

Sentinel Housing Association Limited

Board Report

And

Consolidated Financial Statements

31 March 2011

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Report of the Board

The Board presents its report and the audited financial statements of Sentinel Housing Association Limited (Sentinel) for the year ended 31 March 2011.

In addition to the results of Sentinel the financial statements include consolidated information to reflect the performance of Sentinel's subsidiary, Vestal Developments Limited (Vestal).

Throughout the financial statements the consolidated results and those of the Association are shown separately where different. Consolidated information is shown under the heading "Group". In very many cases however the information is the same so that it is only reported once.

Principal Activities

Sentinel's statement of purpose is:

Making a real difference to the communities where we work by being a great landlord and providing good new homes.

As a "non-profit making Registered Provider (RP)" of social housing our Corporate Plan objectives are:-

- to be a great landlord with a local focus
- investing in our assets to sustain and build good communities through regeneration and planned maintenance.
- delivering a significant programme of high quality new homes each year to meet housing needs in specific areas
- provision of excellent homes for older people and services to support ageing in our general and specialist homes.
- reducing our carbon footprint and that of our residents.
- managing the resources of Sentinel to generate capacity for growth and excellent customer service

Financial Performance

Operating Results

The financial results for the year show a strong performance with an operating surplus excluding pension credit of £17,105k and net surplus before tax of £14,046k. The surplus was significantly enhanced by:-

- an increase of £1,556k in our rental income. This was mainly due to our investment in new homes partly offset by £150k reduction in average rents due to the fall in the RPI at September 2009.
- a reduction in major repair costs of £4,081k. This was made possible by accelerating our expenditure in 2009/10 to take advantage of the 15% VAT rate and clear supply side cost reductions.
- a windfall credit of £1,460k on our past service pension liability to Hampshire County Council Pension Scheme (Scheme). This liability dates back to the transfer of homes from Basingstoke & Deane Borough Council and Hart District Council. The liability is recalculated annually by the actuaries to the Scheme. This year it has been reduced by this amount due to the Statutory change to future benefit increases which will now be based on CPI not RPI. This is not a cash gain. Rather it reflects the long term reduction in a future liability which is unlikely to become payable for many years.
- continuing benign market interest rates which have enabled us to keep finance costs low despite our on-going significant investment in new and existing homes. We recognise that this is will change in the longer term. Our treasury strategy has therefore been to seek to balance this short term opportunity with longer term management of the risk of substantial interest rate increases. This is done through hedging a proportion of future interest rates with long term fixed rate contracts.

This surplus will be retained within Sentinel to fund improvements and new housing for the future.

Report of the Board

Operating Results (continued)

The Board recognises that many of these influences are due to the present economic climate. As such they do not represent an on-going trend.

Our key five year financial statistics are set out below:-

	2011	2010	2009	2008	2007
	£000	£000	£000	£000	£000
Trading					
Turnover	44,454	42,266	38,512	42,684	35,743
Surplus					
- before property disposals & pension credit	12,248	7,914	** 3,670	5,663	4,582
- after property disposals before pension credit	12,606	8,372	4,111	6,669	5,854
Net Surplus before tax	14,046	8,372	4,111	6,669	5,854
Development of New Homes					
Gross Expenditure	64,883	60,727	51,673	38,389	26,830
SHG	22,162	44,700	17,150	13,729	8,893
Funding					
Net Debt	171,535	143,678	139,960	110,355	100,182
Reserves	70,626	56,410	49,237	47,316	35,628
Properties owned & managed	7,794	7,527	7,295	7,220	7,005
Key Ratios					
Interest cover (times)	4.07	3.39	2.35	2.02	2.3
Net Debt per unit (£000)	22.01	19.1	19.2	15.3	14.3

** 2009 surplus is after charging £3,007k for impairment of development projects

Assets

The value of our housing properties at 31 March 2011 was £460m. This is based on a full valuation (under the Economic Use – Social Housing basis) by Drivers Jonas at 31 March 2007 adjusted for additions at cost and value of disposals.

This valuation is £227m above the net book value included in the balance sheet.

Rents

Our policy is to set rent at target rent levels plus the 5% tolerance allowed. At 1st April each year these are increased by 0.5% above the retail price index from the previous September as notified by the Tenant Services Authority. Where an individual rent is not in line with target rents we apply a further addition or reduction of (up to) £104 per annum. This formula is as laid down in the regulations which govern social housing rents.

Report of the Board

Operating Results (continued)

Right to Buy or Acquire and Social Homebuy

Tenants who transferred from Hart and Basingstoke councils have a preserved right to buy their homes. Those who became tenants since transfer do not have the right to buy but may have the right to acquire their home if it was funded by Social Housing Grant since 1 April 1997. During the year a total of 3 properties were sold under the right to buy or right to acquire (3 in 2009/10). The maximum right to buy discount for tenants is £38,000 apart from the Hart District Council area where it is £16,000. We also sold 3 properties under the Social Homebuy scheme (2009/10:1).

Maintenance and Asset Management

We have an asset management strategy in place in order to plan major repair or redevelopment works . This takes into account the environment, neighbourhoods and the condition of our properties.

Housing properties are well maintained with 99.3% meeting Decent Homes Standard at the year end. We carry out a significant cyclical maintenance programme through a range of specialist contractors to ensure that all regular maintenance works are carried out as necessary, including statutory safety checks and servicing.

Governance

The Board

The Board Members who served between the date of the last Report and this are listed below:

	John Barker, Chairman	
	Juliet Annesly-Gamester	- from 16 September 2010 .
**	Robert Barton	
	Dennis Battle	- Vice Chairman until 16 September 2010
	Fran Button	- Co-opted from 27 May 2010 until 16 September 2010. Board member from 16 September 2010
	Derek Childs	Co-opted until 16 September 2010
	Jane Cooke	- Chair of Remuneration & Nominations Committee
	Brian Etheridge	- appointed Vice Chairman on 28 October 2010
	William Hall	
**	Lynda Hance	
	Kathy Hine	
	Sheila Jenkins	- until 16 September 2010
**	Tony Mitchell	
	Toby Rougier	- Chair of Audit Committee
	Brian Sanders	- from 16 September 2010
**	Richard Wylie	- until 16 September 2010

Except where otherwise stated, all of the above members served throughout the year. Sheila Jenkins is also an employee of Sentinel Housing Association Limited.

** These Board members also served as directors of Vestal during the year.

Report of the Board

Governance (continued)

Committees

There are two committees of the Sentinel Board:

- Audit Committee
- Remuneration and Nominations Committee

Executive

At 31 March 2011 the Executive team was as follows:-

Martin Nurse	BSc, DMS, MCMI	- Chief Executive
Val Bagnall	BA, MBA	- Executive Director
Bill Flood	BA, MCIOH	- Executive Director
Lionel Haynes	BSc, FCA, MBA	- Finance Director

Members of the Executive do not hold any interest in the share capital of the Association. They act as executives under authority delegated by the Board. Val Bagnall and Bill Flood are also directors of Vestal Developments Limited.

Code of Governance

The Board have considered and adopted the principal recommendations of the National Housing Federation's Excellence in Governance Code for Members published in 2009 (the Code).

Statement of Board's Responsibilities

As a Registered Provider, the Association is legally required to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the surplus or deficit for that period. In preparing these financial statements the Board is required to:

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

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, the Housing Act 2006, the Housing & Regeneration Act 2008, the Accounting Requirements for Registered Social Landlords General Determination 2006, and the Statement of Recommended Practice: Accounting by Registered Social Landlords 2008.

The Board has general responsibility for instituting adequate systems of internal control and 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.

Report of the Board

Governance (continued)

Statement on Internal Controls

The Board has overall responsibility for establishing and maintaining the Group's system of internal control and reviewing its effectiveness.

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

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

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

- Identification and evaluation of key risks

The Board takes a strong lead on business critical strategic risks. It has direct responsibility for the associated risk map which is based on the corporate plan and which it reviews in depth annually. In addition a strategic risk working party has been set up. This comprises representative members of the Board and the Executive. Its role is to monitor emerging risks to ensure the strategic risk map remains current and up to date.

The executive and management team monitor operational risks. A Risk Panel, which consists of a cross-section of staff, meets regularly with the purpose of embedding a culture of risk management into day-to-day operations by proactively co-ordinating the process of risk evaluation, management and control across the Group. There is a formal and on-going process of management review in each area of the Group's activities. The Executive regularly considers and receives reports on significant development risks facing the Group through the Investment Panel. The Chief Executive is responsible for reporting to the Board any significant risks identified by the management.

- Monitoring and corrective action

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

- Environment and control procedures

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

Report of the Board

Governance (continued)

Statement on Internal Controls (continued)

- Information and financial reporting systems

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

- Internal Audit Assurance

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

The Internal Audit service is provided by an independent firm and is based on a risk-based three-year strategic plan. Internal audit work is related to the Group's risk map. The Audit Committee receives an annual report from the internal auditor.

The Audit Committee considers internal control and risk at each of its meetings during the year. The Audit Committee conducts an annual review of the effectiveness of the system of internal control and takes account of any changes that may be needed to maintain the effectiveness of the risk management and control process. The Audit Committee makes an annual report to the Board, which the Board has received.

The Board confirms that there is an on-going process for identifying and managing significant risks faced by the Group. This process has been in place throughout the year under review, up to the date of the approval of the annual report and accounts.

Fraud

The Board approved an updated anti-fraud policy in February 2008 . The policy provides clear guidance on:-

- the responsibility of all employees and Board members to report any suspected fraud and provides open channels and support to enable this,
- the disciplinary actions that will be taken in the event of fraud, and
- the intention to recover any losses incurred as a result of fraud.

The Audit Committee works closely with the Internal Auditor to minimise the opportunities for fraud to occur. The management team have received a fraud awareness briefing from the internal auditor. A Fraud Register is maintained and regularly reviewed by the Audit Committee who in turn report to the Board. Until this year there have been no significant issues recorded in this Register. During the year we were targeted for a potential fraud. Our procedures blocked this immediately. Procedures have been further reviewed to ensure they are robust to counter any future such attacks.

Employees

Information on employees is set out in note 5 to the financial statements. Our employment policies are aimed at ensuring we have sufficient, well trained staff with competitive salaries and benefits. Sentinel is an equal opportunities employer.

Our policy is to take positive steps in line with the requirements of Equal Opportunities legislation and the Disability Discrimination Act to ensure that the best candidate for any vacant post is selected. Advertisements for staff describe us as an equal opportunities employer and invite applications from all members of the community. Our premises are fully accessible to people with disabilities.

Report of the Board

Employees (continued)

The health and safety of all staff is of great importance to us. Our health and safety policy is regularly reviewed to ensure that we comply with all relevant legislation and best practice.

Employees are encouraged to be actively involved in all aspect of our operations, policies and performance. This is mainly through team meetings, briefing meetings and by means of the intranet. This has been recognised externally with the Investors in People award.

Auditors

In accordance with Financial Regulations we are currently tendering for our external audit services. The Board will make a recommendation for appointment at the next Annual General Meeting.



John Barker
Chairman, on behalf of the Board

16 June 2011

Operating & Financial Review

Overview of 2010/11

In April 2010, we introduced a new Corporate Plan which has been driving our strategic direction during 2010/11. As the previous year ended, it was one of our most successful years for development funding with us receiving £44.7m Social Housing Grant (SHG) and other subsidy from the HCA and our local authority partners. 2010/11 has been a year of contrast with very little new SHG available and our new home focus has been on delivering the programme. We have also been preparing for the new regime following the 60% cuts in capital funding announced in the Comprehensive Spending Review by the new Coalition Government.

Our focus during the year through the new Corporate Plan has been on "Being a Great Landlord" for our customers, future customers and the communities where we work. Not just a good landlord but a great one where our services and performance are among the best in the region and nationally. To this end we have:-

- Delivered the majority of our Corporate Plan first year objectives.
- Delivered value for money savings of £500,000.
- Launched our Customer Deal in October 2010.
- Achieved top decile customer satisfaction results with 92% of customers satisfied with our overall services and 93% who would recommend us to their friends & family.
- Introduced customer-led inspections of key services.
- Made strong progress with our three regeneration projects in Basingstoke & Deane.
- Commenced an investment of £5m in green technologies, including heating systems and solar power.

Key Achievements in the Year

Being a Great Landlord

We have increased our focus on customer services. Our major achievements are set out below.

- **Customer Involvement**
 - Continued to develop customer services drawing on input from our leadership of the Hampshire and District Residents' Forum (www.hampshire-residents.org.uk).
 - Developed Customer Scrutiny Panels to improve feedback and performance.
 - Established a Resident Inspection programme with Sovereign Kingfisher and Testway Housing Associations. Through this a team of residents has been trained to inspect each others' services. Sentinel's first inspection was completed in October and the inspection report was delivered to the Sentinel Residents' Group (STARA) and the Sentinel Board.
 - Conducted our largest ever consultation with customers to proof and develop our Customer Deal and service priorities.

Operating & Financial Review

Key Achievements in the Year (continued)

- **Services**

- Made substantial improvements to our customer service centre operations with some 99.3% of calls being resolved at first point of contact.
- We replaced our postal surveys with telephone surveys, allowing us to gather feedback from a wider range of customers, and monitor satisfaction levels in real time.
- We commenced installation of our new customer relationship management software to enhance communication with customers and enabled us to respond quickly to all customer enquiries.
- We continuously strive to improve our customers' experience. To this end we have:-
 - Completely remodeled our Basingstoke reception and customer service centre to improve access and facilities for confidential discussion.
 - Introduced new web-based services through Facebook and Twitter, and added online versions of forms to reduce paperwork and postage – applying for garages for example.
 - Reviewed our estate management services, setting in place a range of enhanced standards and services.
 - Re-launched our caretaking service to develop a more effective service focused on doing the basics brilliantly.
 - Commenced a review of our lettings to enhance customer service further.
 - Refreshed our staff training in delivering great customer service.

The impact of this is reflected in our latest survey where 91% of customers felt we provide efficient and effective services.

As a result of this work we were granted the prestigious "Customer Service Excellence" award in February 2011.

- **Environment**

- Improving the quality of our estates' communal areas is a major focus for us over the next few years. We have launched a new initiative "Platinum Places" to measure the improvements over time. To further aid us in this we have trained a team of Resident Estate Inspectors to add their views to the prioritising of actions. With the ceasing of Audit Commission inspections, this will ensure the service continues at a high level.
- Our major contribution to wider environmental issues includes:-
 - Continuing to invest in carbon efficient technologies for replacement heating systems with a total of 150 air source heat pump systems and 19 combined heat and power boilers now installed.
 - Contracting for photovoltaic solar panels to be retro-fitted to 300 existing properties. These will generate free electricity for the residents and additional energy to be resold to the Grid . Installations under this contract will be rolled out early in the new financial year.
 - A third of our staff have taken part in our incentive scheme to reduce car usage, delivering the equivalent of 700 car-sharing journeys over the year.
 - Reducing the carbon footprint of our homes by 6%, making our stock of homes the most energy efficient in north Hampshire.

Operating & Financial Review

Key Achievements in the Year (continued)

- **Young People**

We continue to develop our services for young people:-

- Our "Get With" summer programme for school age children goes from strength to strength. In 2010 we provided activities for over 900 children, extending the scheme to cover Test Valley.
- We are also committed to providing training opportunities for working age young people. We have worked jointly with our contract partners to provide 9 apprenticeships during the year. In January we recruited five 19-24 year olds to work in-house at Sentinel, with training provided by Key Training.
- In partnership with Step-by-Step we are building a bespoke 30 bed foyer hostel for young homeless people which includes training facilities, Step-by-Step's offices and counseling rooms.

- **Equality & Diversity**

During the year we successfully implemented the first year of our two year Single Equality Scheme, approved by the Board in March 2010, delivering, for example, a wider range of specialist aids and adaptations equipment to help meet customer's needs and involving a wide range of our customers in shaping our Customer Deal.

- **Older People**

We continue to build on our expertise in providing Extra Care housing for older people in partnership with Hampshire County Council. Our existing scheme at Abbey Court in Basingstoke currently provides 24 hour care to frail older people to enable them to remain living independently and avoid them otherwise having to live in residential care.

We will soon complete a purpose built Extra Care scheme in Fleet at Campbell Place. This £12m project is the largest of its kind in Hampshire. It will provide 74 one and two bedroom apartments with 24 hour care with exceptional communal facilities like a restaurant, activities room, health spa and residents lounge with its own library. It will also act as a centre to provide activities for older people from the local area.

Elsewhere at Curtis Court in Fleet, we are redeveloping an old bedsit sheltered scheme with a new one and two bedroom apartments scheme specifically designed for older people who need high quality general needs housing. We are targeting some of these homes to older residents under-occupying larger three and four bedroom family houses to free these up for families in need on the housing waiting list.

We are now providing weekly hot meals for residents in our Rosefield Court sheltered scheme in Hartley Wintney through an innovative partnership. We have set up a catering social enterprise with Hart Neighbourhood Centre, which is staffed by local unemployed young people, with the aim that the training and confidence gained will help them into paid work.

CommuniCare was awarded the Telecare Services Association's accreditation during the year. Subsequently we have formed a partnership with Winchester City Council and Radian Housing Association to provide extended Telecare services under the brand name of "Threedom".

Operating & Financial Review

Key Achievements in the Year (continued)

Asset Management

We invested some £10m in our existing homes to ensure they continue to meet customer expectations and the Government's Decent Homes standard. We also:-

- Undertook a substantial review of how we will improve standards to all homes for re-letting.
- Compared and contrasted our maintenance service with two of our local peers, using a joint team of trained inspectors.

Staff

Our Staff Culture is a key strength in delivering excellent performance. Notable events in the year included:-

- Our regular staff survey revealed 87% overall satisfaction across all areas of our organisation.
- Gold Healthy Workplace award received from Hart District Council for our health-related benefits, with our quit smoking and weight loss challenges singled out for praise.

Performance

Our performance for the year has again been strong with notably:-

- Delivery of £500,000 cash saving across Sentinel. As in previous years, this have been re-invested into improving our services, maintaining our assets and developing new homes.
- Meeting and surpassing all our arrears targets for the year, against a background of economic austerity
- Improved quality of services delivered reflected in all performance indicators being in the top two quartiles. We continue to compare ourselves with the best and our aim remains to be among the top 25% of housing organisations.

Performance Indicators

The indicators below demonstrate how Sentinel is committed to maintaining high performance year after year. Performance is reviewed quarterly by the Board and monthly by the senior management. Where the challenging targets are not achieved, remedial actions are put in place.

Operating & Financial Review

Key Achievements in the Year (continued)

Performance Indicators (continued)

Performance indicator	2010/11	Quartile ¹
Overall satisfaction with services	92%	1
Satisfaction with overall maintenance service	79%	2
Emergency repairs completed within target (1 day)	99.6%	1
Urgent repairs completed within target (7 days)	98.2%	2
Routine repairs completed within target (21 days)	97.7%	2
Repairs completed right first time	97.7%	1
Current arrears	2.3%	2
Total arrears	3.4%	2
Average re-let time in days (general needs)	24	1
Satisfaction with anti-social behaviour complaints process	77%	2
Satisfaction with anti-social behaviour complaints outcome	75%	2
Satisfaction with complaint process	85%	1
Satisfaction with complaint outcome	82%	1
Homes completed	331	-
Sales of low cost homes within 3 months of completion	100%	-
Homes achieving Decent Homes Standard	99.3%	1
Homes that have a valid gas safety certificate	100%	1
Average energy efficiency (SAP) rating	70.8	1
Kitchen refurbishments	144	-
Bathroom refurbishments	137	-

¹ Where quartile 1 represents the top 25% performing housing organisations over 7,500 properties using 2009/10 data

Operating & Financial Review

Key Achievements in the Year (continued)

Regeneration

Progress has been good with:-

- Longfellow Parade completed on time and in line with budget. At the same time we have renovated the façade of neighboring Shelley Close.
- Phases 1 – 3 of Faroe Close and Maldive Road completed and Phase 4 commenced.
- Bishops Green, Curtis Court and Campbell Place progressing satisfactorily albeit with some delays at the first two due to weather and some ground condition issues.
- Option reviews for the future regeneration of Freemantle & Taverner Close.

Development of New Homes

Having secured significant HCA grant in 2010/11 for new homes, this year has been all about completing the existing programme and preparing for delivering more homes under a new grant regime with significantly less capital grant available. The key outcomes for the year include:-

- A total of 331 homes delivered across Basingstoke & Deane, Rushmoor, Test Valley and Surrey Heath.
- A further 746 new homes on site as at year end, across Basingstoke & Deane, Hart, Rushmoor, Test Valley, Surrey Heath, East Hampshire and Waverley.
- Drawing down £12M in Social Housing Grant.
- Significant preparatory work to submit a bid to the HCA for a development contract to access grant funding and deliver a programme of homes from 2011-15.

Finance & Balance Sheet Strength

During the year we completed a further £25m bilateral 30 year loan facility with Barclays. At the year end our overall position was:-

	£ million		
	<u>Facility</u>	<u>Drawn</u>	<u>Balance</u>
Syndicate (Barclays: HBOS: Nationwide)	200.0	121.3	78.7
The Housing Finance Corporation	10.0	10.0	--
Yorkshire Building Society	50.0	33.3	16.7
Barclays	25.0	6.0	19.0
	<u>285.0</u>	<u>170.6</u>	<u>114.4</u>

Our asset base remains strong with the overall valuation of completed homes sufficient to provide security for further facilities of £200m.

Report of the Auditors

Nexia Smith & Williamson

Independent auditors' report to the members of Sentinel Housing Association Limited

We have audited the Group and Association accounts ("the accounts") of Sentinel Housing Association Limited for the year ended 31 March 2011 which comprise the Income and Expenditure Accounts, the Balance Sheets, the Cash Flow Statement, the Statement of Total Recognised Surpluses and Deficits and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with the requirements of statute. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditors

As explained more fully in the Statement of Board's Responsibilities set out on page 5 the board is responsible for the preparation of the accounts which give a true and fair view. Our responsibility is to audit and express an opinion on accounts 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 accounts

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

Opinion on accounts

In our opinion the accounts:

- give a true and fair view of the state of the Group's and Association's affairs as at 31 March 2011 and of their surplus for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts, 1965 to 2002, 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 2002 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 accounts are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

Nexia Smith & Williamson

Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

Date 29/6/11

Imperial House
18-21 Kings Park Road
Southampton
Hampshire
SO15 2AT

Income & Expenditure Account

as at 31 March 2011

	Notes	Group		Association	
		2011	2010	2011	2010
		£'000	£'000	£'000	£'000
Turnover	2	44,454	42,266	44,454	42,266
Cost of sales	2	(4,533)	(4,201)	(4,533)	(4,201)
Other operating costs		(22,816)	(25,911)	(22,815)	(25,907)
Exceptional item – pension credit	3	1,460	-	1,460	-
Total operating costs	2	(21,356)	(25,911)	(21,355)	(25,907)
Operating surplus	2	18,565	12,154	18,566	12,158
<i>Operating surplus excluding exceptional pension credit</i>		<i>17,105</i>	<i>12,154</i>	<i>17,106</i>	<i>12,158</i>
Surplus on disposal of property	6	358	458	358	458
		18,923	12,612	18,924	12,616
Interest receivable	7	17	1	17	1
Interest payable	8	(4,794)	(3,951)	(4,794)	(3,951)
Pension finance costs	27	(100)	(290)	(100)	(290)
Gift aid from subsidiary		-	-	-	46
Surplus on ordinary activities before taxation	3	14,046	8,372	14,047	8,422
Taxation	9	-	11	-	-
Surplus for the year after taxation	19	14,046	8,383	14,047	8,422

All of the Group and Association's activities relate to continuing operations.

Statement of recognised surpluses and deficits

as at 31 March 2011

	Notes	Group		Association	
		2011	2010	2011	2010
		£'000	£'000	£'000	£'000
Surplus for the year		14,046	8,383	14,047	8,422
Actuarial gain/(loss)		170	(1,210)	170	(1,210)
Total gains and losses recognised since the last annual report		14,216	7,173	14,217	7,212

Group Balance Sheet

as at 31 March 2011

	Notes	2011		2010	
		£'000	£'000	£'000	£'000
Fixed assets					
Housing properties:	10				
Depreciated cost		381,493		325,568	
Social housing grant		<u>(148,585)</u>		<u>(126,660)</u>	
			232,908		198,908
Investments	11				
Loans		5,056		5,263	
Grant		<u>(3,191)</u>		<u>(3,360)</u>	
			1,865		1,903
Other fixed assets	12		8,835		8,855
			<u>243,608</u>		<u>209,666</u>
Current assets					
Stock and work in progress	13	12,131		9,472	
Debtors	14	2,968		4,859	
Cash at bank and in hand	15	<u>297</u>		<u>5,912</u>	
		15,396		20,243	
Creditors: Amounts falling due within one year	16	<u>(14,424)</u>		<u>(19,054)</u>	
Net current assets			972		1,189
Total assets less current liabilities			<u>244,580</u>		<u>210,855</u>
Creditors: Amounts falling due in more than one year	17		170,544		149,525
Pension liability	27		3,410		4,920
Capital and reserves					
Share capital – non equity	18		-		-
Revenue reserve	19		70,626		56,410
			<u>244,580</u>		<u>210,855</u>

The financial statements were approved by the Board on 16 June 2011 and were signed on its behalf by:


 John Barker
 Chairman


 Brian Etheridge
 Vice Chairman


 Zoe Moncrieff
 Secretary

Association Balance Sheet

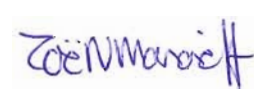
as at 31 March 2011

	Notes	2011		2010	
		£'000	£'000	£'000	£'000
Fixed assets					
Housing properties:	10				
Depreciated cost		382,398		326,473	
Social housing grant		<u>(148,585)</u>		<u>(126,660)</u>	
			233,813		199,813
Investments	11				
Loans		5,056		5,263	
Grant		<u>(3,191)</u>		<u>(3,360)</u>	
			1,865		1,903
Other fixed assets	12		8,835		8,855
			<u>244,513</u>		<u>210,571</u>
Current assets					
Stock and work in progress	13	12,131		9,472	
Debtors	14	2,968		4,858	
Cash at bank and in hand	15	<u>297</u>		<u>5,907</u>	
		15,396			
				20,237	
Creditors: Amounts falling due within one year	16	<u>(14,424)</u>		<u>(19,049)</u>	
Net current assets			972		1,188
Total assets less current liabilities			<u>245,485</u>		<u>211,759</u>
Creditors: Amounts falling due in more than one year	17		170,544		149,525
Pension liability	27		3,410		4,920
Capital and reserves					
Share capital – non equity	18		-		-
Revenue reserve	19		71,531		57,314
			<u>245,485</u>		<u>211,759</u>

The financial statements were approved by the Board on 16 June 2011 and were signed on its behalf by:


 John Barker
 Chairman


 Brian Etheridge
 Vice Chairman


 Zoe Moncrieff
 Secretary

Group Cash Flow Statement

for the year ended 31 March 2011

	Notes	2011		2010	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	24		21,573		12,976
Returns on investments and servicing of finance					
Interest received		17		1	
Interest paid		<u>(5,506)</u>		<u>(4,884)</u>	
Net cash outflow from returns on investment and servicing of finance			(5,489)		(4,883)
Taxation			-		(1)
Capital expenditure and financial investment					
Acquisition and construction of housing properties		(56,684)		(53,537)	
Purchase of other tangible fixed assets		(528)		(395)	
Proceeds from sale of tangible fixed assets		1,288		3,179	
Social housing grant received		11,835		38,500	
Loans repaid by part equity owners		242		443	
Payments to local authorities on the sale of housing properties		(94)		-	
Net cash outflow from capital expenditure and financial investment			(43,941)		(11,810)
Net cash outflow before financing			(27,857)		(3,718)
Loan advances received		35,500		48,790	
Loan principal repayments		<u>(14,500)</u>		<u>(40,000)</u>	
Net cash inflow from financing			21,000		8,790
(Decrease)/increase in cash in the year	25		<u>(6,857)</u>		<u>5,072</u>

Notes (forming part of the Financial Statements)

1 Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to these financial statements.

Basis of Preparation

The financial statements have been prepared in accordance with applicable financial reporting standards under the historical cost accounting rules, the Accounting Requirements for Registered Social Landlords General Determination 2006 ("the Determination"), and the Statement of Recommended Practice (SORP): Accounting by Registered Social Landlords 2008 published in April 2008 ("the 2008 SORP").

Group Structure and Basis of Preparation

The Group's financial statements incorporate the financial statements of the Association, Sentinel Housing Association Limited, and its subsidiary, Vestal Developments Limited. Both Group members' results are presented as operations under common ownership and control.

Taxation

Sentinel Housing Association Limited is a charitable organisation for the purposes of corporation tax. Vestal Developments Limited is non-charitable and bears UK corporation tax.

Turnover

Turnover represents rental income and service charges receivable net of voids, fees and grants from local authorities and the Homes and Communities Agency, income from first tranche shared ownership sales and income receivable from other sources.

Rental income is recognised on the basis of the amount receivable for the year. Rental income received in advance is disclosed within creditors in the balance sheet.

Other income is accounted for on the basis of the value of goods or services supplied during the period

Revenue grants are accounted for once the company is legally entitled to the grant. The grant is recognised within income in line with the expenditure which it funds.

First tranche shared ownership sales are recognised when legal completion occurs.

Mixed developments

Where a development is evaluated as a single scheme but has more than one element, such that one or more of the elements is expected to generate a surplus and one or more of the other elements has a EUV-SH below the cost less attributable grant (the shortfall) then the surplus is reduced by the shortfall through the apportionment of the costs to each element of the scheme. This policy is applicable to all mixed development schemes where surpluses from properties are used to cross-subsidise rented properties.

Notes (forming part of the Financial Statements)
(continued)

1 Accounting Policies (continued)

Sale of Properties

Sales of housing properties are recognised at the date of completion of each property sold.

The surplus or deficit on sales of housing accommodation under the right to buy takes into account any liabilities under Right to Buy sharing agreements with local authorities, the historical cost of the property and any associated sales costs.

Surpluses from sales of housing accommodation under the right to acquire are credited to the disposal proceeds fund in accordance with the General Determination 2006. This will be utilised to fund future housing programmes.

Part-equity Sales

The Association operates its own 'Homebuy' scheme to facilitate the relocation of some homeowners from estates due to be redeveloped. Under the scheme, the owners are typically able to purchase some 70% of a new home, with the Association retaining the balance of the equity. The Association's share of equity is based on the agreed percentage of the full purchase price and is included in fixed asset investments.

Where a Homebuy scheme is linked to a social housing scheme, surpluses made on the Homebuy sale are credited to Housing Properties and recognized as a subsidy to that scheme rather than being taken to the Income and Expenditure Account.

Starter Home Initiative

The Association received government grant through The Housing Corporation to enable keyworkers to purchase a home. The loan is included in fixed asset investments at cost.

Freehold and Long Leasehold Housing Properties

Completed housing properties are included in fixed assets at historical cost. The development cost of housing properties includes the cost of acquiring land and buildings, the valuation of contracted works completed to date and development overhead costs and interest charges incurred during the development period which are directly attributable to individual development schemes. Housing properties in the course of construction are stated at cost.

All costs relating to capital expenditure incurred in the year are included in the financial statements at gross value before retentions.

Capital expenditure on schemes that are aborted is charged to the Income and Expenditure Account in the year in which it is recognised that the schemes will not be developed to completion.

The carrying value of properties is the lower of depreciated cost after deducting Social Housing Grant or net realisable value. In calculating net realisable value account is taken of future use value especially for our land bank.

Capitalisation of Interest

Interest on loans financing development is capitalised up to the date on which practical completion occurs.

Notes (forming part of the Financial Statements)
(continued)

1 Accounting Policies (continued)

Capitalisation of Development Overheads

Development overhead costs that are directly attributable to individual schemes are capitalised to housing properties in the course of construction up to the date of practical completion.

Social Housing Grant

Social Housing Grant (SHG) is received from local authorities and the Housing Corporation/Homes & Communities Agency to subsidise the cost of housing properties. SHG received in excess of the cost of housing properties in the course of construction is shown as SHG received in advance and included as a current liability.

Depreciation

Housing Properties

Depreciation is charged so as to write down the cost of freehold housing properties, other than freehold land, to their estimated residual value on a straight-line basis over their expected useful economic lives, which is 100 years.

Properties held on long leases are depreciated over 100 years or the unexpired terms of the lease if shorter.

Other Fixed Assets

Depreciation on other fixed assets is provided for on the following straight line basis:

Freehold offices, leasehold offices and commercial properties	- 50 years
Other fixed assets	- Between 3 and 15 years

Impairment of Housing Properties

Impairment reviews are carried out annually as the useful economic lives of housing properties exceed 50 years. Impairments arising from a major reduction in the service potential are charged to the income and expenditure account to the extent that the carrying value exceeds the recoverable amount.

Impairment of Development Projects

Each project under development is reviewed on a case by case basis to ensure its value in use is not materially below its net cost plus any initial subsidy approved by the Board at project approval. Each deficit is included in an impairment provision to reduce the value in the balance sheet value into line with this Board approval. The corresponding charge is made to the income and expenditure account in the year the deficit is identified. Where future assessments increase or reduce the deficit further charges are made or released in the same way.

Notes (forming part of the Financial Statements)
(continued)

1 Accounting Policies (continued)

Regeneration Schemes

The Association is engaged in significant regeneration schemes, which involve the demolition and redevelopment of houses and shops and the building of a community centre. The net book value of any properties or other assets acquired prior to the start of the regeneration scheme is written off to the income and expenditure account when the asset concerned is demolished. Similarly, an impairment provision is made for such properties or other assets planned to be demolished in the future to write down the net book value of those assets to their future recoverable amount prior to demolition. The cost of re-providing shops, the building of a community centre and other communal facilities is treated as part of the total cost of the scheme and is capitalised. To the extent that any part of the scheme is intended to be sold, the assets concerned are included within stock and work in progress. The costs of any properties or other assets acquired after the start of the regeneration scheme, together with any demolition cost, are regarded as part of the cost of the scheme and are capitalised.

Stock and Work in Progress

Properties developed for sale are included in stock and work in progress either at cost or at an amount equal to the expected net sale proceeds. Stock and work in progress also include the first tranche proportion of shared ownership properties ear-marked for sale.

Loans

Loans are advances from the Association's funders under the terms of loan facilities. Loans in the balance sheet include the principal amounts due net of arrangement fees. These arrangement fees are amortised over the life of the relevant loan facility. Where loan facilities include stepped interest rate terms, the charge to income and expenditure is calculated at the average rate over the whole life of the agreement. The balance between the cash payment and income and expenditure charge is shown in creditors.

Improvements, Major Repairs, Cyclical Repairs and Day-to-day Repairs

Expenditure incurred by way of improvement or major repair that increases the net rental income from housing properties or reduces maintenance cost on housing properties, from that applicable when first acquired, is capitalised into the cost of housing properties. Expenditure incurred on other major repairs, cyclical and day-to-day repairs to housing properties is charged to the income and expenditure account in the period in which it is incurred.

Operating Leases

Costs in respect of operating leases are charged to the income and expenditure account on a straight-line basis over the lease term.

Value Added Tax (VAT)

The Association is registered for VAT but a large proportion of its income, including its rents, is exempt for VAT purposes. The majority of its expenditure is subject to VAT that cannot be reclaimed, and expenditure is therefore shown inclusive of irrecoverable VAT.

Bad and Doubtful Debts

Provision is made against rent arrears of current and former tenants as well as miscellaneous debts to the extent that they are considered irrecoverable.

Notes (forming part of the Financial Statements)
(continued)

1 Accounting Policies (continued)

Management Expenses

Employee, administration and operating costs have been apportioned to the relevant section of the income and expenditure account on the basis of the costs of the staff and to the extent that they are engaged in each of the operations dealt with in the accounts.

Pensions

The pension costs relating to the defined benefit scheme are accounted for using FRS17. Current service costs and net financial returns are included in the income and expenditure account in the period to which they relate. Actuarial gains and losses are recognised in the statement of recognised gains and losses.

Notes (forming part of the Financial Statements)
(continued)

2(a)(i) Particulars of Group Turnover and Operating Surplus / (Deficit) Analysis	Year ended 31 March 2011				Year ended 31 March 2010			
	Turnover £'000	Cost of Sales £'000	Operating Costs £'000	Operating Surplus/ (Deficit) £'000	Turnover £'000	Cost of Sales £'000	Operating Costs £'000	Operating Surplus/ (Deficit) £'000
Social housing lettings	37,866	-	(20,700)	17,166	36,096	-	(24,258)	11,838
<u>Other social housing activities</u>								
CommuniCare service	571	-	(541)	30	559	-	(542)	17
First tranche shared ownership sales	4,773	(4,533)	-	240	4,356	(4,201)	-	155
Development services	-	-	(623)	(623)	-	-	(570)	(570)
Release of/(increase in) impairment provision of development projects	-	-	-	-	-	-	206	206
Pension credit (see note 3)	-	-	1,460	1,460	-	-	-	-
<u>Non-social housing activities</u>								
Lettings	734	-	(499)	235	713	-	(405)	308
Other	510	-	(453)	57	542	-	(342)	200
Total	44,454	(4,533)	(21,356)	18,565	42,266	(4,201)	(25,911)	12,154

Notes (forming part of the Financial Statements)
(continued)

2(a)(i) Particulars of Association Turnover and Operating Surplus / (Deficit) Analysis	Year ended 31 March 2011				Year ended 31 March 2010			
	Turnover	Cost of Sales	Operating Costs	Operating Surplus/ (Deficit)	Turnover	Cost of Sales	Operating Costs	Operating Surplus/ (Deficit)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Social housing lettings	37,866	-	(20,700)	17,166	36,096	-	(24,258)	11,838
<u>Other social housing activities</u>								
CommuniCare service	571	-	(541)	30	559	-	(542)	17
First tranche shared ownership sales	4,773	(4,533)	-	240	4,356	(4,201)	-	155
Development services	-	-	(622)	(622)	-	-	(566)	(566)
Release of/(increase in) impairment provision of development projects	-	-	-	-	-	-	206	206
Pension credit (see note 3)	-	-	1,460	1,460	-	-	-	-
<u>Non-social housing activities</u>								
Lettings	734	-	(499)	235	713	-	(405)	308
Other	510	-	(453)	57	542	-	(342)	200
Total	44,454	(4,533)	(21,355)	18,566	42,266	(4,201)	(25,907)	12,158

Notes (forming part of the Financial Statements)
(continued)

2(b) Particulars of Group & Association Income and Expenditure from Lettings

Year ended 31 March 2011

	General Needs £'000	Supported Housing £'000	Low Cost Home Ownership £'000	Garages £'000	Total £'000
Turnover from letting activities					
Rents receivable net of identifiable service charges	33,920	61	962	1,023	35,966
Charges for support services	436	-	-	-	436
Service charge income	1,141	38	285	-	1,464
Rental income net of voids	35,497	99	1,247	1,023	37,866
Expenditure on letting activities					
Management	(6,100)	(48)	(538)	(40)	(6,726)
Services	(1,578)	(38)	(177)	-	(1,793)
Support	(594)	-	-	-	(594)
Routine maintenance	(4,624)	(49)	(34)	(118)	(4,825)
Planned maintenance	(1,876)	(7)	-	-	(1,883)
Major repairs expenditure	(3,506)	(4)	-	-	(3,510)
Bad debts	(86)	4	9	-	(73)
Depreciation - housing properties	(1,257)	(4)	(35)	-	(1,296)
Operating costs on lettings	(19,621)	(146)	(775)	(158)	(20,700)
Operating surplus/ (deficit) on social housing lettings	15,876	(47)	472	865	17,166
Losses from voids	(241)	(12)	(13)	(123)	(389)

Notes (forming part of the Financial Statements)
(continued)

2(b) Particulars of Group & Association Income and Expenditure from Lettings

Year ended 31 March 2010

	General Needs £'000	Supported Housing £'000	Low Cost Home Ownership £'000	Garages £'000	Total £'000
Turnover from letting activities					
Rents receivable net of identifiable service charges	32,539	60	757	1,054	34,410
Charges for support services	529	-	-	-	529
Service charge income	894	27	236	-	1,157
Rental income net of voids	33,962	87	993	1,054	36,096
Expenditure on letting activities					
Management	(6,293)	(89)	(614)	(40)	(7,036)
Services	(1,489)	(54)	(158)	-	(1,701)
Support	(563)	-	-	-	(563)
Routine maintenance	(4,031)	(31)	(7)	(57)	(4,126)
Planned maintenance	(1,600)	(5)	-	-	(1,605)
Major repairs expenditure	(7,591)	-	-	-	(7,591)
Bad debts	(165)	(4)	(10)	-	(179)
Depreciation - housing properties	(1,088)	(4)	(35)	-	(1,127)
Impairment – regeneration properties	(330)	-	-	-	(330)
Operating costs on lettings	(23,150)	(187)	(824)	(97)	(24,258)
Operating surplus/ (deficit) on social housing lettings	10,812	(100)	169	957	11,838
Losses from voids	(157)	(18)	(28)	(93)	(296)

Notes (forming part of the Financial Statements)
(continued)

2(c) Particulars of Income from Non-social Housing Activities

	Group and Association	
	2011	2010
	£'000	£'000
Lettings		
Market renting	196	191
Commercial rents	445	432
Leasehold service charges	93	90
	<u>734</u>	<u>713</u>
Other		
Homecare service	441	466
Other	69	76
	<u>510</u>	<u>542</u>
Income from non-social housing activities	<u><u>1,244</u></u>	<u><u>1,255</u></u>

3 Surplus on Ordinary Activities before Taxation

	Group		Association	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
<i>The surplus on ordinary activities before taxation is stated after charging/(releasing):</i>				
Depreciation of housing properties	1,296	1,127	1,296	1,127
Depreciation of other fixed assets	346	333	346	333
Auditors' remuneration:				
In their capacity as auditors	59	61	58	59
In respect of other services	2	22	2	22
Exceptional items:				
Impairment of regeneration schemes	-	330	-	330
(Decrease) / increase in impairment provision of development projects	-	(206)	-	(206)
Impairment of other fixed assets	-	245	-	245
Pension credit*	(1,460)	-	(1,460)	-
Operating lease rentals	<u>20</u>	<u>19</u>	<u>20</u>	<u>19</u>

* The exceptional credit of £1,460,000 is as a result of a change in assumptions used in the valuation of Hampshire County Council pension scheme liabilities. The valuation is based on CPI rather than RPI which was used in prior years, and this change has resulted in a reduction in future liabilities.

Notes (forming part of the Financial Statements)
 (continued)

4 Directors' Emoluments – Group & Association

	2011 £'000	2010 £'000
Emoluments (including pension contributions and estimated monetary value of benefits in kind)	<u>514</u>	<u>511</u>

Emoluments (excluding pension contributions but including estimated monetary value of benefits in kind) include amounts in relation to the highest paid director of £118,000 for the Association in 2011 (2010: £118,000).

The pension contributions paid on behalf of the Chief Executive were £17,144 (2010: £16,671). The Chief Executive is an ordinary member of the pension scheme and no enhanced or special terms are applied.

The Chair of the Board received remuneration of £10,764 in 2010/11. Other payments to Board Members were as shown below:

Robert Barton, Jane Cooke, Brian Etheridge, William Hall, Lynda Hance, Kathy Hine, Tony Mitchell and Toby Rougier, all at £4,306. Juliet Annesley-Gamester and Brian Sanders received £2,332. Frances Button received £3,671. Dennis Battle, Derek Childs, Sheila Jenkins and Richard Wylie all received £2,153. Sheila Jenkins, who left the Board in September 2010 is also an employee and is remunerated in line with other employees on the same grade (see note 29).

5 Employee Benefits– Group & Association

The average monthly number of full time equivalent persons employed during the year was:

	2011	2010
Management and administration	170	176
Wardens, caretakers and cleaners	18	18
	<u>188</u>	<u>194</u>

The average actual number of employees during the year was:

	2011	2010
Management and administration	197	204
Wardens, caretakers and cleaners	24	23
	<u>221</u>	<u>227</u>

Staff costs of the above employees were:

	2011	2010
	£'000	£'000
Salaries and wages	5,789	5,832
Social security costs	474	482
Pension costs	562	547
	<u>6,825</u>	<u>6,861</u>

Notes (forming part of the Financial Statements)
(continued)

6 Surplus on Disposal of Property– Group & Association

	2011	2010
	£'000	£'000
Sales proceeds and allowances	1,690	3,658
Cost of sales - property disposals	(607)	(2,616)
Cost of sales - loan redemptions	(242)	(443)
Repaid to local authorities	(94)	-
Transfer to disposal proceeds fund	(364)	(120)
Administration costs	(25)	(21)
	<u>358</u>	<u>458</u>

7 Interest Receivable

	Group		Association	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Bank interest receivable	<u>17</u>	<u>1</u>	<u>17</u>	<u>1</u>

8 Interest Payable

	Group		Association	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
On bank loans, overdrafts and other loans wholly repayable in more than five years	5,764	4,971	5,764	4,971
Less: Capitalised interest	(970)	(1,020)	(970)	(1,020)
	<u>4,794</u>	<u>3,951</u>	<u>4,794</u>	<u>3,951</u>

9 Taxation – Group & Association

	Group		Association	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Analysis of credit/(charge) in period:				
UK corporation tax				
- Current	-	11	-	-
	<u>-</u>	<u>11</u>	<u>-</u>	<u>-</u>

A reconciliation between the corporation tax credit for the year and the amount that would have been charged had all of the surplus been taxed at the standard rate of corporation tax in the UK has not been provided due to substantially all of the surpluses being derived from charitable entities which are not subject to corporation tax on surpluses derived from their charitable activities.

Notes (forming part of the Financial Statements)
 (continued)

10 Tangible Fixed Assets – Housing Properties (Group)

	Housing Properties Held for Letting	Housing Properties Under Construction	Shared Ownership	Total
	£'000	£'000	£'000	£'000
<u>Historical cost:</u>				
As at 1 April 2010	236,037	62,963	34,431	333,431
Reclassifications	(3,075)	(1,305)	4,380	-
Transfers from other fixed assets	179	-	-	179
Additions	709	57,052	(112)	57,649
Schemes completed in the year	52,482	(57,020)	4,538	-
Disposals	(271)	-	(336)	(607)
Impairment of housing stock	90	(352)	262	-
As at 31 March 2011	<u>286,151</u>	<u>61,338</u>	<u>43,163</u>	<u>390,652</u>
<u>Depreciation:</u>				
As at 1 April 2010	7,413	-	450	7,863
Charge for the year	1,121	-	175	1,296
As at 31 March 2011	<u>8,534</u>	<u>-</u>	<u>625</u>	<u>9,159</u>
<u>Social housing grant:</u>				
As at 1 April 2010	82,035	32,908	11,717	126,660
Receivable in the year	1,273	20,800	89	22,162
Schemes completed in the year	22,374	(23,404)	1,030	-
Disposals	(135)	-	(102)	(237)
As at 31 March 2011	<u>105,547</u>	<u>30,304</u>	<u>12,734</u>	<u>148,585</u>
<u>Net book value</u>				
As at 31 March 2011	<u>172,070</u>	<u>31,034</u>	<u>29,804</u>	<u>232,908</u>
As at 31 March 2010	<u>146,589</u>	<u>30,055</u>	<u>22,264</u>	<u>198,908</u>

Housing properties are all held on freehold tenure except for 70, which are held on long leases (2010: 70).

Social Housing Grant (SHG) can only be retained as long as the property it is financing is used for social housing purposes. Should a property be sold, the SHG is either credited to a Recycled Capital Grant Fund, or included within a Disposal Proceeds Fund, both held by the Group, and may be recycled to another property. If either Fund is left unused for three years, the grant is repayable.

Reclassifications represent cross subsidy between development projects. Commercial units amounting to £1,070,000 have been transferred to other fixed assets.

Cost of Group properties includes £7,570,000 (2010: £6,600,000) of interest capitalised. Interest capitalised during the year is disclosed in note 8. The capitalisation rate applied during the year was an average of 3.37% (2010: 3.10%).

The Group has a major repairs programme, of which £336,000 has been capitalised as improvements (2010: £869,000). In addition, £3,510,000 has been taken to the income and expenditure account as major repairs expenditure (2010: £7,591,000).

Notes (forming part of the Financial Statements)
(continued)

10 Tangible Fixed Assets – Housing Properties (Association)

	Housing Properties Held for Letting	Housing Properties Under Construction	Shared Ownership	Total
	£'000	£'000	£'000	£'000
<u>Historical cost:</u>				
As at 1 April 2010	236,558	62,963	34,815	334,336
Reclassifications	(3,075)	(1,305)	4,380	-
Transfers from other fixed assets	179	-	-	179
Additions in the year	709	57,052	(112)	57,649
Schemes completed in the year	52,482	(57,020)	4,538	-
Disposals in the year	(271)	-	(336)	(607)
Impairment of housing stock	90	(352)	262	-
As at 31 March 2011	<u>286,672</u>	<u>61,338</u>	<u>43,547</u>	<u>391,557</u>
<u>Depreciation:</u>				
As at 1 April 2010	7,413	-	450	7,863
Charge for the year	1,121	-	175	1,296
As at 31 March 2011	<u>8,534</u>	<u>-</u>	<u>625</u>	<u>9,159</u>
<u>Social housing grant:</u>				
As at 1 April 2010	82,035	32,908	11,717	126,660
Received in the year	1,273	20,800	89	22,162
Schemes completed in the year	22,374	(23,404)	1,030	-
Disposals	(135)	-	(102)	(237)
As at 31 March 2011	<u>105,547</u>	<u>30,304</u>	<u>12,734</u>	<u>148,585</u>
<u>Net book value</u>				
As at 31 March 2011	<u>172,591</u>	<u>31,034</u>	<u>30,188</u>	<u>233,813</u>
As at 31 March 2010	<u>147,110</u>	<u>30,055</u>	<u>22,648</u>	<u>199,813</u>

Housing properties are all held on freehold tenure except for 70, which are held on long leases (2010: 70).

Social Housing Grant (SHG) can only be retained as long as the property it is financing is used for social housing purposes. Should a property be sold, the SHG is either credited to a Recycled Capital Grant Fund, or included within a Disposal Proceeds Fund, both held by the Association, and may be recycled to another property. If either Fund is left unused for three years, the grant is repayable.

Reclassifications represent cross subsidy between development projects. Commercial units amounting to £1,070,000 have been transferred to other fixed assets.

Cost of Association properties includes £7,146,000 (2010: £6,176,000) of interest capitalised. The capitalisation rate applied during the year was an average of 3.37% (2010: 3.10%).

The Association has a major repairs programme, of which £336,000 has been capitalised as improvements (2010: £869,000). In addition, £3,510,000 has been taken to the income and expenditure account as major repairs expenditure (2010: £7,591,000).

Notes (forming part of the Financial Statements)
(continued)

10 Tangible Fixed Assets – Housing Properties (continued)

Total accumulated Social Housing Grant received at 31 March 2011 (Group & Association):

	2011	2010
	£'000	£'000
Revenue grants	270	270
Capital grants	164,758	142,596
	<u>165,028</u>	<u>142,866</u>

11 Fixed Asset Investments – Group & Association

Fixed asset investments are loans made to enable people to purchase homes under the 'Homebuy' scheme and the 'Starter Home Initiative'.

	Homebuy	Starter Home Initiative	Total
	£'000	£'000	£'000
<u>Loans:</u>			
As at 1 April 2010	4,814	449	5,263
Additions	35	-	35
Repaid	(204)	(38)	(242)
As at 31 March 2011	<u>4,645</u>	<u>411</u>	<u>5,056</u>
<u>Grant:</u>			
As at 1 April 2010	2,911	449	3,360
Repaid	(44)	(38)	(82)
Recycled	(87)	-	(87)
As at 31 March 2011	<u>2,780</u>	<u>411</u>	<u>3,191</u>
<u>Net book value:</u>			
As at 31 March 2011	<u>1,865</u>	<u>-</u>	<u>1,865</u>
As at 31 March 2010	<u>1,903</u>	<u>-</u>	<u>1,903</u>

Notes (forming part of the Financial Statements)
(continued)

12 Tangible Fixed Assets - Other – Group & Association

	Freehold Offices £'000	Leasehold Offices £'000	Commercial Properties £'000	Other £'000	Total £'000
Cost:					
As at 1 April 2010	1,224	2,724	5,260	1,625	10,833
Transfers to housing properties	-	-	(179)	-	(179)
Additions	-	303	-	202	505
As at 31 March 2011	<u>1,224</u>	<u>3,027</u>	<u>5,081</u>	<u>1,827</u>	<u>11,159</u>
Depreciation					
As at 1 April 2010	408	236	281	1,053	1,978
Charge for year	27	77	111	131	346
As at 31 March 2011	<u>435</u>	<u>313</u>	<u>392</u>	<u>1,184</u>	<u>2,324</u>
Net Book Value					
As at 31 March 2011	<u>789</u>	<u>2,714</u>	<u>4,689</u>	<u>643</u>	<u>8,835</u>
As at 31 March 2010	<u>816</u>	<u>2,488</u>	<u>4,979</u>	<u>572</u>	<u>8,855</u>

13 Stock and Work in Progress - Group and Association

	2011			2010		
	Homebuy £'000	Shared Ownership £'000	Total £'000	Homebuy £'000	Shared Ownership £'000	Total £'000
<u>Housing for sale</u>						
Completed	1,979	3,255	5,234	1,973	4,174	6,147
Under construction	-	6,897	6,897	-	3,325	3,325
	<u>1,979</u>	<u>10,152</u>	<u>12,131</u>	<u>1,973</u>	<u>7,499</u>	<u>9,472</u>

14 Debtors: Amounts falling due within one year

	Group		Association	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Rent arrears	1,238	1,442	1,238	1,442
Less: provision for bad debts	(461)	(463)	(461)	(463)
	<u>777</u>	<u>979</u>	<u>777</u>	<u>979</u>
Other debtors and prepayments	2,191	3,880	2,191	3,879
	<u>2,968</u>	<u>4,859</u>	<u>2,968</u>	<u>4,858</u>

15 Cash at bank and in hand

Cash at bank includes an amount of £297,000 (2010: £204,000) held in trust on behalf of service charge payers as reserve fund contributions.

Notes (forming part of the Financial Statements)
(continued)

16 Creditors: Amounts falling due within one year

	Group		Association	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Bank overdraft	1,242	-	1,247	-
Trade creditors	1,447	1,465	1,447	1,465
Rents received in advance	462	436	462	436
Other creditors and accruals	9,786	6,960	9,781	6,955
SHG in advance	1,487	10,193	1,487	10,193
	<u>14,424</u>	<u>19,054</u>	<u>14,424</u>	<u>19,049</u>

17 Creditors: Amounts falling due after more than one year – Group & Association

	2011	2010
	£'000	£'000
<i>Housing loans</i>		
As at 1 April 2010	149,590	140,800
Drawn during the year	35,500	48,790
Repaid during the year	(14,500)	(40,000)
Total housing loans	170,590	149,590
Less: Loan arrangement costs	(884)	(699)
	<u>169,706</u>	<u>148,891</u>
Recycled capital grant fund	327	488
Disposal proceeds fund	511	146
As at 31 March 2011	<u>170,544</u>	<u>149,525</u>

Housing loans represent advances made to Sentinel Housing Association Limited. The loans are secured by a charge on housing land and buildings. All loans are due for repayment between eight and nineteen years. Interest is payable on the loans at fixed rates between 1.83% and 5.51% (including margin) and at variable rates between 0.286% and 1.57% above LIBOR.

	Disposal Proceeds Fund		Recycled Capital Grant Fund	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
As at 1 April 2010	146	421	488	651
Grant recycled	364	120	189	405
Interest accrued	1	-	-	-
Applied to new build	-	(395)	(350)	(568)
As at 31 March 2011	<u>511</u>	<u>146</u>	<u>327</u>	<u>488</u>

Notes (forming part of the Financial Statements)
 (continued)

18 Share Capital – Non equity

Allotted, issued and fully paid

	2011	2010
	£	£
As at 1 April 2010	41	46
Issued during the year	3	1
Cancelled during the year	<u>(3)</u>	<u>(6)</u>
As at 31 March 2011	<u>41</u>	<u>41</u>

These shares have limited rights. They carry no entitlement to dividend, are not repayable and do not participate in a winding up.

19 Reserves

	Group	Association
	£'000	£'000
Balance at 1 April 2010	56,410	57,314
Surplus for the year after taxation	14,046	14,047
Actuarial gain on pension deficit	170	170
Balance at 31 March 2011	<u>70,626</u>	<u>71,531</u>

20 Group Capital Commitments

Capital commitments at the end of the financial year for which no provision has been made in these financial statements were as follows:

	2011	2010
	£'000	£'000
Capital expenditure that has been contracted for	54,449	78,553
Capital expenditure that has been authorised by the Board but has not yet been contracted for	32,791	50,119
Total Capital Commitments	<u>87,240</u>	<u>128,672</u>

These commitments will be met by a combination of resources including Social Housing Grant £16.7m some of which has yet to be approved by the Housing and Communities Agency. We will not contract for such schemes until this grant has been approved by the HCA. The balance will be covered by first tranche shared ownership sales, net surpluses and agreed loans.

Notes (forming part of the Financial Statements)
(continued)

21 Group Operating Leases

Obligations under non-cancellable operating leases are as follows:

	2011		2010	
	Land and Buildings	Other	Land and Buildings	Other
	£'000	£'000	£'000	£'000
Expiring within one year	-	4	-	5
Expiring between two to five years	-	12	-	20
	<u>-</u>	<u>16</u>	<u>-</u>	<u>25</u>

22 Group Contingent Liabilities

The Group has not identified any significant contingent liabilities at the date of these accounts.

23 Group Housing Stock

	2011		2010	
	Under development Units	In Management Units	Under development Units	In Management Units
Rented social housing	508	7,134	574	6,928
Intermediate market rental	42	69	63	69
Non social housing	-	25	-	25
Shared ownership	196	435	146	374
	<u>746</u>	<u>7,663</u>	<u>783</u>	<u>7,396</u>
Homebuy	-	131	-	131
	<u>746</u>	<u>7,794</u>	<u>783</u>	<u>7,527</u>

24 Reconciliation of Group Operating Surplus to Net Cash Inflow

	2011		2010	
	£'000	£'000	£'000	£'000
Operating surplus		18,565		12,154
Depreciation of housing properties	1,296		1,127	
Depreciation of other fixed assets	346		333	
Impairment of housing properties	-		124	
Impairment of other fixed assets	-		245	
Pension credit under FRS 17	(1,440)		-	
Loan arrangement fees	(185)		-	
(Increase)/decrease in debtors	3,028		(146)	
Increase/(decrease) in creditors	(37)		(861)	
		<u>3,008</u>		<u>822</u>
		<u>21,573</u>		<u>12,976</u>

Notes (forming part of the Financial Statements)
 (continued)

25 Reconciliation of Group Net Cash Inflow to Movement in Net Debt

	2011	2010
	£'000	£'000
Increase/(decrease) in cash in year	(6,857)	5,072
Loans drawn during year	(35,500)	(48,790)
Loans repaid during year	14,500	40,000
Increase in debt	<u>(27,857)</u>	<u>(3,718)</u>
Net debt at 1 April 2010	(143,678)	(139,960)
Net debt at 31 March 2011	<u>(171,535)</u>	<u>(143,678)</u>

26 Analysis of Net Debt

	1 April 2010 £'000	Cash Flows £'000	31 March 2011 £'000
Cash at bank and in hand	5,912	(5,615)	297
Bank overdraft	-	(1,242)	(1,242)
	<u>5,912</u>	<u>(6,857)</u>	<u>(945)</u>
Due after more than one year	(149,590)	(21,000)	(170,590)
	<u>(143,678)</u>	<u>(27,857)</u>	<u>(171,535)</u>

27 Group Pension Arrangements

Hampshire County Council Pension Fund

The disclosures below relate to the Hampshire County Council Pension Fund (the Fund) which is part of the Local Government Pension Scheme, and certain unfunded pension arrangements where indicated. Sentinel Housing Association participates in the Fund which provides defined benefits based on members' final pensionable salary.

In accordance with Financial Reporting Standard No.17 – Retirement Benefits (FRS 17) disclosure of certain information concerning assets, liabilities, income and expenditure relating to pension schemes is required.

The latest triennial formal actuarial valuation of the Hampshire County Council Pension Fund took place on 31 March 2010. The principal assumptions used by the independent qualified actuaries in updating the latest valuation of the Fund for FRS17 purposes were:

Notes (forming part of the Financial Statements)
(continued)

Group Pension Arrangements (continued)

Main financial assumptions at 31 March each year were as follows

	% per annum				
	2011	2010	2009	2008	2007
Inflation	3.6	3.9	3.4	3.7	3.2
Rate of general long-term increase in salaries	5.1	5.4	4.9	5.2	4.7
Rate of increase to pensions in payment	2.7	3.9	3.4	3.7	3.2
Rate of increase to deferred pensions	2.7	3.9	3.4	3.7	3.2
Discount rate	5.5	5.4	6.7	6.8	5.3

Expected long term rates of return as at 31 March in each year were :-

	% per annum				
	2011	2010	2009	2008	2007
Equities	8.4	8.0	7.0	7.6	7.7
Property	7.9	8.5	6.0	6.6	6.7
Government bonds	4.4	4.5	4.0	4.6	4.7
Corporate bonds	5.1	5.5	5.8	6.8	5.3
Total	<u>7.1</u>	<u>6.7</u>	<u>5.7</u>	<u>6.7</u>	<u>6.9</u>

Sentinel Housing Association Limited employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 March 2011.

Notes (forming part of the Financial Statements)
(continued)

27 Group Pension Arrangements (continued)

Funding Position at 31 March each year

	£ million				
	2011	2010	2009	2008	2007
Share of assets	7.98	8.25	6.50	8.53	8.90
Estimated funded liabilities	(11.39)	(13.17)	(9.92)	(9.65)	(12.29)
Deficit	<u>(3.41)</u>	<u>(4.92)</u>	<u>(3.42)</u>	<u>(1.12)</u>	<u>(3.39)</u>

Analysis of amounts (credited)/charged to Operating Surplus for the year ending 31 March in each year:-

	£ million				
	2011	2010	2009	2008	2007
Current service cost	0.07	0.06	0.06	0.08	0.09
Past service costs	(1.46)	-	-	0.04	0.08
Total operating (credit)/charge	<u>(1.39)</u>	<u>0.06</u>	<u>0.06</u>	<u>0.12</u>	<u>0.17</u>

Analysis of amount credited / (debited) to other finance income for the year ending 31 March :-

	£ million				
	2011	2010	2009	2008	2007
Expected return on pension scheme assets	0.54	0.36	0.56	0.59	0.55
Interest on pension scheme liabilities	(0.64)	(0.65)	(0.65)	(0.64)	(0.58)
Net return	<u>(0.10)</u>	<u>(0.29)</u>	<u>(0.09)</u>	<u>(0.05)</u>	<u>(0.03)</u>

Analysis of amount recognised in Statement of Total Recognised Gains and Losses for each year ended 31 March:-

	£ million				
	2011	2010	2009	2008	2007
Actual return less expected return on pension scheme assets	(0.43)	1.73	(2.26)	(0.34)	(0.01)
Experience gains and losses on the scheme liabilities	0.15	0.14	(0.05)	0.80	(0.03)
Changes in underlying assumptions	0.45	(3.08)	0.10	1.92	0.04
Total actuarial gain/(loss)	<u>0.17</u>	<u>(1.21)</u>	<u>(2.21)</u>	<u>2.38</u>	<u>-</u>

Notes (forming part of the Financial Statements)
 (continued)

27 Group Pension Arrangements (continued)

Analysis of movement in surplus during the year to 31 March in each year:-

	£ million				
	2011	2010	2009	2008	2007
Deficit in scheme at beginning of the year	(4.92)	(3.42)	(1.12)	(3.39)	(3.34)
Total contributions	0.05	0.06	0.06	0.06	0.15
Current service cost	(0.07)	(0.06)	(0.06)	(0.08)	(0.09)
Past service costs	1.46	-	-	(0.04)	(0.08)
Other finance costs	(0.10)	(0.29)	(0.09)	(0.05)	(0.03)
Actuarial gain/(loss)	0.17	(1.21)	(2.21)	2.38	-
Deficit in scheme at end of year	<u>(3.41)</u>	<u>(4.92)</u>	<u>(3.42)</u>	<u>(1.12)</u>	<u>(3.39)</u>

Reconciliation of opening and closing balances of the fair value of scheme assets as at 31 March in each year:-

	2011 £ million	2010 £ million
Opening fair value of assets	8.25	6.50
Expected return on assets	0.54	0.36
Actuarial (losses)/gains on assets	(0.43)	1.73
Contributions by the employer	0.05	0.06
Contributions by the participants	0.02	0.02
Net benefits paid out	(0.45)	(0.42)
Closing fair value of assets	<u>7.98</u>	<u>8.25</u>

Notes (forming part of the Financial Statements)
 (continued)

27 Group Pension Arrangements (continued)

Reconciliation of opening and closing balances of the present value of scheme liabilities as at 31 March in each year:-

	2011 £ million	2010 £ million
Opening present value of liabilities	13.17	9.92
Current service cost	0.07	0.06
Interest cost	0.64	0.65
Contributions by participants	0.02	0.02
Past service cost	(1.46)	
Actuarial (gains)/losses on liabilities	(0.60)	2.94
Net benefits paid out	(0.45)	(0.42)
Closing present value of liabilities	<u>11.39</u>	<u>13.17</u>

History of experienced gains and losses for the year ending 31 March in each year :-

	2011	2010	2009	2008	2007
Difference between expected and actual return on scheme assets:					
▪ Amount (£ M)	(0.43)	1.73	(2.26)	(0.34)	(0.01)
▪ Percentage of scheme assets	(5.4%)	21%	(34.7%)	(4.0%)	(0.1%)
Experience gains (losses) on scheme liabilities:					
▪ Amount (£ M)	0.15	0.14	(0.05)	0.80	(0.03)
▪ Percentage of the present value of the scheme liabilities	1.3%	1.1%	(0.5%)	8.3%	0.2%
Change in assumptions					
▪ Amount (£ M)	0.45	(3.08)	0.10	1.92	0.04
▪ Percentage of the present value of the scheme liabilities	3.95%	(23.3%)	1.0%	19.9%	0.3%
Total amount recognised in STRGL:					
▪ Amount (£ M)	0.17	(1.21)	(2.21)	2.38	0.00
▪ Percentage of the present value of the scheme liabilities	1.49%	(9.2%)	(22.3%)	24.7%	0.0%

Sentinel Housing Association Limited has adopted Financial Reporting Standard 17 "Retirement benefits" (FRS17). FRS17 requires its proportion of the assets and liabilities of the Hampshire County Council defined benefit pension fund to be recognised on the balance sheet. In addition, current service costs and net financial returns are included in the income and expenditure account in the period to which they relate. Actuarial gains and losses are included in the statement of total gains and losses.

Notes (forming part of the Financial Statements)
(continued)

27 Group Pension Arrangements (continued)

SHPS SCHEME

Sentinel participates in the Social Housing Pension Scheme (SHPS) through both the Final Salary scheme and the Career Average Revalued Earnings (CARE) scheme. The former applies to employees who joined the scheme by 31 March 2007. All new employees are entitled to the CARE scheme.

Both schemes are funded and contracted out of the state scheme.

SHPS is a multi-employer defined benefit scheme. Employer participation in the Scheme is subject to adherence with the employer responsibilities and obligations as set out in the "SHPS House Policies and Rules Employer Guide".

In October 2010 SHPS also introduced a defined contribution scheme. At the end of March 2011 one employee had joined this scheme at Sentinel. The scheme is different to defined benefit in that it is a contracted in scheme. Sentinel matches the employee percentage contribution up to a maximum of 10%.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

At the 31 March 2011 the following key statistics applied:-

Scheme	Contributions as % of salary			Participating employees at year end	
	Employee Average	Sentinel	Total	2011	2010
Final salary with 1/60 th benefit	10.3	15.0	25.3	71	94
CARE with 1/60 th benefit	9.4	13.0	22.4	27	33

The contribution rates above include a deficit contribution of 7.5% payable by Sentinel as the employer.

The triennial revaluation of the scheme was conducted at 30 September 2008. The final results have now been published and there is a deficit of £663 million with assets only funding 69.7% of liabilities. This compares with previous valuations / estimates as below:-

Notes (forming part of the Financial Statements)
 (continued)

27 Group Pension arrangements (continued)

	Deficit	Asset / Liability Ratio
	£ million	%
September 2005 valuation	283	82.0
March 2007 estimate	N/A	90.0
September 2008 valuation	663	69.7

This illustrates the volatility of defined benefit pension schemes.

Going forward the actuaries to the scheme, HSBC, estimated that a relatively small increase in funding rate was necessary to meet future benefits. There was however a need for significant additional contributions to fund the above past deficits. These additional contributions for both the Final Salary scheme and CARE scheme are:-

	% of pensionable payroll
Identified at valuation:-	
September 2005	4.4
September 2008	3.1
Total for past deficits	<u>7.5</u>

From 1 April 2010 the additional contributions have been set at 7.5% of the pensionable payroll as at 30 September 2008, increasing by 4.7% per annum.

The actuaries estimate that under current assumptions these additional contributions will eliminate the deficit by September 2023.

The impact on total funding rates from April 2010 are as below:-

		% of Pensionable Salary		
		Future Service	Past Deficit	Total
Final salary 1/60 th accrual	Effective April 2010	17.8	7.5	25.3
	<i>Current</i>	17.6	4.4	22.0
CARE scheme 1/60 th accrual	Effective April 2010	14.9	7.5	22.4
	<i>Current</i>	14.1	4.4	18.5

Notes (forming part of the Financial Statements)
(continued)

27 Group Pension arrangements (continued)

Since the preparation of the report on the audited accounts for 2010/11, an update to the Pension Obligations Disclosure Note has been received from The Pensions Trust in relation to the Social Housing Pension Scheme.

This confirms that the scheme actuary has provided an update on the funding position for the scheme as at 30 September 2010. This revealed an increase in the assets of the scheme to £1,985 million with a resultant reduction in the shortfall of assets to liabilities to £497 million (down from £663 million at 30 September 2008). This is equivalent to a past service funding level of 80.0% (up from 69.7% at 30 September 2008).

The next triennial valuation of the scheme is due as at 30 September 2011 with the results of this valuation being available in Autumn 2012.

Following consultation, Sentinel responded to the SHPS proposals and have applied new employer and employee contribution rates from 1 April 2010. The 1/60 final salary and CARE schemes have been retained for existing members but with a reduced employer contribution rate for new members to CARE from April 2010. Sentinel has introduced the SHPS defined contribution scheme for new employees as an alternative to the CARE scheme from 1 October 2010.

28 Incorporation

The Association is incorporated under the Industrial & Provident Societies Act 1965 (Registered No. 27940R). It is also registered with the Tenants' Services Authority (LH4066).

29 Related party transactions

The following board members, who served during the year, are tenants of the Association:

William Hall	Kathy Hine	Sheila Jenkins
Tony Mitchell	Richard Wylie	Brian Sanders

Rents received from these board members are related party transactions but were under the same terms and conditions as applied to other tenants of the Association. Sheila Jenkins is also an employee of Sentinel Housing Association Limited with the same terms and conditions as other equivalent employees.

Martin Nurse (Chief Executive) serves as an unpaid member of the Board of Governors of Everest Community College (Everest). They are a partner to Sentinel in delivering the "Get With" programme for young people in Basingstoke. They provide facilities and staff time and Sentinel provided funding of £10,000 in 2010/11 (2009/10 £10,000). This payment is independently authorised.

As part of our support for financial inclusion initiatives, in this year Sentinel made a grant of £10,000 (2009/10 £10,000) to Hampshire Credit Union (HCU) to support its expansion into Basingstoke. Lionel Haynes (Finance Director) is an unpaid member of the HCU Board representing the interests of Basingstoke and North Hampshire. The grant payment is independently authorised.