.0%	2.1%
Rent arrears as % of gross rent	**11.6%**	7.3%	8.1%	7.7%	6.6%

Operating and financial review Year ended 31 March 2011

Repairs and maintenance

Total spend on major repairs in the year was £13.7m (2010: £9.3m). The percentage of homes meeting the Decent Homes Standard has increased in PCHA from 95% to 99.7% with only 37 properties falling to meet the standard. Springboard has achieved 99.6% compliance including the former St Matthew stock with only 20 properties failing to meet the standard. The Group has a good track record of investment in stock and has budgeted to invest £16.6m in major repairs works during 2011/2012.

The reactive repairs service for Pathmeads and Springboard has been provided by the Group's maintenance company, Pathmeads Property Services Ltd (trading as Shenstone Services Ltd) for some time. From June 2010 this arrangement extended to include the reactive maintenance and voids contract for PCHA. As PCHA is the largest Registered Provider in the Group this significantly increased the volume of orders placed with Shenstone. Over the past year Shenstone have received 53,500 repairs requests/works orders. This is equivalent to 191 orders per working day.

The increased volume of orders led to a significant increase in turnover and costs in Shenstone. The results for the year in the Shenstone Financial Statements show a turnover of £15.4m (2010: £10.0m) and a loss of £3.8m (2010: loss £0.3m). Due to issues with recruiting staff to carry out the additional maintenance works Shenstone had to rely extensively on the use of sub contractor labour, thus reducing the profitability of the contract. In additional to this there have been exceptional one-off costs relating to the write off of debtors for repairs work for Group companies from prior years.

Operating and financial review Year ended 31 March 2011

The future outlook

The Directors have responded to the below budgeted performance in 2010 by appointing external widely experienced consultants to implement a comprehensive business change process to improve all aspects of performance and control. The Directors continue to monitor progress closely and further important decisions about the future of the company will be made during the next year. However, the strategic direction of the company will continue to focus on internal contracts and improving customer satisfaction for Genesis residents in the coming year.

The themes that have been adopted for 2011/2012 are the three Es – Efficiency, Effectiveness and Economy. Having created the new platform of the new association the challenge is to ensure that the organisation is as efficient as possible. To focus the resources and energy of the Group, eight goals have been identified for the year:

1.
To provide good quality, consistent, cost-effective and reliable services which are done right first time leading to the achievement of 85% resident satisfaction by March 2012.

2.
To tailor products and services to our residents and halve the difference in satisfaction levels between the first four key diversity strands (gender, age, disability and ethnicity) by March 2012.

3.
To improve performance by aligning and improving key business processes, developing a talented and engaged workforce supported by effective and appropriate technology leading to top quartile performance levels for repairs satisfaction, Anti Social Behaviour satisfaction, communal services satisfaction and newly developed and re-let homes satisfaction by March 2012.

4.
To further improve the financial capacity and performance of the business by reducing financial risk, disposing of non core investments, reducing borrowing, simplifying financial structures, achieving operational efficiencies and delivering against key financial targets.

5.
To deliver against key operational financial targets, being rent collection at 100.5%, void rent loss at 1% for general needs and 3% for supported and temporary housing by March 2012.

6.
To concentrate activities in London, Hertfordshire and Essex plus supported housing in East Anglia, through the implementation of a strategic approach to asset management.

7.
To align and target resources locally to achieve high quality, sustainable services to residents by strengthening partnerships with key stakeholders.

8.
To embed the governance structures and resident scrutiny arrangements to provide effective oversight of activities and to manage risk, demonstrated by a full set of green traffic lights from the TSA by March 2012.

Operating and financial review Year ended 31 March 2011

Governance

The governance arrangements in place during the financial year up to the point of amalgamation of the Registered Providers in April 2011 are as follows. Genesis Housing Group Limited was the non asset owning parent Association for the Group and had a Board which deals with strategic issues impacting the Group. Operational issues were delegated to subsidiary boards and a series of committees described below. The Board comprised nine non-executive directors and the Group Chief Executive who is a co-opted member. Six of the non-executive directors were independent and do not serve on the subsidiary Boards. The other three directors were the Chairs of the three operating subsidiaries of Genesis. The Board of Genesis met at least eight times in the year. The core responsibilities of the board are to:

The Board of Genesis meets at least eight times a year. Its core responsibilities of the board are to:
- define and ensure compliance with the values, vision, mission and strategic objectives of the organisation, ensuring its long term success and compliance with the TSA standards of performance;
- establish a framework for approving strategies, policies and plans to achieve those objectives;
- satisfy itself as to the integrity of financial information and approve each year's accounts prior to publication, and approve each year's budget and business plan;
- establish and oversee a framework for the identification, management and reporting of risk, in order to safeguard the assets of the organisation;
- agree or ratify policies and decisions on all matters that might create significant financial or other risk to the organisation, or that raise material issues of principle;
- monitor the organisation's performance in relation to these strategies, plans, budgets, controls and decisions and also in the light of customer feedback and the performance of comparable organisations.

Remuneration for non-executive directors is currently being reviewed.

The Group board had four committees whose core responsibilities are as follows:

The Group Audit and Risk Committee
The core responsibilities of the Group Audit and Risk Committee were to:
- provide assurance to the Board that the Group has in place and operates an appropriate control framework to safeguard its assets and manage risks;
- review audits of the internal control systems in the Group on a planned basis and ensure that they are effective by requiring that recommendations are implemented by the agreed timescales, approve the audit plan and review the effectiveness of the internal audit function.
- ensure that the risk management systems are effective.
- recommend the annual report and financial statements to the Boards within the Group;
- recommend the appointment of external auditors and monitor the annual audit process and recommend the management letter for approval; and
- review and monitor the IT strategy to ensure its appropriateness and completeness.

The Diversity Committee
The core responsibilities of the Diversity Committee are to:
- exercise strategic leadership in all strands of equalities and diversity matters by ensuring that the Genesis Housing Group's Diversity Policy is in line with best practice and recommended for approval by the Group Board;
- develop a strategy to ensure that the Diversity Policy is implemented;
- understand the profile of the communities in which the Group works, and the profile of the Group's customer base and develop targets in relation to the key services provided;
- monitor the performance of the Group in key areas to ensure that proactive steps are taken to avoid direct or indirect discrimination;
- ensure that the service to customers is enhanced through the consideration of the diverse needs of all people;
- ensure that diversity issues are considered in all aspects of the Group's business; and
- stress test the activities of the Group in relation to good practice and regulatory guidance.

Genesis Homes
The core responsibilities of the Committee were to:
- ensure that the development programme is managed within the overall financial limits set by the Board.
- ensure that the development programme is carried out in keeping with the Group's standard of construction and design.
- approve or recommend for approval individual developments (in line with the levels set out in section 1.7) within the financial programme approved for development

and within the economic criteria agreed by the Board and as validated by the Finance Department in relation to the programme and on each scheme, and provided that a suitable level of loan finance is in place to fund each project as it is approved.

- ensure that the development programme is appropriate to the Group and to the subsidiaries in the Group and reporting back to the appropriate Boards as necessary.
- monitor performance of the programme (including sales) and of individual projects inside the programme as appropriate and undertake a review on completion against the original plan and Board approvals.
- stress test both the individual projects submitted for approval and the overall programme to cover the risk emerging from a range of likely scenarios.
- produce, implement and monitor an asset management strategy to ensure that the Group's assets are used efficiently.
- assess, monitor and report on the financial standing of the consultants, developers and contractors on all schemes prior to and during the development period. Look at concentration risk – i.e. our aggregate exposure to each developer and maintain a record of the potential for loss in the event of failure by any of the parties to fulfil contractual obligations.

The Nominations, Remuneration and HR Committee

The core responsibilities of the Nominations, Remuneration and HR Committee are to:

- determine the remuneration package which is sufficient to attract and retain and motivate the quality of Chief Executive for the business from time to time;
- determine the salary, other benefits and terms of service of members of the Executive Management team;
- determine the annual targets;
- determine the salary increases and performance related payments to the Group Chief Executive and members of the Executive Management Team;
- ensure that the Group's workforce strategies and plans are developed and monitored to enable the Group to have the capacity to recruit and retain high performing staff;
- make decisions in relation to non contractual payments and benefits; and
- review the Board Performance Evaluation process and its outcome.

Future Governance arrangements

Following the amalgamation of the Registered Providers that took place on 20 April 2011, Genesis Housing Association as the charitable asset holding parent, adopted the Excellence in Governance, the National Housing Federation's code for members and good practice guide. The core responsibilities are:

- define and ensure compliance with the values, vision, mission and strategic objectives of the organisation, ensuring its long term success and compliance with the TSA standards of performance;
- establish a framework for approving strategies, policies and plans to achieve those objectives;
- satisfy itself as to the integrity of financial information and approve each year's accounts prior to publication, and approve each year's budget and business plan;
- establish and oversee a framework for the identification, management and reporting of risk, in order to safeguard the assets of the organisation;
- agree or ratify policies and decisions on all matters that might create significant financial or other risk to the organisation, or that raise material issues of principle;
- monitor the organisation's performance in relation to these strategies, plans, budgets, controls and decisions and also in the light of customer feedback and the performance of comparable organisations;

The Nominations Committee

The core responsibilities of the committee are to:

- regularly review the structure, size and composition (including the skills, knowledge and experience) required of the Genesis Housing Group (GHG) board and make recommendations to the board with regard to any changes;
- give full consideration to succession planning for board members and senior executives in the course of its work and make recommendations to the board concerning formulating plans for succession and in particular for the key roles of Chairman and Chief Executive, including making recommendations where it is necessary for members to be removed;
- identify and nominate candidates for approval to fill board vacancies;
- evaluate the balance of skills, knowledge and experience on the board, and, in the light of this evaluation prepare a description of the role and capabilities required for a particular appointment;
- keep under review the leadership needs of the organisation,

Operating and financial review Year ended 31 March 2011

both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- keep up to date and fully informed about strategic issues and commercial changes affecting the company and the market;
- review annually the time commitment required by non Executive directors;
- recommend a Board Membership Policy to the Group Board for approval;
- consider the terms of reference of the Regional Committees and the Resident Scrutiny Panel for approval by the Board;
- consider the reports from each Board and committee reviewing the effectiveness of the operation of each Board and committee and make recommendations for changes;

The Remuneration Committee
The core responsibilities of the committee are to:
- determine the remuneration package which is sufficient to attract and retain and motivate the quality of Chief Executive for the business from time to time;
- determine the salary, other benefits and terms of service of members of the Executive Management team;
- determine the annual targets;
- determine the salary increases and performance related payments to the Group Chief Executive and members of the Executive Management Team;
- make recommendations to the Board regarding remuneration of Board Members;

The Diversity Committee
The core responsibilities of the Committee are to:
- ensure that the governance structures are sensitive to and representative of the communities that are served;
- ensure that the Groups recruitment and retention policies are designed to enable the Group and subsidiaries to recruit and retain staff who reflect the profile of the communities that are served and have a knowledge and skill base to meet the diverse needs of the customers and monitor outcomes;
- ensure that the resident involvement policy encourages and supports strong resident involvement that is representative of the views and experiences of the diverse customer profile to help shape and deliver excellent services through monitoring of outcomes;
- ensure that through the Group's procurement and development processes measure, monitor and promote equality and diversity to ensure that best services for customers and capacity building in the communities within which are served;
- ensure that monitoring systems are in place that allow staff to be able to identify, understand and meet the diverse needs of customers in a way that promotes equality of opportunity and eliminates discrimination;
- ensure that monitoring systems are in place and reported on, to measure progress towards establishing a culture with zero tolerance towards bullying and harassment and discrimination in the workplace and one that promotes equality and dignity at work;
- ensure that strategies relating to working in partnership with others, are developed to promote community cohesion and are proactive in helping prevent incidents of harassment, hate crime and domestic violence and that these are monitored ;
- ensure that diversity issues are considered in all aspects of the organisation's business;
- stress test the activities of the group in relation to good practice and regulatory guidance;

Neil Hadden
Group Chief Executive
27 July 2010

Report of the Board Year ended 31 March 2011

Statement of the Board's responsibilities in respect of the Report of the Boards and financial statements

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

Industrial and Provident Society law requires the Board to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

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

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

The Board are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that its financial statements comply with the Industrial and Provident Societies Acts 1965 to 2003, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

Corporate governance

The Board confirm that Genesis Housing Group Limited ("the Group") has adopted and compiled with the National Housing Federation's Code of Governance.

Internal controls

The Group Board have overall responsibility for establishing and monitoring the whole system of internal control, reviewing its effectiveness and taking necessary action to remedy any significant failings or weaknesses identified in its review. This applies for all controlled entities within the Group.

The Board have reviewed their policies on governance, risk management and internal audit, and the framework to assess the effectiveness of the internal control system. At a high level, the assurance framework brings together information from all significant parts of the Group's business. The framework comprises different sources of assurance, the most significant being the work of the Internal Audit department, the review exercised by the Group Audit and Risk Committee ("the GARC"), the external audit function, and the control exercised by the Group Executive team. A major component of this framework is the risk management process, as set out in the Group Risk Management Strategy.

The Board have delegated authority for the review of internal controls to the GARC. The Group Chief Executive's report on internal controls assurance is therefore presented to the GARC for consideration along with the Statement on Internal Controls. These are recommended to the Group's Boards. The responsibility for the internal control system remains with the Board.

The Board review the effectiveness of the system of internal control along the following lines:

Control environment

The Board has continued focus on a dedicated project, which commenced in 2009, to improve the level of control over certain activities where controls were considered to be inadequate. Progress continues to be made in improving internal control. Treasury and covenant monitoring have been the focus of particular improvement during the year. Other areas of internal control still fall short of the high standards required by the Board.

The Group has amalgamated its four registered providers to create the new single charitable registered provider Genesis Housing Association Limited. This will enable the creation of a single administrative platform, which will enable a new coherent and consistent framework for management, governance and control matters.

Risk management

The charity works with Genesis residents to make a real difference through community programmes such as employment and training as well as social activities for young and older people. Genesis Community continues to embed its work into the main stream of Genesis Housing Group.

Report of the Board Year ended 31 March 2011

Statement of the Board's responsibilities in respect of the Report of the Boards and financial statements

This has been an exciting year for the charity as it has launched the very innovative and radical new programme called Opportunities Plus. is the latest strand in the overarching Opportunities for Life Change Programme. It is a programme designed to offer empowerment and support targeted at those of Genesis residents who need to improve their life chances, through giving them the tools to help themselves.

The three main strands to the Life Change Programme are Opportunities Plus, Young People's programme and the Programme for Old and Vulnerable People. In addition the charity has continued to deliver the externally funded employment outreach programmes commissioned by the London Boroughs of Hackney and Westminster City Council. The charity has also developed its Financial Inclusion Programme by the recruitment of a dedicated manager and additional advice staff. It continues to work in local communities and manages five community centres continues its community capacity building Small Grants Programmes.

Risk management

The Group encounters risk within all of its business activities and accepts a threshold of low and manageable risk as part of its risk appetite. The risk management strategy which is applied across the Group is to try to avoid very high risks whenever possible and to proactively and robustly manage and mitigate all high and medium risk exposures to acceptable levels. The strategy also promotes the identification of reward and opportunity.
The Board approves the Group's risk management strategy and policy on an annual basis as part of the overall risk framework to meet the TSA National Standards and requirements of the adopted National Housing Federation Code of Governance. All Board Members and employees at all levels have clearly defined roles and responsibilities for identifying, evaluating, reporting and communicating risk issues throughout the organisation. This is part of a risk escalation process which also initiates the identification of new and emerging risks.
There is a risk register at Group level which is regularly reviewed and discussed by the Board, the GARC and the Executive team.

The risk framework requires comprehensive risk registers to be produced for all key business areas and departments and these are regularly monitored, reviewed and updated as appropriate. In addition SMART risk mitigation plans are developed to include the key milestones and actions to be taken to address risk. The GARC (on behalf of the Board) scrutinises and monitors the risk framework across the Group and gives assurance to the Board that risk management is being operated effectively. In addition regular risk clinics take place to hold key managers and Directors to account for their actions in managing and mitigating risk. During the year risk was also monitored and discussed by the Executive team and through subsidiary Boards and their senior management teams.

The risk management department provides advice, support and guidance to all staff and Board Members as necessary. It promotes best practice, raises risk awareness, facilitates and runs workshops and training events provides staff with appropriate tools and techniques and facilitates or scrutinises various projects to help minimise risks. The department also attends a number of committees and working parties to advise on and support staff in identifying and evaluating risk as well as opportunity.

Information systems

The Group has a comprehensive system of financial reporting. The corporate strategy, business plans, and annual budget are approved by the Board. A monthly reporting package of financial results and key performance indicators ensures any significant adverse variances are examined by management, to enable remedial action to be taken on a timely basis as necessary. The Board monitors financial performance on a quarterly basis, via a comprehensive management accounts package which includes income and expenditure accounts, balance sheets, cash flow forecasts, and key performance indicators.

Control procedures

Policies and procedures are in place for significant aspects of the organisation's business. These include defined authorisation levels for both revenue and capital expenditure, including new projects. The Genesis Homes Board, which has specific delegated powers from the Group Board and subsidiary Boards, examines new projects, recommends major projects for approval by the Board and monitors the progress of those schemes. Other examples of control procedures are fraud prevention, treasury management, health and safety, recruitment, training, and performance monitoring.

For this year the three main strands to the Life Change Programme remained "Employment, Enterprise and Training" "Young People" and "Old and Vulnerable People". The Charity also delivers two cross cutting programmes namely its Financial Capability Advice and its community capacity building Small Grants Programmes.

The latter part of the year has also seen a significant development in the strategic direction the Charity will be taking. The Charity has developed a new approach to extend the reach and breadth of the Life Change Programme.

During the year the Charity has supported 48 projects in 15 boroughs, and led and continued to manage the award

Report of the Board Year ended 31 March 2011

winning Harrow Road Neighbourhood Renewal Partnership, in Westminster. This partnership was awarded the title of Best UK Neighbourhood Renewal Programme for 2009.

Monitoring systems

All members of the Group's Executive team, senior and departmental managers are fully involved in agreeing the annual plan and budget for their part of the business. Managers are required to monitor actual performance each month compared with their budget, and explain and deal with any variances arising. A number of other functional and project-related monitoring systems exist as part of the Group's monitoring systems.

Internal audit

The Internal Audit function continues to assess internal controls, including financial controls and provides independent assurance on areas reviewed. Management is responsible for instituting appropriate action to correct weaknesses identified by the internal and external audit reports and for providing regular updates on the status of the action plans for the GARC. The Group Head of Internal Audit reports directly to the Director of Governance and Compliance and has direct access to the Group Chief Executive in the new structure.

Effectiveness of the system of internal control

The Board recognises that 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 Group's systems are designed to provide the Board with reasonable assurance that problems are identified on a timely basis and dealt with appropriately, that assets are safeguarded against unauthorised use or disposition, that proper accounting records are maintained, and that the financial information used within the business or for publication is reliable.

The process of identifying, evaluating and managing the significant risks faced by the Group is ongoing. It has been in place for the year under review and up to the date of approval of the annual report and is regularly reviewed by the Board. As part of its system of internal control, the Board have a clear and well-communicated strategy and policy which defines fraud, and covers the prevention and detection of fraud within the Group, outlining how it is reported both internally and externally, together with its expectations on the recovery of assets. A clearly established whistle-blowing policy and procedures are in place should fraud or attempted fraud be reported, discovered or suspected.

The above procedures and policies are designed to identify, evaluate and manage the significant risks to the Group. The Board have received the Group Chief Executive's annual report on internal control assurance, reviewed the main policies designed to provide effective internal control, reviewed the fraud register, which indicates whether the Tenant Services Authority has been notified, and reflected the information contained within it in its review.

The Board confirm that during the year there were no identified weaknesses in internal controls, which resulted in material losses, contingencies or uncertainties that require disclosure in the financial statements or in the report of the auditor.

Employee involvement

Genesis encourages the involvement of its employees in its management through regular meetings of the Genesis Forum, a consultative body of staff which has a key role in the dissemination of information of particular concern to employees and for receiving employee views on important matters of policy. The Staff Forum was engaged much more closely throughout the recent changes arising from the amalgamation.
The Group also encourages and acts upon staff feedback through a number of mechanisms, which this year has included a major staff perception survey as part of the Times Top 100 Employers process. The feedback is used to drive a process of continuous improvement in employee engagement. Other initiatives include regular sessions of the senior managers with the Group Chief Executive and sessions offering all staff across the Group the opportunity to meet with him at least once a year. The well-established Genbrief system cascades information and allows upward feedback and questions, to which answers are shared across the Group. Employees continue to be the Group's greatest asset, as shown by Group-wide Investors in People ("IiP") recognition and being designated 'One to Watch' in the Best Companies Survey. The association was also recognised as one of the Times Top 50 places for Women to work, the first Housing Association to achieve this.

Diversity

The Genesis Board has a strong commitment to diversity and the role that it plays in building a workplace culture that delivers excellent services to its diverse residents. The organisation has in place an Equality, Diversity and Inclusion Policy which was revised in December 2010. A Single Equality Scheme provides the organisation with a strategy that covers

Report of the Board Year ended 31 March 2011

all the diversity strands or protected characteristics: disability; gender (including transgender); sexual orientation; religion or belief; age and; ethnic origin. The Policy covers issues relating to service delivery, organisational culture and inclusion for all residents and staff. To ensure that Genesis achieves the goals outlined in this Policy a three year action plan is in place.

Genesis has a Diversity Committee, which on behalf of the Board, oversees the implementation of the Single Equality Scheme by receiving reports on a quarterly basis on progress made. The organisation has a senior management role which takes the day to day lead to ensure delivery of agreed diversity objectives, that the organisation is aware of current legislative requirements and the best ways of meeting those. Genesis works with a number of external organisations (Employers Forum for Disability, Stonewall and Opportunity Now) to ensure that it strives to achieve best practice in all these areas and benchmarks itself against leading organisations.

Genesis takes an inclusive approach with staff and is currently supporting the work of staff networks that address particular areas of concern; these are the Disability, Lesbian, Gay and Bisexual and Women's networks. The networks work with staffing and service delivery issues. The Board itself strives to represent the communities within which Genesis work by ensuring that membership of the Board is diverse to bring to the table a people with different experiences, knowledge and understanding of residents housing needs.

Health and safety

Genesis continues to be committed to providing a safe and healthy environment for all its staff, customers and visitors. Based on previous performance and a dedication to continuous improvement a revised Genesis Health and Safety Policy Statement includes key objectives designed to further improve performance in 2011/2012. The policy is supported by new and updated key performance indicator for the business that seek to provide ongoing assurance to the Board, stakeholders, customers and employees.
Genesis's Health and Safety systems have been evaluated by the Royal Society for the Prevention of Accidents ("RoSPA") and achieved a Gold Award which is the highest level of award that RoSPA grants. In June 2010, the Group was fined £12,000 for breaches of the Health and Safety at Work etc.
Act 1974, arising from a lack of risk assessments for Legionella at an older persons scheme in Basildon between 2005 and 2007. Genesis has taken a number of actions to minimise the possibility of reoccurrence in the future including ensuring that Legionella assessments are undertaken, the findings are implemented and appropriate ongoing controls are maintained. In support of this, a new health and safety standard for water safety has been prepared and implemented and checks on compliance continue to be made.

Environmental issues

The Group takes very seriously its obligations to ensure that in all its actions, full account is taken of their possible impact upon the environment. In the management of its property portfolio, the construction of new homes and in its direct and overhead expenditure, the Group endeavours to act in a manner which is environmentally responsible and sustainable in the longer term.

Political and charitable contributions

During the year the Group made donations of £3,550 (2010: £5,145) to registered charities and a donation of £1,380,416 (2010: £750,000) to Genesis Community Foundation. It made no contributions to political parties or incurred any political expenditure during the year (2010: £nil).

Disclosure of information to auditor

The Board Members who held office at the date of approval of this Report of the Board confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each Board Member has taken all the steps that he/she ought to have taken as a Board Member to make himself/herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information. Disclosure of information to auditor

Disclosure of information to auditor

The Group takes very seriously its obligations to ensure that in all its actions, full account is taken of their possible impact upon the environment. In the management of its property portfolio, the construction of new homes and in its direct and overhead expenditure, the Group endeavours to act in a manner which is environmentally responsible and sustainable in the longer term.

Going Concern

The Board has a reasonable expectation that the Association has adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Auditor

A resolution to appoint KPMG as external auditor will be proposed at the Annual General Meeting of Genesis Housing Group Limited to be held on 20 September 2011.

By order of the board

The Chair

Genesis Housing Group Limited
Capital House
25 Chapel Street
London
NW1 5DT

Independent auditors' report to the members of Genesis Housing Group Limited

We have audited the financial statements of Genesis Housing Group Limited for the year ended 31 March 2011 which comprise the Group and Association Income and Expenditure Accounts, the Group Statement of Total Recognised Surpluses and Deficits, the Group Note of Historical Cost Surpluses and Deficits, the Group and Association Balance Sheets, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of the Board and auditor

As more fully explained in the Statement of Board's Responsibilities set out on page 25, the Group's Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at http://www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the Group and the Association as at 31 March 2011 and of the Group and Association surplus for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2003 and the Industrial and Provident Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

Matters on which we are required to report by exception

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

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

Chris Wilson
Senior Statutory Auditor
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Arlington Business Park
Theale
Reading
RG7 4SD

Group income and expenditure account

Year ended 31 March 2011

	Note	2011 Group excluding joint venture activities £m	2011 Share of joint venture activities £m	2011 Group £m	2010 Group excluding joint venture activities £m	2010 Share of joint venture activities £m	2010 Group £m
Turnover							
Continuing operations	2,3	**266.4**	**2.1**	**268.5**	268.9	7.4	276.3
Acquisitions		**-**	**-**	**-**	2.7	-	2.7
Discontinued operations		**-**	**6.1**	**6.1**	-	-	-
		266.4	**8.2**	**274.6**	271.6	7.4	279.0
Cost of sales	2	**(46.5)**	**(1.9)**	**(48.4)**	(58.0)	(1.4)	(59.4)
Gross surplus		**219.9**	**6.3**	**226.2**	213.6	6.0	219.6
Impairment	2	**(20.7)**	**-**	**(20.7)**	(5.9)	-	(5.9)
Other operating costs	2,3	**(180.0)**	**(2.9)**	**(182.9)**	(170.8)	(2.6)	(173.4)
Total operating costs		**(200.7)**	**(2.9)**	**(203.6)**	(176.7)	(2.6)	(179.3)
Operating surplus							
Continuing operations		**19.2**	**0.2**	**19.4**	36.5	3.4	39.9
Acquisitions		**-**	**-**	**-**	0.4	-	0.4
Discontinued operations		**-**	**3.2**	**3.2**	-	-	-
		19.2	**3.4**	**22.6**	36.9	3.4	40.3
Surplus/(deficit) on sale of properties – continuing operations	7	**22.7**	**-**	**22.7**	19.2	0.2	19.4
Surplus/(deficit) on sale of properties - discontinued operations		**-**	**0.4**	**0.4**	-	-	-
Surplus on sale of interest in joint ventures		**6.2**	**-**	**6.2**	-	-	-
Amounts written off on interest in joint ventures		**(0.6)**	**-**	**(0.6)**	-	-	-
Net interest payable and similar charges	8	**(37.9)**	**(8.6)**	**(46.5)**	(34.2)	(7.8)	(42.0)
Surplus/(deficit) on ordinary activities before taxation	4	**9.6**	**(4.8)**	**4.8**	21.9	(4.2)	17.7
Tax on surplus/(deficit) on ordinary activities	9	**0.1**	**-**	**0.1**	-	(5.0)	(5.0)
Surplus/(deficit) for the financial year		**9.7**	**(4.8)**	**4.9**	21.9	(9.2)	12.7

Notes on pages 38 to 78 form part of the financial statements.

Association income and expenditure account

Year ended 31 March 2011

	Note	2011 £m	2010 £m
Turnover		**56.2**	47.8
Operating costs		**(54.6)**	(47.2)
Operating surplus		**1.6**	0.6
Net interest payable and similar charges	8	**(0.3)**	(0.5)
Surplus on ordinary activities before taxation	4	**1.3**	0.1
Tax on surplus on ordinary activities	9	**-**	-
Surplus for the financial year		**1.3**	0.1

All amounts relate to continuing activities.

There is no difference between the company's results as reported and on a historical cost basis. Accordingly no note of historical cost surpluses and deficits has been prepared.

Notes on pages 38 to 78 form part of the financial statements.

Balance sheets At 31 March 2011

	Note	Group 2011 £m	Group 2010 £m	Association 2011 £m	Association 2010 £m
Fixed assets					
Tangible assets:	10				
Housing properties at cost		**2,491.8**	2,461.4	**-**	-
Less: Social housing grants and other grants		**(1,088.7)**	(1,042.9)	**-**	-
Less: Depreciation		**(67.7)**	(46.8)	**-**	-
		1,335.4	1,371.7	**-**	-
Investments:	11				
Investments in subsidiaries		**-**	-	**0.1**	-
Investments in joint ventures:					
Share of gross assets		**3.2**	172.3	**-**	-
Share of gross liabilities		**(0.7)**	(172.6)	**-**	-
Loans		**6.2**	14.5	**-**	-
Listed investments at market value		**1.1**	1.1	**-**	-
Other tangible fixed assets	12	**15.3**	16.8	**4.6**	5.5
		1,360.5	1,403.8	**4.7**	5.5
Current assets					
Housing properties, stock for sale and work in progress	13	**167.2**	145.2	**-**	-
Debtors*	14	**44.5**	50.4	**46.7**	109.4
Investments	15	**17.6**	43.4	**-**	-
Cash at bank and in hand		**52.4**	27.9	**-**	-
		281.7	266.9	**46.7**	109.4
Creditors: amounts falling due within one year	16	**(89.8)**	(87.1)	**(51.6)**	(39.1)
Net current assets/(liabilities)		**191.9**	179.8	**(4.9)**	70.3
Total assets less current liabilities		**1,552.4**	1,583.6	**(0.2)**	75.8

* including Group £1.9m (2010: £1.3m); Association £nil (2010: £73.1) due after more than one year.

Balance sheets At 31 March 2011

	Note	Group 2011 £m	Group 2010 £m	Association 2011 £m	Association 2010 £m
Creditors: amounts falling due after more than one year	17	**(1,346.6)**	(1,385.0)	**(0.1)**	(76.9)
Provisions for liabilities	18	**(4.3)**	(3.6)	**(0.9)**	-
Net assets/(liabilities) excluding pension liabilities		**201.5**	195.0	**(1.2)**	(1.1)
Pension liabilities	25	**(3.1)**	(9.9)	**(3.1)**	(9.9)
Net assets/(liabilities) including pension liabilities		**198.4**	185.1	**(4.3)**	(11.0)
Reserves					
Negative goodwill	19	**48.6**	49.0	**-**	-
Revaluation reserve	20	**-**	6.7	**-**	-
Restricted reserves	20	**1.1**	1.1	**-**	-
Revenue reserve	20	**148.7**	128.3	**(4.3)**	(11.0)
		198.4	185.1	**(4.3)**	(11.0)

Notes on pages 38 to 78 form part of the financial statements.

These financial statements were approved by the board of directors on 26 July 2011 and were signed on its behalf on 19 August 2011 by:

Charles Gurassa
Group Chair

Robert Kerse
Director of Finance

Jackie Bligh
Company Secretary

Consolidated cash flow statement

Year ended 31 March 2011

	Note	2011 £m	2010 £m
Reconciliation of operating surplus to net cash flow from operating activities			
Operating surplus		**19.2**	36.9
Depreciation charges and impairment		**25.1**	13.1
Amortisation of negative goodwill		**(0.8)**	(3.9)
Goodwill written off		**-**	0.2
Profit on sale of first tranche sales		**-**	(6.0)
Profit on sale of properties sold outright		**-**	(0.9)
(Profit)/loss on investments and other fixed assets		**0.3**	(0.3)
(Increase) in stocks		**(14.7)**	-
Decrease/(increase) in debtors		**5.0**	(10.8)
(Decrease)/increase in creditors		**(12.9)**	(6.8)
Increase/(decrease) in provisions		**0.7**	(0.4)
Adjustment for pension funding		**(1.4)**	(0.6)
Adjustments for non-cash items		**(1.1)**	-
Net cash inflow from operating activities		**19.4**	20.5
Cash flow statement			
Cash flow from operating activities		**19.4**	20.5
Returns on investments and servicing of finance	26	**(53.5)**	(53.1)
Capital expenditure and financial investment (net)	26	**59.5**	41.7
Acquisitions	26	**-**	1.1
Cash inflow/(outflow) before management of liquid resources and financing		**25.4**	10.2
Management of liquid resources	26	**25.8**	(35.0)
Financing	26	**(32.6)**	3.5
Increase/(decrease) in cash in the period		**18.6**	(21.3)
Reconciliation of net cash flow to movement in net debt	27		
Increase/(decrease) in net cash in period		**18.6**	(21.3)
Cash used to (decrease)/increase liquid resources		**(25.8)**	35.0
Net change in borrowing		**32.6**	(3.5)
Non-cash changes		**0.7**	(0.6)
Movement in net debt in the period		**26.1**	9.6
Net debt at the start of the period		**(1,304.0)**	(1,313.6)
Net debt at the end of the period		**(1,277.9)**	(1,304.0)

Statement of total recognised surpluses and deficits

Year ended 31 March 2011

	Group 2010 £m	Group 2010 £m	**Association 2011 £m**	Association 2010 £m
Surplus for the financial year	**4.9**	12.7	**1.3**	0.1
Unrealised increase on revaluation of joint ventures investment properties	**3.4**	5.2	**-**	-
Actuarial gain/(loss) recognised in the pension schemes	**5.4**	(1.5)	**5.4**	(1.5)
Total recognised surpluses and deficits relating to the financial year	**13.7**	16.4	**6.7**	(1.4)

Note of historical cost surpluses and deficits

Year ended 31 March 2011

	2011 £m	2010 £m
Group		
Reported surplus on ordinary activities before taxation	**4.8**	17.7
Realisation of property revaluation gains of previous years	**10.1**	1.0
Historical cost surplus on ordinary activities before taxation	**14.9**	18.7
Historical cost surplus for the year retained after taxation	**15.0**	13.7

Notes to the financial statements Year ended 31 March 2011

1 | Accounting policies

The following accounting policies will be applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation
The financial statements have been prepared on the going concern basis and in accordance with applicable accounting standards, the Statement of Recommended Practice 'Accounting by Registered Social Landlords' 2008, under the historical cost accounting rules with the exception of listed investments which are included at market value and comply with the Accounting Requirements for Registered Social Landlords General Determination 2006.

Basis of consolidation
The consolidated accounts incorporate the financial statements of Genesis Housing Group Limited, its subsidiaries, associates and joint ventures. Further details of the subsidiaries, associates and joint ventures are disclosed in note 12. The results of subsidiaries are included in the consolidated Income and Expenditure account from the date of incorporation or acquisition. Subsidiaries acquired during the year are consolidated using the acquisition method. Intra-group surpluses or deficits are eliminated on consolidation. For newly acquired legal entities where the difference between the cost of acquisition of its shares and the fair value of the separable net assets acquired gives rise to goodwill, this is capitalised and written off on a straight line basis over its estimated economic life. Provision is made for impairment where appropriate.

All subsidiaries financial statements are made up to 31 March except Silver Property Development Company Limited, whose financial year ends on 31 October.

Negative goodwill
Negative goodwill arises where the value of the separable net assets of a legal entity acquired exceeds the cost of acquisition. It is included within reserves and released to the Income and Expenditure account in the periods in which the fair values of the non-monetary assets purchased on the same acquisition are recovered, whether through depreciation, sale or conversion to cash.

Investments
Investments in subsidiary undertakings and loans to joint ventures are stated at cost less any impairment or write offs.

Joint ventures and associated undertakings are accounted for under the equity accounting method recognising the Group's share of the results and net assets on consolidation.

Listed investments are stated at their market value.

Fixed assets and depreciation
Housing properties
Housing properties constructed or acquired on the open market are stated at cost less the amount of grants received towards their cost and depreciation. Cost includes the cost of acquiring land and buildings, development costs, interest capitalised during the development period, directly attributable administration costs, and expenditure incurred in improving or reinvesting in existing properties. Capitalised interest is the interest on borrowings specifically financing the development or construction of those properties payable during the period of construction.

Expenditure on major refurbishment to properties is capitalised where the works increase the net rental stream over the life of the property. An increase in the net rental stream may arise through an increase in the net rental income, a reduction in future maintenance costs, or a subsequent extension in the life of the property. All other repair and replacement expenditure is charged to the Income and Expenditure account.

Donated land is accounted for as both a cost incurred to acquire land and grant received where the land is donated by a public body. Where the land is donated by a private donor then the excess value is recognised in turnover.

Notes to the financial statements Year ended 31 March 2011

1 | Accounting policies (continued)

Freehold land is not depreciated. Depreciation is charged so as to write down the value of freehold housing properties, other than freehold land, to their estimated residual value on a straight line basis over their remaining expected useful economic life. Useful economic life is estimated between 80 and 125 years.

Housing properties in the course of construction, excluding the estimated cost of the element of shared ownership properties expected to be sold in first tranche, are included in fixed assets and held at cost (less any impairment), and are transferred to completed properties when ready for letting.

Leasehold housing properties owned by the Group are stated at cost and are depreciated on a straight line basis over the period of the lease except where the expected useful economic life is shorter than the lease in which case they are depreciated separately over their expected useful life.

Impairment reviews are carried out annually. Other assets are reviewed for impairment if there is an indication that impairment may have occurred. Where there is evidence of impairment, fixed assets are written down to higher of value in use and the net recoverable amount. Any impairment charge is recognised in the Income and Expenditure Account. When housing properties are developed for sale to another social landlord, the cost less any related capital grant is dealt with in current assets under housing properties and stock for sale.

Completed housing properties in subsidiaries acquired are valued at existing use value for social housing at the date of acquisition, plus related social housing grant.

Low cost home ownership housing properties and staircasing
Under low cost home ownership arrangements, the Group disposes of a long lease on low cost home ownership housing units for a share ranging between 25% and 75% of value. The Buyer has the right to purchase further proportions and up to 100% based on the market valuation of the property at the time each purchase transaction is completed.
Low cost home ownership properties are split proportionately between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover. The remaining element, "staircasing element", is classed as a fixed asset and included in completed housing property at cost less Social Housing Grants ("SHG") and any provision for impairment. Sales of subsequent tranches are treated as a part disposal of a fixed asset. Such staircasing sales may result in capital grant being deferred or abated and any abatement is credited in the sale account in arriving at the surplus or deficit. The properties are not depreciated on the expectation that the net realisable value at the time of disposal will be in excess of the historical cost.

Social housing grant
SHG received from the Homes and Communities Agency ("HCA") is utilised to reduce the capital cost of housing properties, including the cost portion attributable to land. SHG due from the HCA or received in advance is included as a current asset or liability. SHG received in respect of revenue expenditure is credited to the Income and Expenditure Account in the same period as the expenditure to which it relates.
SHG is subordinated to the repayment of secured loans by agreement with the HCA. SHG released on sale of property may be repayable but is normally available to be recycled and is credited to the Recycled Capital Grant Fund or Disposal Proceeds Fund.

Notes to the financial statements Year ended 31 March 2011

1 | Accounting policies (continued)

Recycled Capital Grant Fund
On the occurrence of certain relevant events, primarily the sale of dwellings, the HCA can direct the Association to recycle capital grants or to make repayments of the recoverable amount. The Group adopts a policy of recycling, for which a separate fund is maintained. If unused within a three year period, it will be repayable to the HCA with interest. Any unused recycled capital grant held within the recycled capital grant fund, which it is anticipated will not be used within one year is disclosed in the balance sheet under "creditors due after more than one year". The remainder is disclosed under "creditors due within one year".

Other fixed assets and depreciation
Tangible fixed assets other than housing properties are stated at cost less accumulated depreciation. Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets on a straight line basis over the expected useful life of the asset. The annual depreciation rates are as follows:

	per annum
Freehold office premises and commercial premises	1⅔%
Office improvements	15%
Motor vehicles	25%
Office furniture and computer equipment	25%
Key workers' furniture	25%
Tenants' furniture	33⅓%

No depreciation is provided on freehold land.

Supported housing schemes
The Group receives Supporting People grant from a number of London Boroughs and County Councils. The grants received in the period as well as costs incurred by the Group in the provision of support services have been included in the Income and Expenditure account. Any excess of cost over the grant received is borne by the Group where it is not recoverable from tenants.

Service charges
The Group adopts the variable method for calculating and charging service charges to its tenants and leaseholders. Expenditure is recorded when a service is provided and charged to the relevant service charge account or to a sinking fund. Income is recorded based on the estimated amounts chargeable.

Management of units owned by others
Management fees receivable and reimbursed expenses are shown as income and included in management fees receivable. Costs of carrying out the management contracts and rechargeable expenses are included in operating costs.

Schemes managed by agents
Income is shown as rent receivable and management fees payable to agents are included in operating costs.

Leases
Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the Income and Expenditure account on a straight line basis over the period of the lease.

Post-retirement benefits
The Group participates in four pension schemes.

Defined benefit schemes
The assets are held separately from those of the Group. Pension scheme assets are measured using market values. Pension liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.The pension surplus (to the extent that it is recoverable) or deficit is recognised in full.

The movement in the scheme surplus/deficit is split between operating charges and finance items which are recognised in the Income and Expenditure Account and, in the statement of total recognised surpluses and deficits, actuarial gains and losses.

The Group participates in SHPS which is a multi-employer pension scheme providing benefits based on final pensionable pay and more recently career averaged revalued earnings. The assets of the scheme are held separately from those of the Group. The Group is unable to identify its share of the underlying assets of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme.

1 | Accounting policies (continued)

As a result, the amount charged in the Income and Expenditure Account represents the contributions payable to the scheme in respect of the financial year.

Money purchase scheme
The Group also participates in a defined contribution scheme where the amount charged to the Income and Expenditure Account represents the contributions payable to the scheme in respect of the financial year.

Housing properties, stock for sale and work in progress
Housing properties, stocks for sale and work in progress are stated at the lower of cost and net realisable value. Cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Long term contracts
The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the Income and Expenditure Account, after deducting foreseeable losses and payments on account not matched with turnover. Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

Provisions
Provisions are made to meet liabilities which are expected to arise in future years but are of uncertain timing or amounts. Arrears provisions are made and systematically reviewed on an ongoing basis taking into consideration current market conditions, historical write offs and other particular known factors which can affect payment of the amounts.

Taxation
The Group is VAT registered. As a large proportion of its income, including rents, is exempt, this gives rise to a partial exemption calculation. Expenditure is therefore shown gross of value added tax, where applicable.

The charge for taxation is based on the surplus for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised on a prudent basis, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19 "Deferred tax".

Cash and liquid resources
Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year (other than cash), government securities and investments in money market managed funds.

Financial instruments
The impact of financial instruments such as interest rate swap is recorded in the Income and Expenditure Account only in respect of current passing payments and on an accruals basis. Neither the market values of such instruments nor movements in them during the year are recorded in the Balance Sheet or the Income and Expenditure Account, but disclosed by way of a note.

Turnover
Turnover represents rental income, service charge income receivable, management fees (excluding Value added tax), revenue grants, first tranche sales of low cost home ownership properties and other income including sales of properties developed for outright sale. All turnover arose in the United Kingdom.

Notes to the financial statements Year ended 31 March 2011

2 | Turnover, operating costs and operating surplus

	2011 Turnover	2011 Cost of sales	2011 Impairment	2011 Other operating costs	2011 Operating surplus/ (deficit)	2010 Turnover	2010 Cost of sales	2010 Impairment	2010 Other operating costs	2010 Operating surplus/ (deficit)
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Social housing lettings										
General needs	**97.1**	**-**	**-**	**(70.5)**	**26.6**	86.5	-	-	(61.1)	25.4
Temporary housing	**63.9**	**-**	**-**	**(61.6)**	**2.3**	67.7	-	-	(64.6)	3.1
Supported housing	**27.3**	**-**	**-**	**(26.2)**	**1.1**	28.2	-	-	(27.9)	0.3
Low cost home ownership	**10.7**	**-**	**-**	**(5.2)**	**5.5**	7.2	-	-	(4.5)	2.7
Keyworker accommodation (NHS)	**7.2**	**-**	**-**	**(4.9)**	**2.3**	6.8	-	-	(4.0)	2.8
	206.2	**-**	**-**	**(168.4)**	**37.8**	196.4	-	-	(162.1)	34.3
Other social housing activities										
First tranche sales	**32.8**	**(27.8)**	**-**	**-**	**5.0**	37.7	(31.7)	-	-	6.0
Development administration	**-**	**-**	**-**	**(1.0)**	**(1.0)**	-	-	-	(2.5)	(2.5)
Non social lettings	**4.2**	**-**	**-**	**(7.1)**	**(2.9)**	3.9	-	-	(4.1)	(0.2)
Outright sales	**12.7**	**(12.5)**	**-**	**-**	**0.2**	25.1	(24.2)	(0.4)	-	0.5
Other activities	**10.5**	**(6.2)**	**(20.7)**	**(3.5)**	**(19.9)**	8.5	(2.1)	(5.5)	(2.1)	(1.2)
	266.4	**(46.5)**	**(20.7)**	**(180.0)**	**19.2**	271.6	(58.0)	(5.9)	(170.8)	36.9

Notes to the financial statements Year ended 31 March 2011

3 | Income and expenditure from social housing lettings

	General needs	Temporary housing	Supported housing	Low cost home ownership	Key worker accommodation (NHS)	Total 2011	Total 2010
	£m	£m	£m	£m	£m	£m	£m
Turnover from social housing lettings							
Rents receivable net of identifiable service charges	81.2	64.5	11.9	8.2	6.9	172.7	166.4
Service charges	8.1	-	8.0	2.1	-	18.2	17.8
Gross rental income	89.3	64.5	19.9	10.3	6.9	190.9	184.2
Rent and service charge losses from voids	(1.2)	(2.0)	(0.5)	-	(0.1)	(3.8)	(5.9)
Net rental income	88.1	62.5	19.4	10.3	6.8	187.1	178.3
Management fees receivable	6.0	0.8	-	-	0.4	7.2	8.2
Supporting people grant	-	-	7.1	-	-	7.1	6.4
Grants from local authorities and other agencies	-	-	0.7	-	-	0.7	0.7
Other income	3.0	0.6	0.1	0.4	-	4.1	2.8
Total turnover from social housing lettings	97.1	63.9	27.3	10.7	7.2	206.2	196.4
Operating costs on social housing lettings							
Housing management	(36.8)	(8.4)	(7.0)	(2.9)	(3.4)	(58.5)	(50.8)
Care and support	-	-	(4.8)	-	-	(4.8)	(6.3)
Service charges	(9.1)	-	(8.0)	(1.5)	-	(18.6)	(16.7)
Routine maintenance	(9.4)	(2.9)	(4.0)	(0.5)	(0.9)	(17.7)	(17.7)
Planned maintenance	(3.7)	-	(0.3)	-	-	(4.0)	(5.7)
Major repairs expenditure	(6.3)	-	(1.6)	-	-	(7.9)	(5.3)
Rent losses from bad debts	(0.4)	(0.6)	-	(0.1)	-	(1.1)	(1.7)
Landlords rents	(0.3)	(49.9)	(0.1)	-	-	(50.3)	(52.7)
Property depreciation	(4.5)	-	(0.4)	(0.2)	(0.6)	(5.7)	(5.6)
Dilapidations	-	0.2	-	-	-	0.2	0.4
Total operating costs on social housing lettings	(70.5)	(61.6)	(26.2)	(5.2)	(4.9)	(168.4)	(162.1)
Operating surplus	26.6	2.3	1.1	5.5	2.3	37.8	34.3

4 | Notes to the income and expenditure account

	Group 2011 £m	Group 2010 £m	Association 2011 £m	Association 2010 £m
Surplus on ordinary activities before taxation is stated after charging/(crediting):				
Depreciation and other amounts written off tangible fixed assets:				
Owned	**9.1**	7.2	**1.9**	1.5
Net impairment charge	**16.0**	4.9	**-**	-
Stock write down - housing properties, stock for resale and work in progress	**4.7**	1.0	**-**	-
Amortisation of negative goodwill	**(0.8)**	(3.9)	**-**	-
Operating leases:				
Land and buildings – temporary housing	**50.0**	50.6	**-**	-
Land and buildings – offices	**1.3**	1.6	**1.4**	1.3
Hire of other assets	**1.2**	0.1	**-**	-

Auditors' remuneration:	Group 2011 £000	Group 2011 £000
Amounts receivable by the auditors and their associates in respect of:		
Audit of these financial statements and of consolidated financial statements and financial statements of subsidiaries pursuant to legislation	**384**	303
Additional fees in respect of prior year audit	**24**	142
Other services relating to taxation	**28**	28
Services relating to corporate finance advice	**29**	40
Other services	**38**	72

Auditors' remuneration for the audit of the Association's financial statements amounts to £16,000 (2010: £ 16,000).

5 | Employee information

The average number of full time equivalent employees were:

	Group 2011 No.	Group 2010 No.	Association 2011 No.	Association 2010 No.
Administration	**214**	204	**171**	150
Development	**69**	65	**69**	62
Housing management	**611**	574	**563**	547
Care and support	**511**	668	**-**	-
Community development and fundraising	**42**	29	**42**	36
	1,555	1,540	**845**	795

Staff costs for the above persons:

	Group 2011 £m	Group 2010 £m	Association 2011 £m	Association 2010 £m
Wages and salaries	**41.0**	39.6	**27.4**	24.6
Social security costs	**3.7**	3.6	**2.6**	2.4
Employees insurance costs	**0.1**	0.1	**0.1**	0.1
Other pension costs	**1.7**	1.7	**1.2**	1.2
	46.5	45.0	**31.3**	28.3

Salary banding and range:

Salary banding for all employees earning over £100,000 (including salaries, performance related pay and benefits in kind but excludes pension contributions paid by the employer and any termination payments):

a) Salary banding for employees earning over £100,000

Salary bands £000	Group 2011 No.	Group 2011 No.
100-120	**3**	3
121-140	**2**	3
141-160	**-**	-
161-180	**-**	-
181-200	**1**	-
Over 200	**-**	-
	6	6

b) Salary range	£
Lowest paid employee	12,218
Highest paid employee	200,000
Average salary per employee	30,088

The range of salaries does not include Housing Assistance Night Care (HANC) staff or those who provide relief cover.

Notes to the financial statements Year ended 31 March 2011

6 | Directors' emoluments

Remuneration disclosed includes remuneration of the Board Members, the Group Chief Executive and the Executive Officers.

	2011 £000	2010 £000
Non Executive Board Members	**61**	51
Executives' emoluments (including pension contributions)	**696**	817
Compensation for loss of office (including pension contributions)	**176**	360
	933	1,228

The aggregate of emoluments of the highest paid director comprised salary of £200,000 (2010: £134,460 Group Director of Development) and pension contributions of £15,000 (2010: £ 10,098) which were made to a defined contribution scheme.

	2011 No.	2010 No.
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**1**	2
Defined benefit schemes	**1**	2

The Group Chief Executive is a member of the defined contribution pension scheme with no special emoluments.

Notes to the financial statements Year ended 31 March 2011

7 | Surplus on sale of properties

	No. of units	Sales value £m	Cost of sales £m	Surplus/ (deficit) 2011 £m	Surplus/ (deficit) 2010 £m
Group					
Sales of previously rented properties	**137**	**30.1**	**(6.7)**	**23.4**	18.9
Sales to regeneration agencies / other RPs	**129**	**30.8**	**(30.0)**	**0.8**	(1.1)
Staircasing of shared ownership properties	**34**	**2.8**	**(2.2)**	**0.6**	0.7
Right to buy and right to acquire	**8**	**1.9**	**(1.9)**	**-**	0.1
Homes for outright sale	**-**	**-**	**-**	**-**	0.6
Other	**7**	**2.6**	**(3.9)**	**(1.3)**	-
Surplus on sale		**68.2**	**(45.5)**	**22.7**	19.2

Notes to the financial statements Year ended 31 March 2011

8 | Net interest payable and similar charges

a) Other interest receivable and similar income

	Group 2011 £m	Group 2010 £m	Association 2011 £m	Association 2010 £m
Bank interest	**0.7**	0.5	**-**	-
Other	**1.3**	1.2	**-**	-
	2.0	1.7	**-**	-

b) Other finance income

	Group 2011 £m	Group 2010 £m	Association 2011 £m	Association 2010 £m
Expected return on pension scheme assets	**2.3**	1.9	**2.3**	1.9
Interest on pension scheme liabilities	**(2.6)**	(2.4)	**(2.6)**	(2.4)
	(0.3)	(0.5)	**(0.3)**	(0.5)

Notes to the financial statements Year ended 31 March 2011

8 | Net interest payable and similar charges (continued)

c) Interest payable and similar charges

	Group 2011 £m	Group 2010 £m	Association 2011 £m	Association 2010 £m
On bank loans and overdrafts	**(56.0)**	(58.2)	**-**	-
Less capitalised interest (see below)	**16.0**	22.6	**-**	-
Loan amortisation of loan premium on consolidation	**0.9**	0.9	**-**	-
Amortisation of loan premium	**0.2**	-	**-**	-
Amortisation of loan arrangement costs	**(0.4)**	(0.6)	**-**	-
Other interest	**(0.3)**	(0.1)	**-**	-
	(39.6)	(35.4)	**-**	-
Share of joint ventures: on bank loans, overdrafts and other loans	**(8.6)**	(7.8)	**-**	-

Interest has been capitalised into tangible fixed assets at a rate of 5.00% (2010: 4.25%).

d) Net interest payable and similar charges

	Group 2011 £m	Group 2010 £m	Association 2011 £m	Association 2010 £m
Other interest receivable and similar income	**2.0**	1.7	**-**	-
Other finance costs	**(0.3)**	(0.5)	**(0.3)**	(0.5)
Interest payable and similar charges	**(39.6)**	(35.4)	**-**	-
Net interest payable and similar charges	**(37.9)**	(34.2)	**(0.3)**	0.5
Share of joint ventures	**(8.6)**	(7.8)	**-**	-

9 | Taxation

	Group 2011 £m	Group 2010 £m	Association 2011 £m	Association 2010 £m
Analysis of charge in period				
UK corporation tax:				
Current tax on income for the period	**-**	-	**-**	-
Adjustments in respect of prior periods	**-**	-	**-**	-
Total current tax	**-**	-	**-**	-
Deferred tax (see note 14)				
Origination of timing differences	**0.1**	-	**-**	-
Adjustments to estimated recoverable amount of deferred tax assets arising in previous periods	**-**	5.0	**-**	-
Total deferred tax	**0.1**	5.0	**-**	-
Tax on surplus on ordinary activities	**0.1**	5.0	**-**	-

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2010: lower) than the standard rate of corporation tax in the UK of 28% (2010: 28%). The differences are explained below:

Current tax reconciliation

	Group 2011 £m	Group 2010 £m	Association 2011 £m	Association 2010 £m
Surplus/(deficit) on ordinary activities before tax	**4.8**	17.7	**1.3**	-
Current tax at 28% (2010: 28%)	**1.3**	5.0	**0.4**	-
Effects of: Expenses not deductible for tax purposes		1.8	**-**	-
Surplus covered by charitable exemption	**(6.4)**	(2.4)	**-**	-
Income not subject to corporation tax	**(0.3)**	(5.0)	**-**	-
Capital allowances for period in excess of depreciation	**-**	-	**-**	-
Depreciation in excess of capital allowances	**0.3**	0.1	**0.3**	0.2
Utilisation of tax losses	**(0.1)**	(0.5)	**0.3**	(0.2)
Unutilised losses carried forward	**5.6**	1.0	**-**	-
Adjustment – pension contributions	**(0.4)**	-	**(0.4)**	-
Total current tax charge (see above)	**-**	-	**-**	-

On 23 March 2011 the Chancellor announced the reduction in the main rate of UK corporation tax to 26% with effect from 1 April 2011. This change became substantively enacted on 29 March 2011 and therefore the effect of the rate reduction creates a reduction in the deferred tax asset which have been included in the figures above. The Chancellor also proposed changes to further reduce the main rate of corporation tax by 1% per annum to 23% by 1 April 2014, but these changes have not yet been substantively enacted and therefore are not included in the figures above. The overall effect of the further reductions from 26% to 23%, if these applied to the deferred tax balance at 31 March 2011, would be to further reduce the deferred tax asset by approximately £12k.

Notes to the financial statements Year ended 31 March 2011

10 | Tangible fixed assets – the Group

	Housing properties held for letting	Housing properties under construction	Short leasehold held for letting	Shared ownership housing properties	Shared ownership housing properties under construction	Total
	£m	£m	£m	£m	£m	£m
Cost						
At beginning of year	1,704.9	383.7	1.5	331.2	40.1	**2,461.4**
Reclassification	2.0	(0.5)	-	-	0.2	**1.7**
Adjustments re St. Matthew Housing	0.4	-	-	-	-	**0.4**
Additions – work done	8.1	64.7	-	-	16.0	**88.8**
Disposals	(31.5)	-	-	(9.1)	-	**(40.6)**
Transfers between items	(9.3)	9.5	-	(0.2)	-	**-**
Transfers between asset classes	(18.3)	6.9	-	(3.8)	4.0	**(11.2)**
Cleared against grants	(8.7)	-	-	-	-	**(8.7)**
Properties completed	158.6	(158.6)	-	37.4	(37.4)	**-**
At end of year	**1,806.2**	**306.1**	**1.5**	**355.5**	**22.9**	**2,491.8**
Capital grant						
At beginning of year	854.7	75.2	0.7	105.8	6.5	**1,042.9**
Reclassification	2.3	0.5	-	(0.2)	(0.1)	**2.5**
Received during year	-	65.9	-	-	7.9	**73.8**
On disposals	(17.0)	(1.4)	-	(3.4)	-	**(21.8)**
Cleared against cost	(8.7)	-	-	-	-	**(8.7)**
Transfers between items	(15.8)	7.1	-	6.5	2.2	**-**
Transfers on completion	61.3	(61.3)	-	7.9	(7.9)	**-**
At end of year	**876.8**	**86.0**	**0.7**	**116.6**	**8.6**	**1,088.7**

Notes to the financial statements Year ended 31 March 2011

10 | Tangible fixed assets (continued)

	Housing properties held for letting £m	Housing properties under construction £m	Short leasehold held for letting £m	Shared ownership housing properties £m	Shared ownership housing properties under construction £m	Total £m
Depreciation and impairment						
At beginning of year	33.4	13.3	0.1	-	-	**46.8**
Reclassification	(1.2)	0.1				**(1.1)**
Depreciation charge	6.0	-	0.1	-	-	**6.1**
Impairment	(0.3)	15.2	-	-	1.1	**16.0**
On disposals	(0.1)	-	-	-	-	**(0.1)**
At end of year	**37.8**	**28.6**	**0.2**	**-**	**1.1**	**67.7**
Net book value						
At 31 March 2011	**891.6**	**191.1**	**0.6**	**238.9**	**13.2**	**1,335.4**
At 31 March 2010	816.8	295.2	0.7	225.4	33.6	1,371.7

The policy is to recognise units as completed for accounting purposes only when a development is completed and all homes in a phase handed over. Housing properties have been subject to an impairment review. Value in use is based upon net present values, using a discount rate of 4.5% (2010: 5%) and an appraisal period of 60 years plus a terminal value. Properties are written down to the recoverable amount where there is evidence of impairment.

The net book value of land and buildings comprises:	2011 £m	2010 £m
Freehold	**1,281.4**	1,314.6
Leasehold	**54.0**	57.1
	1,335.4	1,371.7

Capitalisation of major repairs

During the year, expenditure on major repairs and improvements were capitalised into the fixed assets, as follows:	2011 £m	2010 £m
Spend on major repairs on existing properties	**16.0**	9.3
Capitalised	**(8.1)**	(4.0)
Expensed through the income and expenditure account	**7.9**	5.3

Notes to the financial statements Year ended 31 March 2011

11 | Fixed asset investments

a) Subsidiary undertakings

The undertakings in which the Association's interest at the year end is more than 20% are as follows:

Subsidiary undertakings	Country of incorporation	Principal activity	Class and percentage of shares held
1. Paddington Churches Housing Association Limited	United Kingdom	Registered provider	Nil – managed on a unified basis
2. Pathmeads Housing Association Limited	United Kingdom	Registered provider	Nil – managed on a unified basis
3. Springboard Housing Association Limited	United Kingdom	Registered provider	Nil – managed on a unified basis
4. Springboard Two Housing Association Limited	United Kingdom	Registered provider	Nil – managed on a unified basis
5. Genesis Community Foundation	United Kingdom	Charity – social regeneration	Nil – managed on a unified basis
6. Genfinance Limited	United Kingdom	Treasury	Ordinary – 100%
7. Genfinance II plc	United Kingdom	Bond issuance	Ordinary – 100%
8. Geninvest Limited	United Kingdom	Non-regulated investments	Ordinary – 100%
9. Genesis Purchasing Limited	United Kingdom	Procurement	Ordinary – 100%
10. Genesis Homes Limited	United Kingdom	Dormant	Ordinary – 100%
11. Larden New Homes Limited*	United Kingdom	Acquisition and development of site at Larden Road	Ordinary – 100%
12. European Urban St Pancras 2 Limited*	United Kingdom	Property development	Ordinary – 100%
13. Pathmeads Residential Limited*	United Kingdom	Property management	Ordinary – 100%
14. Central Chelmsford Development Agency Limited*	United Kingdom	Property development and investment	Ordinary – 100%
15. Stoke Quay New Homes Limited*	United Kingdom	Property development and investment	Ordinary – 100%
16. Choices for Grahame Park Limited*	United Kingdom	Acquisition and development of site at Grahame Park	Ordinary – 100%
17. Pathmeads Property Services Limited*	United Kingdom	Property repairs and maintenance	Ordinary – 100%
18. Genesis Housing Management Limited*	United Kingdom	Dormant	Ordinary – 100%
19. Silver Property Development Company Limited*	United Kingdom	In the process of being struck off	Ordinary – 100%
20. Eastwards Trust*	United Kingdom	Charity	Nil – managed on a unified basis

* held indirectly

11 | Fixed asset investments (continued)

b) Associated undertakings

Participating interests	Country of incorporation	Principal activity	Class and percentage of sales held
Logic Homes Limited	United Kingdom	Joint venture with house builders and architects	Ordinary – 12.5%
Low C Living Limited*	United Kingdom	Dormant	Ordinary – 33.3%
Takeparts Limited*	United Kingdom	Procurement	Ordinary – 20%

* held indirectly

c) Joint ventures

	Country of incorporation	Principal activity	Percentage
Quintessential Homes (Wembley) LLP*	United Kingdom	Property development	25%
Bishopsgate Apartments LLP*	United Kingdom	Property development	50%

* held indirectly

Notes to the financial statements Year ended 31 March 2011

11 | Fixed asset investments (continued)

The Group's share of assets and liabilities of these joint ventures is as follows:

	2011 £m	2010 £m
Share of assets		
Share of fixed assets	**-**	141.2
Share of current assets	**3.2**	31.1
	3.2	172.3
Share of liabilities		
Liabilities due within one year or less	**(0.7)**	(42.8)
Liabilities due after more than one year	**-**	(129.8)
	(0.7)	(172.6)
Share of net assets/(liabilities)	**2.5**	(0.3)

On 22 March 2011, the Group disposed of its interest in Grainger Geninvest LLP and Grainger Geninvest No2 (2006) LLP. The results to the date of disposal are disclosed as discontinued activities in the Income and Expenditure Account. The surplus on sale was £6.2m and this is included in the Income and Expenditure Account.

On 10 May 2011, it also disposed of its interest in Bishopsgate Apartments LLP. The results to 31 March 2011 are disclosed as discontinued activities in the Income and Expenditure Account. A provision of £0.6m has been made in respect of loss made on the sale and is included in the Income and Expenditure Account.

Notes to the financial statements Year ended 31 March 2011

12 | Fixed asset investments (continued)

	Group 2011 £m
Loans to joint ventures	
At beginning of year	**14.5**
Net repayments	**(8.3)**
At end of year	**6.2**

The liabilities of the joint ventures (including bank loans) are without recourse to Genesis Housing Group Limited or its subsidiaries.

d) Listed investments at market value

	Group 2011 £m
At beginning of year	**1.1**
Net gains	**-**
At end of year	**1.1**
Historical cost at 31 March 2011	**1.3**

Notes to the financial statements Year ended 31 March 2011

12 | Other fixed assets - Group

	Commercial properties	Freehold office premises	Office improvements	Motor vehicles	Office furniture and computer equipment	Key workers' furniture	Tenants' furniture	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Cost								
At beginning of year	3.3	9.0	3.6	0.2	8.9	0.8	1.9	**27.7**
Additions	-	-	0.5	-	0.9	-	0.4	**1.8**
Disposals / scrapped	-	(0.1)	(0.8)	(0.1)	(2.6)	-	(1.4)	**(5.0)**
Reclassification	-	-	-	-	(0.5)	-	0.5	**-**
At end of year	**3.3**	**8.9**	**3.3**	**0.1**	**6.7**	**0.8**	**1.4**	**24.5**
Capital grant								
At beginning and end of year	-	1.3	-	-	-	-	-	**1.3**
Depreciation and impairment								
At beginning of year	0.1	1.5	2.0	0.2	4.0	0.7	1.1	**9.6**
Charge for year	-	0.1	0.7	-	1.8	-	0.4	**3.0**
Disposals / scrapped	-	-	(0.6)	(0.1)	(2.6)	-	(1.4)	**(4.7)**
Reclassification	-	-	-	-	(0.1)	-	0.1	**-**
At end of year	**0.1**	**1.6**	**2.1**	**0.1**	**3.1**	**0.7**	**0.2**	**7.9**
Net book value								
At 31 March 2011	**3.2**	**6.0**	**1.2**	**-**	**3.6**	**0.1**	**1.2**	**15.3**
At 31 March 2010	3.2	6.2	1.6	-	4.9	0.1	0.8	16.8

12 | Other fixed assets – Association

	Office improvements £m	Office furniture and computer equipment £m	Total £m
Cost			
At beginning of year	3.1	6.2	**9.3**
Additions	0.5	1.0	**1.5**
Disposals	(0.2)	(0.2)	**(0.4)**
At end of year	**3.4**	**7.0**	**10.4**
Depreciation			
At beginning of year	1.5	2.3	**3.8**
Provided in year	0.7	1.6	**2.3**
Disposals	(0.1)	(0.2)	**(0.3)**
At end of year	**2.1**	**3.7**	**5.8**
Net book value			
At 31 March 2011	**1.3**	**3.3**	**4.6**
At 31 March 2010	1.6	3.9	5.5

13 | Housing properties, stock for resale and work in progress - Group

	2011 Unit nos	2010 Unit nos	2011 £m	2010 £m
Cost				
Low cost home ownership properties –for sale	**153**	533	**26.0**	42.3
Low cost home ownership properties –under construction			**12.1**	20.4
Outright sale properties –for sale	**69**	71	**19.4**	23.4
Outright sale properties –under construction			**76.2**	24.3
Commercial properties – for sale	**25**	18	**14.6**	5.5
Commercial properties – under construction			**12.3**	15.8
Land for sale			**3.8**	-
Other			**11.4**	17.8
			175.8	149.5
Stock write down				
At beginning of year			**4.3**	5.0
Charge for year			**4.7**	1.0
Transferred to cost of sales			**(0.4)**	(1.7)
At end of year			**8.6**	4.3
Net book value			**167.2**	145.2

The above have been reviewed on the basis of net realisable value.

14 | Debtors

	Group 2011 £m	Group 2010 £m	Association 2011 £m	Association 2010 £m
Amounts receivable within one year:				
Rent and service charge arrears	**33.4**	28.1	**-**	-
Provision for bad and doubtful debts	**(11.8)**	(12.6)	**-**	-
	21.6	15.5	**-**	-
Amounts owed by group undertakings	**-**	-	**45.6**	**31.4**
Amounts owed by undertakings in which the Group/Association has a participating interest	**-**	11.9	**-**	**-**
Trade debtors	**4.1**	3.3	**-**	**-**
Other debtors	**4.3**	12.4	**0.3**	**4.2**
Deferred tax assets	**0.1**	-	**-**	**-**
Prepayments and accrued income	**12.5**	6.0	**0.8**	**0.7**
	42.6	49.1	**46.7**	36.3

	Group 2011 £m	Group 2010 £m	Association 2011 £m	Association 2010 £m
Amounts receivable after more than one year:				
Amounts owed by group undertakings	**-**	-	**-**	**73.1**
Other debtors	**1.9**	1.3	**-**	**-**
	1.9	1.3	**-**	73.1

Deferred tax assets	Group 2011 £m	Group 2010 £m
In respect of tax losses		
At beginning of year	**-**	5.0
(Credit)/debit to the income and expenditure account for the year	**0.1**	(5.0)
At end of year	**0.1**	-

15 | Investments (held as current assets)

	Group 2011 £m	Group 2010 £m	Association 2011 £m	Association 2010 £m
Other investments	**17.6**	43.4	**-**	-

Included in the above are cash at bank and investments charged to lenders of £15.5m (2010: £41.3m) and cash at bank held for leaseholders of £2.1m (2010: £2.1m). It is anticipated that the cash at bank and investments charged to lenders will be released from charge within one year.

16 | Creditors: amounts falling due within one year

	Group 2011 £m	Group 2010 £m	Association 2011 £m	Association 2010 £m
Housing loans	**12.0**	9.6	**-**	-
Guaranteed non-recourse housing loans	**1.2**	1.0	**-**	-
Total housing loans (see note 17a and 17b)	**13.2**	10.6	**-**	-
Bank overdrafts	**5.9**	-	**1.9**	-
Trade creditors	**7.9**	10.8	**-**	0.7
Amounts owed to Group undertakings	**-**	-	**43.7**	34.2
Amounts owed to undertakings in which the Group/Association has a participating interest	**-**	2.0	**-**	-
Taxation and social security	**1.8**	2.3	**1.5**	1.0
Other creditors	**16.5**	27.6	**0.5**	0.2
Recycled capital grant fund (note 17d)	**2.9**	1.0	**-**	-
Disposal proceeds fund (note 17d)	**1.4**	2.0	**-**	-
Accruals and deferred income	**40.2**	30.8	**3.9**	3.0
	89.8	87.1	**51.5**	39.1

17 | Creditors: amounts falling due after more than one year

	Group 2011 £m	Group 2010 £m	Association 2011 £m	Association 2010 £m
Housing loans	**1,123.1**	1,157.0	**-**	-
Guaranteed non-recourse housing loans	**5.7**	7.7	**-**	-
Bonds	**200.0**	200.0	**-**	-
Total housing loans (see 17a)	**1,328.8**	1,364.7	**-**	-
Amounts owed to Group undertakings	**-**	-	**-**	76.4
Other creditors	**0.2**	4.5	**0.1**	0.5
Accruals and deferred income	**1.8**	-	**-**	-
Recycled capital grant fund (see 17a)	**9.8**	10.4	**-**	-
Disposal proceeds fund (see 17a)	**1.6**	1.0	**-**	-
Cyclical and major repairs fund	**3.8**	3.8	**-**	-
Shared ownership sinking fund	**0.6**	0.6	**-**	-
	1,346.6	1,385.0	**0.1**	76.9

17 | Creditors: amounts falling due after more than one year (continued)

The maturity of the housing loans is as follows:

Group

a) Housing loans

Housing loans from local authorities, building societies and other lending institutions are secured by specific charges on the Group's housing properties and are repayable at varying rates of interest as follows:

	Nominal value	Loan premium	Deferred interest	Fair value adjustment	Less capitalised loan costs	2011	2010
	£m	£m	£m	£m	£m	£m	£m
Repayable by instalments							
Within one year	1.1	-	-	-	-	1.1	1.1
In the second to fifth years	6.5	-	-	-	-	6.5	4.9
Over five years	928.6	1.3	-	-	(9.0)	920.9	1,006.3
	936.2	1.3	-		(9.0)	928.5	1,012.3
Not repayable by instalments							
Within one year	10.0	-	-	0.9	-	10.9	8.5
In the second to fifth years	49.7	-	-	3.3	-	53.0	4.8
Over five years	130.6	-	-	12.1	-	142.7	141.0
	190.3	-	-	16.3	-	206.6	154.3

b) Guaranteed non-recourse housing loans

These loans have been guaranteed by local authorities and relate to specific properties. The rental stream receivable from the local authorities is guaranteed by them to cover the loans and interest payments. They are index-linked and are secured by fixed charges on the relevant properties. They are repayable as follows:

	2011	2010
	£m	£m
Repayable by instalments		
Within one year	1.2	1.0
In the second to fifth years	1.4	3.0
Over five years	4.3	4.7
	6.9	8.7

Notes to the financial statements Year ended 31 March 2011

17 | Creditors: amounts falling due after more than one year (continued)

On 21 December 2009, Genfinance II plc issued £250m of bonds repayable on 21 December 2039 with interest payable at a fixed rate of 6.064%. £200m of these bonds were secured by a first fixed charge on properties owned by Paddington Churches Housing Association Limited and sold at par to institutional investors. The trust deed entered into at the time of issue required that the reserve bonds of £50m be cancelled if not sold within 18 months of the issue date, i.e. by 21 June 2011 ("the cancellation date"). On 16 June 2011, Genfinance II plc entered into a supplemental bond trust deed with the bond trustee which extends the reserve bond cancellation date from 12 months to 30 months after the issue date, i.e. to 21 June 2012. It will therefore continue to hold the reserve bonds for potential sale prior to the amended cancellation date. No other terms of the bond trust deed have been amended by the supplemental bond trust deed.

Financial risk management

Risk management objectives and policies

The Genesis Housing Group Corporate Finance team is responsible for the management funds and control of associated risks. Its activities are governed by the Group Board and the Board of Genfinance Limited, which is responsible for treasury issues in all Group legal entities, which include Genfinance II plc.

Interest rate risk/Hedging

Genfinance II plc currently borrows on a fixed rate basis from the capital market and then on-lends these funds to Paddington Churches Housing Association Limited (PCHA) on a similar fixed rate basis. As such it does not bear any interest rate risk, apart from the underlying credit risk to PCHA, which is discussed below. It does not have any hedging activities and it does not have any derivatives.

Credit risk

All of the Genfinance II plc's capital market financing proceeds are immediately on-lent to PCHA, which represents the only credit risk to it. The credit risk is migrated through a number of factors, including the housing asset security which stands behind the loan to PCHA, the overall creditworthiness of the Group, the guarantees that the borrower have issued to Genfinance II plc and the contractual protections in the loan agreement itself. It should be noted that the Genesis Housing Group, which includes Genfinance II plc and the borrower, benefits from a strong A1 credit rating from Moody's Investor Services and a Fitch rating of AA-.

At 31 March 2011, the fair value of the bonds was £209.7m

c) Bonds

	2011 £m	2010 £m
Not repayable by instalments		
	200.0	200.0

17 | Creditors: amounts falling due after more than one year (continued)

d) Recycled capital grant fund and disposal proceeds fund

	2011 £m	2010 £m
Recycled capital grant fund:		
Due within one year	**2.9**	1.0
Due after more than one year	**9.8**	10.4
	12.7	11.4
Disposal proceeds fund in respect of right to acquire sales:		
Due within one year	**1.4**	2.0
Due after more than one year	**1.6**	1.0
	3.0	3.0
Amount due for repayment to the Homes and Communities Agency	**-**	-

Reconciliation of movement during year:	£m
At beginning of year	**11.4**
Transferred to fund during the year	**4.5**
Prior years' allocation written back	**1.4**
Interest credited to fund	**0.1**
Utilised during the year	**(4.7)**
At end of year	**12.7**

Disposal proceeds funds	£m
Reconciliation of movement during year:	
At beginning of year	**3.0**
Transferred to fund during the year	**1.6**
Transfer of engagement	**1.4**
Utilised during the year	**(3.0)**
At end of year	**3.0**

17 | Creditors: amounts falling due after more than one year (continued)

e) Derivative transactions

The Group has entered into financial derivative contracts as follows:

	Standalone		Embedded		Total 2011		Total 2010	
	Notional principal	Fair value	Notional principal	Fair value	Notional principal	Fair value	Notional principal	Fair value
	£m	£m	£m	£m	£m	£m	£m	£m
RPI swaps	**150.0**	**(36.9)**	**-**	**-**	**150.0**	**(36.9)**	150.0	(32.9)
Interest rate swaps without options	**0.5**	**(0.1)**	**35.0**	**(1.3)**	**35.5**	**(1.4)**	35.0	(2.2)
Interest rate swaps with options	**70.0**	**(11.4)**	**130.0**	**-**	**200.0**	**(11.4)**	200.0	(28.8)
Total	**220.5**	**(48.4)**	**165.0**	**(1.3)**	**385.5**	**(49.7)**	385.0	(63.9)

The fair values of the financial derivative contracts have not been recognised in either the Group's income and expenditure account or balance sheet.

RPI swaps
The Group pays RPI plus a margin and receives 3 month LIBOR with the RPI rate reset annually in April based on the rate effective in the previous September.

Interest rate swaps without options
These are standalone interest rate swaps at a fixed rate for a fixed period. The £0.5m swap amortises quarterly over 20 years and the £35m swap is embedded.

Interest rate swaps with options
The interest rate swap counterparties have an option to double the notional principal of all £70m on the standalone swaps and on £50m of the embedded swaps or cancel the transactions in January 2012, the first exercise date, and to cancel at fixed dates thereafter. The counterparty can only double the notional amount on the first exercise date. Once cancelled there are no further commitments. The counterparty still has the option to cancel every 3 months.

Security
Security has been provided by way of first fixed charges over completed housing properties in respect of the negative fair values of the standalone financial derivatives but no additional security is required in respect of embedded derivatives.

17 | Creditors: amounts falling due after more than one year (continued)

Hedging position

At 31 March 2011 the Group's borrowings were hedged as follows:	Principal 2011 £m		Principal 2010 £m	
Interest rates fixed for more than 12 months	**609.9**	**45%**	791.5	58%
Interest rates linked to RPI	**156.9**	**12%**	157.9	12%
Fixed interest rates with lender's option to cancel	**250.0**	**19%**	250.0	18%
	1,016.8		1,199.4	88%
Floating rate (interest rates fixed for less than 12 months)	**316.7**	**24%**	179.9	12%
	1,333.5	**100%**	1,379.3	100%

Included within loans with fixed interest rates with lender's option to cancel is a £50m LOBO loan, where the options on the fixed rate embedded contracts allow the counterparties to cancel or re-price the contracts. The first re-price date on the fixed rate with re-price option loan is March 2018 and then every two years thereafter. The Group does not have to accept the re-price on this transaction. There are 2 swaps for a total nominal value of £75m where the lender has the option to double the nominal value in 2011/2012.

18 | Provisions for liabilities

	2011 £m
Group	
At beginning of year	**3.6**
Utilised during year	**(0.4)**
Charge to the income and expenditure account for the year	**1.1**
At end of year	**4.3**

The Group has an obligation under certain leases with landlords to make good dilapidations to properties under short leasehold for letting when they are handed back. The provision is based on the Group's estimated liability for dilapidation costs over the term of the lease. Provision has also been made in respect of leases of office premises.

19 | Negative goodwill

	2011 £m
Group	
Cost	
At beginning of year	**54.9**
Adjustment re acquisition of St. Matthew Housing Limited	**0.4**
At end of year	**55.3**
Amortisation	
At beginning of year	**5.9**
Amortised in year	**0.5**
Additional amortisation recognised in the Income and Expenditure Account during the year in respect of property sold	**0.3**
At end of year	**6.7**
Net book value	
At 31 March 2011	**48.6**
At 31 March 2010	49.0

Negative goodwill arose on the acquisition of Springboard Housing Association Limited in April 2005 and St. Matthew Housing Limited (merged with Springboard Housing Association Limited on 1 April 2010) in April 2008. An amount equal to the fair value of the non-monetary assets acquired is being released to the Income and Expenditure Account commensurate with the recovery of the non-monetary assets acquired, whether through depreciation or sale. In the absence of property sales, negative goodwill relating to the acquisition of Springboard Housing Association Limited and St. Matthew Housing Limited is amortised over the remaining useful lives of the underlying housing properties, being 100 years.

Negative goodwill arising on the acquisition of Eastwards Trust in April 2009 has been credited to the Income and Expenditure account in 2010 as the assets acquired consisted of cash and net short term receivables.

20 | Reserves

	Revaluation reserve (investment properties) £m	Restricted reserves £m	Revenue reserve £m	Total £m
Group				
At beginning of year	6.7	1.1	128.3	**136.1**
Surplus for the year	-	-	4.9	**4.9**
Actuarial loss recognised in the pension schemes	-	-	5.4	**5.4**
Unrealised surplus on revaluation of joint ventures investment properties	3.4	-	-	**3.4**
Transfers on sale of investment properties	(1.0)	-	1.0	**-**
Transfers on sale of joint ventures	(9.1)		9.1	**-**
At end of year	-	1.1	148.7	**149.8**
Association				
At beginning of year	-	-	(11.0)	**(11.0)**
Surplus for the year	-	-	1.3	**1.3**
Actuarial gain recognised in the pension schemes	-	-	5.4	**5.4**
At end of year	-	-	(4.3)	**(4.3)**

Revaluation reserve
The revaluation reserve represents the Group's share of the revaluation surplus of the joint ventures' investment properties. During the year, the Group disposed of its interest in Grainger Geninvest LLP and Grainger Geninvest No.2 (2006) LLP and the revaluation reserve was transferred to revenue reserve.

Restricted reserves
Restricted reserves relate to funds received by Genesis Community Foundation which will be used in the furtherance of the charitable objectives of the donor, The Knowles Charitable Trust.

21 | Members

	2011 No.	2010 No.
Association		
At beginning of year	**37**	39
Shares cancelled	**(7)**	(3)
Share issued	**3**	1
At end of year	**33**	37

Each share has a nominal value of £1 which carries no right to interest, dividend or bonus. When a share holder ceases to be a shareholder, the share is cancelled and the amount paid up becomes the property of the Association.

22 | Commitments

Capital commitments at the end of the financial year for which no provision has been made are as follows:

	Group 2011 £m	Group 2010 £m	Association 2011 £m	Association 2010 £m
Contracted for and not provided	**302.2**	225.7	**-**	-
Authorised by the Board and not yet contracted for	**82.1**	337.2	**-**	-

The Group expects to finance the above contracted commitments by:

	2011 £m	2010 £m
Proceeds from property sales	**188.6**	86.8
Capital grant receivable	**45.8**	72.3
Cash and available loan facilities	**67.8**	66.6
	302.2	225.7

At 31 March 2011, the Group has cash and borrowing facilities available of £332.6m *(2010:£333.0m)*

Notes to the financial statements Year ended 31 March 2011

23 | Commitments

Annual commitments under non-cancellable operating leases

	2011 Land and buildings £m	2011 Other £m	2010 Land and buildings £m	2010 Other £m
Group				
Operating leases which expire:				
Within one year	**17.4**	**-**	14.9	0.1
In the second to fifth years inclusive	**28.2**	**0.1**	36.1	0.1
Over five years	**0.7**	**-**	1.2	-
	46.3	**0.1**	52.2	0.2
Association				
Operating leases which expire:				
Within one year	**-**	**-**	-	-
In the second to fifth years inclusive	**1.1**	**-**	0.4	-
Over five years	**0.2**	**-**	0.9	-
	1.3	**-**	1.3	-

Notes to the financial statements Year ended 31 March 2011

24 | Housing units and bedspaces – Group

	2011 Units	2010 Units
Group		
Under development on site at end of year		
Units for rent	**1,944**	1,552
Low cost home ownership units	**583**	746
Outright sales units	**1,012**	1,211
	3,539	3,509
Under management at end of year		
General needs owned	**11,590**	13,743
General needs managed on behalf of others	**10,167**	7,957
Supported housing and housing for older people	**1,691**	2,762
Temporary housing units	**3,611**	3,844
Low cost home ownership and other leased units	**9,691**	9,655
Key worker accommodation	**1,421**	1,389
Other – non social housing:		
Market let	**495**	509
Protected rent	**873**	986
Leaseholders	**161**	126
Intermediate rent	**545**	439
Managed for private landlords	**614**	583
	40,859	41,993
Units owned but managed by others	**1,061**	228

25 | Pension schemes

During the year the Group was involved with four pension schemes.

Genesis Housing Group operated two schemes:

a) A scheme which is closed to new employees with effect from 1 June 1996, which is a defined benefit scheme (the PCHA 2001 Pension Scheme) with Scottish Widows plc. Contributions to the scheme are determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

A full actuarial valuation was carried out as at 1 June 2007. At that date, the funding level was 89.5% with a past service deficit of £3.7m. The trustees have agreed a Statement of Funding Principles for a future service contribution rate of 24.4% for the sponsoring employer and an annual contribution of £485,000 from 1 June 2007 over a period of 10 years to fund the past service deficit. The next full actuarial valuation will be as at 31 March 2010.

The Group's contributions to the scheme amounted to £778,917 (2010: £819,000), which includes an annual contribution of £485,000 (2010: £485,000).

b) A scheme, open to all employees starting from 1 June 1996, which is a money purchase scheme with AXA into which the employee and the Group each contribute between 3.5% and 7.5% of salary. Employees in this scheme are contracted into the State Earnings Related Pension Scheme.

The charge to the Group for the year was £809,589 (2010: £730,000).

In addition, Genesis Housing Group participated in the following schemes:

c) A defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 1997, as amended. The Group's contributions to the London Pensions Fund Authority Scheme ("LPFA") for two groups of staff amounted to £80,088 (2010: £86,000).

d) The Social Housing Pension Scheme ("SHPS"), which is a multi-employer defined benefit scheme including Genesis Housing Group Limited and Springboard Housing Association Limited.

The Scheme is funded and is contracted out of the state scheme. The total contributions for the year amounted to £514,326 (2010: £463,000).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Changes from RPI to CPI
In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011, public services pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than Retail Price Index (RPI).
This has the effect of reducing the Group's liabilities in the LPFA pension fund by £1.3m. As this has resulted in a constructive obligation, this has been accounted for in the Income and Expenditure Account.
The trustees of the PCHA 2001 Pension Scheme have received legal advice that the Scheme's rules provide for revaluation in deferment to be in accordance with the legislation and therefore the Scheme may adopt CPI revaluation in deferment. This has the effect of reducing the Group's liabilities by £0.8m. For post retirement increases, the Scheme's rules refer to the RPI and therefore it is not possible to adopt CPI increases for pensions in payment. These have been recognised as an actuarial gain in accordance with guidance set down in UITF Abstract 48 since the change is regarded as an adjustment to the actuarial assumptions previously used to estimate the liability. There is no impact upon the Income and Expenditure Account.

25 | Pension schemes (continued)

PCHA 2001 Pension Scheme

Employee benefit obligations

The amounts recognised in the balance sheet are as follows:	2011 £m	2010 £m
Present value of funded obligations	**35.5**	37.3
Fair value of planned assets	**(32.5)**	(30.7)
Net liability	**3.0**	6.6
Amounts in the balance sheet		
Liabilities	**(3.0)**	(6.6)

The amounts recognised in surplus are as follows:	2011 £m	2010 £m
Current service cost	**0.3**	0.4
Interest on obligation	**2.1**	1.5
Expected return on plan assets	**(1.8)**	(1.9)
Total	**0.6**	-
Actual return on plan assets	**1.7**	5.9

Changes in the present value of the defined benefit obligation are as follows:	2011 £m	2010 £m
Opening defined benefit obligation	**37.3**	32.7
Service cost	**0.3**	0.4
Interest cost	**2.1**	1.9
Actuarial (gains)/losses	**(3.4)**	3.2
Benefits paid	**(0.8)**	(0.9)
Closing defined benefit obligation	**35.5**	37.3

25 | Pension schemes (continued)

Changes in the fair value of plan assets are as follows:	**2011 £m**	2010 £m
Opening fair value of plan assets	**30.7**	24.6
Expected return	**1.8**	1.5
Actuarial (losses)/gains	**(0.1)**	4.5
Contributions by members	**0.1**	0.1
Contributions by employer	**0.8**	0.9
Benefits paid	**(0.8)**	(0.9)
	32.5	30.7

The Group expects to contribute £0.8m in 2012.

The major categories of plan assets as a percentage of total plan assets are as follows:	**2011**	2010
UK Equities	**21%**	30%
FTSE guaranteed equity notes	**17%**	17%
Overseas equities	**4%**	3%
Bonds	**41%**	37%
Property	**1%**	1%
Other	**12%**	10%
Cash	**4%**	**2%**

Notes to the financial statements Year ended 31 March 2011

25 | Pension schemes (continued)

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2011	2010
Discount rate at 31 March	**5.6%**	5.6%
Expected return on plan assets at 31 March	**6.0%**	6.0%
Future salary increases	**4.0%**	4.5%
Future pension increases	**3.5%**	3.5%

Amounts for the current and previous four periods are as follows:

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Defined benefit obligation	**(35.5)**	(37.3)	(32.7)	(31.9)	(29.7)
Plan assets	**32.5**	30.7	24.6	28.9	30.3
(Deficit)/surplus	**(3.0)**	(6.6)	(8.1)	(3.0)	0.6
Experience adjustments on plan liabilities	**1.3**	(0.1)	(0.1)	0.9	(0.3)
Experience adjustments on plan assets	**(1.0)**	(1.8)	(6.5)	(3.3)	(0.3)

Notes to the financial statements Year ended 31 March 2011

25 | Pension schemes (continued)

LPFA

Employee benefit obligations

The amounts recognised in the balance sheet are as follows:	**2011 £m**	2010 £m
Present value of funded obligations	**8.4**	11.9
Fair value of planned assets	**(8.4)**	(8.7)
	-	3.2
Present value of unfunded obligations	**0.1**	0.1
Net liability	**0.1**	3.3
Amounts in the balance sheet		
Liabilities	**(0.1)**	(3.3)

The amounts recognised in surplus are as follows:	**2011 £m**	2010 £m
Current service cost	**0.1**	0.1
Interest on obligation	**0.6**	0.5
Expected return on plan assets	**(0.5)**	(0.4)
Gain on curtailments and settlements	**-**	(0.8)
Change in the past service cost from RPI to CPI change	**(1.3)**	-
Total	**(1.1)**	(0.6)
Actual return on plan assets	**0.6**	1.8

25 | Pension schemes (continued)

Changes in the present value of the defined benefit obligation are as follows:	**2011 £m**	2010 £m
Opening defined benefit obligation	**12.0**	7.4
Service cost	**0.1**	0.1
Interest cost	**0.6**	0.5
Actuarial losses/(gains)	**(2.6)**	4.2
Benefits paid	**(0.4)**	(0.2)
Past service cost	**(1.3)**	-
Closing defined benefit obligation	**8.4**	12.0

In the year to 31 March 2011, the estimated amount of unfunded pensions paid was £4,000.

Changes in the fair value of plan assets are as follows:	**2011 £m**	2010 £m
Opening fair value of plan assets	**8.7**	6.1
Expected return	**0.5**	0.4
Actuarial (losses)/gains	**(0.5)**	1.4
Contributions by employer	**0.1**	0.1
Benefits paid	**(0.4)**	(0.2)
Gain on curtailments and settlements	**-**	0.9
	8.4	8.7

The Group expects to contribute £0.9m in 2012.

Notes to the financial statements Year ended 31 March 2011

25 | Pension schemes (continued)

The major categories of plan assets as a percentage of total plan assets are as follows:	**2011**	2010
Equities	**69%**	70%
Bonds	**12%**	10%
Alternative assets	**14%**	14%
Cash	**3%**	5%
Corporate bonds	**2%**	1%

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):	**2011**	2010
Discount rate at 31 March	**5.5%**	5.5%
Expected return on plan assets at 31 March	**6.7%**	6.7%
Future salary increases	**4.5%**	5.4%
Future pension increases	**2.7%**	3.9%

Amounts for the current and previous four periods are as follows:

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Defined benefit obligation	**(8.4)**	(12.0)	(7.4)	(7.7)	(6.5)
Plan assets	**8.4**	8.6	6.1	7.8	5.7
Surplus/(deficit)	**-**	(3.4)	(1.3)	0.1	(0.8)
Experience adjustments on plan liabilities	**2.3**	-	-	(2.2)	-
Experience adjustments on plan assets	**(0.5)**	1.4	(2.2)	1.7	0.1

25 | Pension schemes (continued)

Social Housing Pension Scheme ("SHPS")
The 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 professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £1,527m. The valuation revealed a shortfall of assets compared with the value of liabilities of £663m, equivalent to a past service funding level of 69.7%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2010. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £1,985m and indicated a reduction in the shortfall of assets compared to liabilities to approximately £497m, equivalent to a past service funding level of 80%.

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

The Group has operated the career average revalued earnings (CARE) with a 1/60th accrual rate benefit structure for active members as at 1 April 2007. This does not reflect any benefit structure changes made from April 2010.

During the accounting period the Group paid contributions at the rate of 16.7% and 19.9% and member contributions varied between 5.4% and 7.4%.

As at the balance sheet date there were 101 active members of the Scheme employed by the Group. The annual pensionable payroll in respect of these members was £2.7m. This scheme is now closed to new employees.

The Group has been notified by The Pensions Trust of the estimated employer debt on withdrawal from SHPS based on the financial position of the Scheme as at 30 September 2010. As of this date the estimated employer debt was £35.6m.

26 | Analysis of cash flows

Group	2011 £m	2010 £m
Returns on investment and servicing of finance		
Interest received	**3.0**	0.7
Interest paid	**(56.5)**	(53.8)
	(53.5)	(53.1)
Capital expenditure and financial investment		
Cash paid for construction and purchase of housing properties	**(72.8)**	(199.9)
Purchase of other tangible fixed assets	**(1.8)**	(2.1)
Sale of housing properties	**52.0**	111.1
Capital grant received	**73.8**	131.3
Net repayment from loan to joint ventures	**8.3**	1.3
	59.5	41.7
Acquisitions		
Net cash acquired with subsidiaries	**-**	1.1
Management of liquid resources		
Decrease/(increase) in current asset investment	**25.8**	(35.0)
Financing		
New borrowings	**14.6**	228.3
Repayment of borrowings	**(46.7)**	(221.8)
Additional loan costs	**(0.5)**	(3.0)
	(32.6)	3.5

27 | Analysis of net debt

	At beginning of year £m	Cash flow £m	Other changes £m	Other non cash changes £m	At end of year £m
Group					
Cash in hand and at bank	27.9	24.5	-	-	52.4
Overdrafts	-	(5.9)	-	-	(5.9)
	27.9	18.6	-	-	46.5
Debt due after one year	(1,364.7)	25.0	10.0	0.9	(1,328.8)
Debt due within one year	(10.6)	7.6	(10.0)	(0.2)	(13.2)
	(1,347.4)	51.2	-	0.7	(1,295.5)
Current asset investments	43.4	(25.8)	-	-	17.6
Total	(1,304.0)	25.4	-	0.7	(1,277.9)

Non cash changes are the amortisation of the loan costs and the loan premiums.

28 | Post balance sheet events

On 21 April 2011, Genesis Housing Group Limited amalgamated with the 3 Registered Providers, Paddington Churches Housing Association Limited, Pathmeads Housing Association Limited and Springboard Housing Association Limited and changed its name to Genesis Housing Association Limited.

On 10 May 2011, the Group disposed of its interest in Bishopsgate Apartments LLP.

On 16 June 2011, Genfinance II plc entered into a supplemental bond trust deed with the bond trustee which extends the reserve bond cancellation date from 12 months to 30 months after the issue date, i.e. to 21 June 2012. It will therefore continue to hold the reserve bonds for potential sale prior to the amended cancellation date. No other terms of the bond trust deed have been amended by the supplemental bond trust deed.

Notes to the financial statements Year ended 31 March 2011

29 | Related party disclosures

The following related parties had outstanding balances at 31 March 2011 and had transactions during the year with the Group as follows:

Transactions with associates
Logic Homes Limited invoiced the Group £89,476 (2010: £nil) for its running costs and recharged £31,263 (2010: £4,000) for professional fees. The Group invoiced Logic Homes Limited £12,000 (2010: £10,000) for office facilities. Logic Homes Limited is an associate of the Group. At 31 March 2011 £6,002 was due to Logic Homes Limited by the Group (2010: £nil).
The Group recharged £nil (2010: £700) in respect of professional fees to Low C Living Limited. Low C Living Limited is an associate of the Group. At 31 March 2011, Low C Living Limited owed £6,225 (2010: £4,000) to the Group.

Transactions with joint ventures
The Group provided working capital of £2,576,089 (2010: £251,000) to Bishopsgate Apartments LLP. Bishopsgate Apartments LLP repaid £504,886 of its loan from the Group.
At 31 March 2011 the following related parties had outstanding balances with the Group:
Bishopgate Apartments LLP owed the Group £6,200,398 (2010: £4,130,000) in respect of a loan. This is included in investment in joint ventures (note 11).
The following related parties had outstanding balances at 31 March 2011 and had transactions during the year with Genesis Housing Group Limited (the Association) as follows:

Transactions with associates:
Logic Homes Limited invoiced the Association £89,476 (2010: £nil) for its running costs and recharged £31,263 (2010: £4,000) for professional fees. The Association invoiced Logic Homes Limited £12,000 (2010: £10,000) for office facilities. Logic Homes Limited is an associate of the Group. At 31 March 2011 £6,002 was due to Logic Homes Limited by the Association (2010: £nil).

Notes to the financial statements Year ended 31 March 2011

29 | Legislative provisions

Genesis Housing Group Limited is registered with the Financial Services Authority under the Industrial and Provident Societies Act 1965 (No 31130R) and with the Tenant Services Authority (No L4286).

Genesis Housing Association Ltd

Registered office
Capital House
25 Chapel Street
London NW1 5DT

www.GenesisHA.org.uk

020 8451 8000

CUSTOMER SERVICE EXCELLENCE CSE

INVESTORS IN PEOPLE

POSITIVE ABOUT DISABLED PEOPLE

Stonewall DIVERSITY CHAMPION

Genesis Housing Association Ltd is a Charitable Industrial and Provident Society (reg no. 31241R)
Genesis is a registered provider of social housing. Tenant Services Authority No. 4655