

Sentinel Housing Association Limited
Board Report
And
Consolidated Financial Statements
31 March 2010

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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 2010.

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.

From 1st April 2010 Sentinel became a "non-profit making Registered Provider (RP)". This is an automatic process for previously Registered Social Landlords under the provisions of the Housing and Regeneration Act 2008. Principal activities are:

- provision, management and maintenance of rented social housing,
- acquisition and development of new homes,
- provision of properties for shared ownership, Homebuy and rent at intermediate market rents,
- provision of a domiciliary care service for elderly and other members of the community.

Sentinel is also the lead association in the Sappling partnership. Sappling comprises three developing Housing Associations and Groups operating in Hampshire, Surrey & West Sussex. It has been highly successful in delivering a significant development programme with substantial Social Housing Grant allocations.

At Sentinel we want our customers to be fully involved in the shaping and delivery of all our services and development of new homes. To this end we have 5 resident members of the Board, a representative consultative body – Sentinel Tenants and Residents Association (STARA) and have recently completed a customer profiling survey. We will continue to seek new ways to develop customer involvement in the future.

Financial Performance

Operating Results

The financial results for the year show a good performance with an operating surplus of £12,154k and net surplus before tax of £8,372k both the strongest in our history. This surplus will be retained within Sentinel to fund improvements and new housing for the future.

Notable items in the trading results include:-

- an increase of £2,442k in rent receivable as a result of growth in our rented homes and the mandatory rent increase required by the Government formula. We have used this increase to finance in part the accelerated decent homes programme as below,
- significant additional investment in planned maintenance and refurbishment of £1,530k to £7,591k during the year. This investment was to take advantage of favourable market conditions enabling us to complete far more decent homes work at significantly reduced unit costs,
- interest costs reduced by £949k through a combination of a benign interest rate market and treasury management offset by an increase of £200k in Hampshire Local Government Pension finance costs.

Report of the Board

Operating Results (continued)

The Board recognises that many of these influences are due to the extreme economic climate. As such they do not represent an ongoing trend.

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

	2010	2009	2008	2007	2006
	£000	£000	£000	£000	£000
Trading					
Turnover	42,266	38,512	42,684	35,743	37,538
Net Surplus before Property disposals	7,914	** 3,670	5,663	4,582	3,995
Net Surplus after property disposals	8,372	4,111	6,669	5,854	4,397
Development of New Homes					
Gross Expenditure	60,727	51,673	38,389	26,830	29,608
SHG	44,700	17,150	13,729	8,893	3,938
Funding					
Net Debt	143,678	139,960	110,355	100,182	105,953
Reserves	56,410	49,237	47,316	35,628	29,774
Properties under management	7,527	7,295	7,220	7,005	6,938
Key Ratios					
Interest cover (times)	3.39	2.35	2.02	2.3	2.1
Net Debt per unit (£000)	19.1	19.2	15.3	14.3	15.3

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

Assets

The value of our housing properties at 31 March 2010 was £429m. This is based on a full valuation (under the Existing Use – Social Housing basis) by Drivers Jonas at 31 March 2007 adjusted for additions at cost and value of disposals.

This valuation is £229m 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. Where existing rents are not in line with this they are adjusted annually by the change in the retail price index as notified by the Tenant Services Authority (and formerly by the Housing Corporation) plus 1/2% plus or minus £104 per annum. Newly acquired, developed and re-let properties are let at target rent plus 5%.

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 (3 in 2008/09). 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 1 property under the Social Homebuy scheme (100% sale) (2008/9 – none).

Report of the Board

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 100% 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.

We currently have a substantial annual programme of major repair and refurbishment works, which we plan on the basis of stock condition surveys and Decent Homes compliance. 2010 expenditure under this programme totalled £7.6m (£6.1m 2009). This programme is also aimed at reducing the future level of repairs, increasing energy efficiency ratings and achieving full compliance with the Decent Homes Standard by the end of 2010.

Governance

The Board

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

- John Barker, Chairman from 16 September 2009
- Charles Kaye, Chairman until 16 September 2009
- ** Robert Barton
- Dennis Battle, Vice Chairman from 23 October 2009
- Derek Childs (Co-opted)
- Jane Cooke
- Brian Etheridge
- William Hall
- ** Lynda Hance
- Kathy Hine
- Sheila Jenkins
- Tony Mitchell
- Toby Rougier
- Patrick Symington, Vice Chairman until 23 October 2009
- ** Richard Wylie,

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.

Committees

There are two committees of the Sentinel Board:

- Audit Committee
- Remuneration and Nominations Committee

Report of the Board

Governance (continued)

Executive

At 31 March 2010 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.

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.

Report of the Board

Governance (continued)

Statement on Internal Controls (continued)

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 ongoing 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.

- 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.

Report of the Board

Governance (continued)

Statement on Internal Controls (continued)

- 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 ongoing 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. To date there have been no significant issues recorded in this Register.

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.

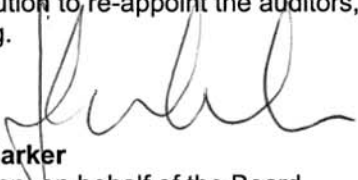
The health and safety of all staff is of great importance to us. Our health and safety policy is regularly reviewed to ensure that we comply with all relevant legislation and best practice.

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.

Report of the Board

Auditors

A resolution to re-appoint the auditors, Nexia Smith & Williamson, will be proposed at the next Annual General Meeting.


John Barker
Chairman, on behalf of the Board

24 June 2010

Operating & Financial Review

Overview of 2009/10

Performance in 2009/10 has been strong. As a landlord we have continued to improve our service, overall customer satisfaction has increased by 7% to 87% and we have made 1,140 lettings of new and existing homes. We have also secured our largest development programme to date. Specific highlights include :-

- Commencing a new Corporate Plan 2010-2013 which puts being a great landlord at the heart of everything that we do. This is discussed more in the Forward Look below.
- Continuing to improve on our service delivery to customers. Our Status Survey of residents showed substantial improvements with overall customer satisfaction at 87%.
- 10 year strategic maintenance contract with MITIE to improve timeliness, quality and value for money of the service.
- Value for money savings of £1.3m in an expanded refurbishment programme.
- Older Persons' Housing Strategy which includes redevelopment of the outdated Hart area bed-sit sheltered housing and a move into high quality Extra Care.
- Performance indicators showed continued good results with most falling in the top quartile.
- Completion of the first parts of two major regeneration projects at Bishops Green and Longfellow Parade.
- Completion of 430 new homes with a further 780 on site. This programme has been supported by £44.7m Social Housing Grant (SHG) received during the year which was 369% of our HCA target.

Key Achievements in the Year

Customer & Neighbourhood Services

This year has been one of increased focus on customer directed services. Our major achievements have included:-

- **Customer Involvement**
 - Leading in the establishment of the Hampshire & District Residents Forum. This Forum has brought together the residents and key providers of all the affordable housing in Hampshire to develop local standards. In particular it has produced a Hampshire wide Involvement & Empowerment Standard.
 - Extending the Residents' Day into a full Residents' Week. 420 residents gave us their views on a variety of issues which fed into improvement plans. These have been instrumental in shaping our Customer Deal as below.
 - STARA have greatly extended their involvement with significant input into contract procurement, residents' week and service delivery.

Operating & Financial Review

Key Achievements in the Year (continued)

- **Services**

- Our youth Summer programme "Get With" reached new heights. With widespread strong partnership support notably Everest College, Hart Neighbourhood Centre and Rushmoor Borough Council we provided a full activity programme for over 800 young people between 8 to 17 years of age.
- Financial support for our residents including:
 - Production of a Debt Advice DVD hosted by Dominic Littlewood.
 - Playing a key role in expanding Hampshire Savers Credit Union into Basingstoke.
 - Expanding our support for Basingstoke CAB by sponsoring a debt advisor 4 days per week.

- **Choice**

- Worked with our kitchen and bathroom suppliers to offer a far wider choice for kitchen and bathroom replacement.
- Developed our "Customer Deal" for launch in the summer of 2010.

- **Environment**

- Commenced a programme of environmentally friendly projects with renewable heating such as air source heat pumps and combined heat and power boilers in a substantial number of new developments. We are also piloting these within our boiler replacement programme.
- Appointed a Climate Change officer, as a shared resource with Hart District Council.

Older Persons

In the year we started our Older Persons Strategy, initial steps were:-

- Launch of our first extra care facility for 23 people at Abbey Court in Basingstoke.
- Commencing construction of our Campbell Close Extra Care scheme in Fleet for 205 people.
- Obtained planning permission to replace Curtis Court with a modern independent living facility for 77 people.

Asset Management

This year saw the largest single investment in our Decent Homes programme of £7.6m. We took full advantage of the reduction in VAT and market prices to save over £1.3m while increasing the programme for new kitchens and bathrooms by 2/3rds.

We also launched our new repair contract with our partner Mitie. The quality of service and customer focus has been a major influence on the overall increase in resident satisfaction.

Operating & Financial Review

Key Achievements in the Year (continued)

Staff

We value our staff greatly as a key part of being a great landlord. Key achievements in the year include:

- 18 employees obtained formal qualifications through amongst others The Chartered Institute of Housing, Association of Accounting Technicians etc.
- Renewal of our Investors in People accreditation for a further 2 years.

Performance

Performance has been strong with notably:-

- Delivery of £1.4m of cash savings across Sentinel's operations. As in previous years, these have been re-invested into resident services, maintaining our assets and developing new homes.
- Improved quality of services delivered reflected in the number of performance indicators in the top quartile. This is in keeping with our aim of performing in the top quartile of housing associations in the South.
- Achieving the Quality Housing Services 'Excellence in Service' Enhanced accreditation, recognising the higher standards of Sentinel's customer services.

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 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	2009/10	Quartile ¹
Emergency repairs completed within target (1 day)	99.7%	1
Urgent repairs completed within target (7 days)	98.3%	1
Routine repairs completed within target (21 days)	98.6%	1
Repairs completed right first time	97.5%	1
Current arrears	2.9%	2
Total arrears	4.0%	Median
Average re-let time in days (general needs)	23	1
Satisfaction with anti-social behaviour complaints process	89%	1
Satisfaction with anti-social behaviour complaints outcome	84%	1
Tenant satisfaction with quality of responsive repairs work	95%	1
Satisfaction with complaint process	90%	1
Satisfaction with complaint outcome	88%	1
Overall satisfaction with services	87%	1
Homes completed	430	-
Sales of low cost homes within 3 months of completion	94%	-
Homes achieving Decent Homes Standard	100%	-
Average energy efficiency (SAP) rating	69.2	-
Kitchen refurbishments	449	-
Bathroom refurbishments	476	-

¹ Where quartile 1 represents the top 25% and median the mid ranking of housing associations in the south (using 2008/09 data)

Operating & Financial Review

Key Achievements in the Year (continued)

Regeneration

Main achievements in the year were:-

- Completion of the first 2 phases of the rural scheme at Bishops Green (80 homes) and commencing the final phase of 66 homes.
- Completion of phase 1 of Longfellow Parade in Popley, Basingstoke replacing a 1960's local shopping centre and maisonettes above with a modern shopping facility and new mixed tenure houses and flats.
- Commenced the £32m redevelopment of Faroe Close & Maldive Road which will replace 120 1960's maisonettes with 237 new homes.

Development of New Homes

We have managed effectively the housing market conditions in 2009 to procure family properties for affordable rent. Sentinel has been extremely well positioned with strong funding and an experienced development team. As a result we have delivered record performance with:-

- 430 new homes completed,
- 783 further new homes on site,
- strong sales of shared ownership totaling 69 completions,
- gross development spend of £61.1m supported by Social Housing Grant of £44.7m.

We continue to enjoy extremely good relationships with existing partners including the Homes and Communities Agency (HCA), core local authorities in Basingstoke, Hart and Rushmoor. Our expansion has also enabled us to establish new relationships with the local authorities in East Hampshire, Waverley and Test Valley.

Sappling

We continue to lead the Sappling Partnership which has also had a record year as below:-

Sappling Performance 2009/10

	<u>Actual</u>	<u>Target</u>
Grant drawn	£70.8m	£31.7m
Homes started	1,245	491
Homes completed	879	580

At the year end the partnership comprised three members, Sentinel, Worthing Homes and Rosebery. We continue to work closely with the HCA to deliver a strong development programme.

Financial Review

Further details of the financial performance for the year can be found on pages 2 and 3 of the Board report.

Operating & Financial Review

Key Achievements in the Year (continued)

Finance & Balance Sheet Strength

During the year we completed further loan arrangements with The Housing Finance Corporation (THFC) and Yorkshire Building Society (YBS). At the year end our overall position was:-

	£ million		
	<u>Facility</u>	<u>Drawn</u>	<u>Balance</u>
Syndicate (Barclays: HBOS: Nationwide)	200.0	120.8	79.2
THFC	10.0	10.0	-
YBS	50.0	18.8	31.2
	<u>260.0</u>	<u>149.6</u>	<u>110.4</u>

In April we have agreed terms for a further £25m bilateral loan from Barclays which we expect to have in place by mid 2010.

Our asset base remains strong with the overall valuation of completed homes sufficient to provide security for further facilities of £55m.

We recognise that 2009/10 has been an exceptional year, dominated by unusually low interest rates and high Social Housing Grant levels. Neither of these are likely to continue into the longer term. Nevertheless our underlying trading performance ensures our covenants will continue to be met with a high margin of safety. Our 30 year business plan confirms this position.

Forward Look

Being a great landlord is the key theme of our 3 year Corporate Plan 2010/13. We want to really focus on this through the high quality of our homes and delivering value for money services that meet our customers' priorities. To ensure this we are working to finalise our "Customer Deal" which will set out our local offer under the new TSA standards

We have clear targets over the Plan period most notably:-

- **Customer Satisfaction** - Overall 90% or better.
- **Regeneration** - Completion of existing projects to provide 1,000 new homes in total and commencing 1 more major scheme.
- **New homes** - 1,500 more affordable homes completed over the 3 years.
- **Older persons** - 100 more homes for older people in Hart and 150 additional Extra Care homes overall.
- **Environmental** - Reduction of our carbon footprints:-
 - operationally by 10% per employee.
 - for our homes by 15% per home.
- Generate customer energy savings reaching £400k per annum by 2013.

Our Business Plan demonstrates that we have the financial capacity to achieve these targets while remaining financially strong.

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 2010 which comprise the Income and Expenditure Accounts, the Balance Sheets, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses, and the related notes 1 to 29. These accounts have been prepared under the accounting policies set out therein.

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 described on page 5 the Association's board are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards and the relevant Statement of Recommended Practice.

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

We report to you our opinion as to whether the financial statements give a true and fair view and comply with the Industrial and Provident Societies Acts 1965 to 2002, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. We also report to you if, in our opinion, the Association has not kept proper books of account, the Association has not maintained a satisfactory system of control over its transactions, the financial statements are not in agreement with the books of account and we have not received all the information and explanations we require for our audit.

We read the Report of the Board and the Operating & Financial Review and consider the implications for our report if we become aware of any apparent misstatements within them.

Basis of audit opinion

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

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

Opinion

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 2010 and of their surplus for the year then ended; and
- comply with the Industrial and Provident Societies Acts 1965 to 2002, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

Nexia Smith & Williamson

Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants
Date 2 July 2010

25 Moorgate
London
EC2R 6AY

Income and Expenditure Account

as at 31 March 2010

	Notes	Group		Association	
		2010	2009	2010	2009
		£'000	£'000	£'000	£'000
Turnover	2	42,266	38,512	42,266	38,512
Cost of sales	2	(4,201)	(3,134)	(4,201)	(3,134)
Operating costs	2	(25,911)	(26,732)	(25,907)	(26,784)
Operating surplus	2	12,154	8,646	12,158	8,594
Surplus on disposal of property	6	458	441	458	441
		12,612	9,087	12,616	9,035
Interest receivable	7	1	14	1	14
Interest payable	8	(3,951)	(4,900)	(3,951)	(4,900)
Pension finance costs	27	(290)	(90)	(290)	(90)
Gift aid from subsidiary		-	-	46	46
Surplus on ordinary activities before taxation	3	8,372	4,111	8,422	4,105
Taxation	9	11	20	-	18
Surplus for the year after taxation	19	8,383	4,131	8,422	4,123

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

Statement of recognised surpluses and deficits

as at 31 March 2010

	Notes	Group		Association	
		2010	2009	2010	2009
		£'000	£'000	£'000	£'000
Surplus for the year		8,383	4,131	8,422	4,123
Actuarial loss	27	(1,210)	(2,210)	(1,210)	(2,210)
Total gains and losses recognised since the last annual report		7,173	1,921	7,212	1,913

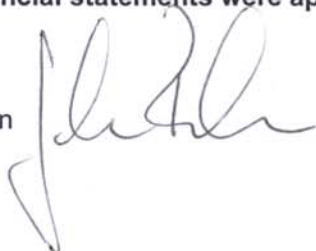
Group Balance Sheet

as at 31 March 2010

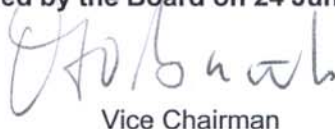
	Notes	2010		2009	
		£'000	£'000	£'000	£'000
Fixed assets					
Housing properties:	10				
Depreciated cost		325,568		275,939	
Social housing grant		<u>(126,660)</u>		<u>(94,498)</u>	
			198,908		181,441
Investments	11				
Loans		5,263		5,706	
Grant		<u>(3,360)</u>		<u>(3,765)</u>	
			1,903		1,941
Other fixed assets	12		8,855		7,680
			<u>209,666</u>		<u>191,062</u>
Current assets					
Stock and work in progress	13	9,472		9,472	
Debtors	14	4,859		2,087	
Cash at bank and in hand	15	<u>5,912</u>		<u>840</u>	
		20,243		12,399	
Creditors: Amounts falling due within one year	16	<u>(19,054)</u>		<u>(9,322)</u>	
Net current assets			1,189		3,077
			<u>210,855</u>		<u>194,139</u>
Total assets less current liabilities			<u>210,855</u>		<u>194,139</u>
Creditors: Amounts falling due in more than one year	17		149,525		141,482
Pension liability	27		4,920		3,420
Capital and reserves					
Share capital – non equity	18		-		-
Revenue reserve	19		56,410		49,237
			<u>210,855</u>		<u>194,139</u>

The financial statements were approved by the Board on 24 June 2010 and were signed on its behalf by:

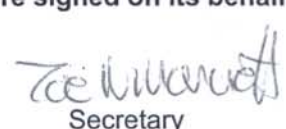
Chairman



Vice Chairman



Secretary




Association Balance Sheet

as at 31 March 2010

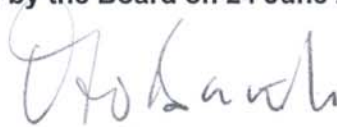
	Notes	2010		2009	
		£'000	£'000	£'000	£'000
Fixed assets					
Housing properties:	10				
Depreciated cost		326,473		276,844	
Social housing grant		<u>(126,660)</u>		<u>(94,498)</u>	
			199,813		182,346
Investments	11				
Loans		5,263		5,706	
Grant		<u>(3,360)</u>		<u>(3,765)</u>	
			1,903		1,941
Other fixed assets	12		8,855		7,680
			<u>210,571</u>		<u>191,967</u>
Current assets					
Stock and work in progress	13	9,472		9,472	
Debtors	14	4,858		2,087	
Cash at bank and in hand	15	<u>5,907</u>		<u>778</u>	
		20,237		12,337	
Creditors: Amounts falling due within one year	16	<u>(19,049)</u>		<u>(9,300)</u>	
Net current assets			1,188		3,037
Total assets less current liabilities			<u>211,759</u>		<u>195,004</u>
Creditors: Amounts falling due in more than one year	17		149,525		141,482
Pension liability	27		4,920		3,420
Capital and reserves					
Share capital – non equity	18		-		-
Revenue reserve	19		57,314		50,102
			<u>211,759</u>		<u>195,004</u>

The financial statements were approved by the Board on 24 June 2010 and were signed on its behalf by:

Chairman



Vice Chairman



Secretary



Group Cash Flow Statement

for the year ended 31 March 2010

	Notes	2010		2009	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	24		12,976		12,619
Returns on investments and servicing of finance					
Interest received		1		14	
Interest paid		<u>(4,884)</u>		<u>(5,882)</u>	
Net cash outflow from returns on investment and servicing of finance			(4,883)		(5,868)
Taxation			(1)		18
Capital expenditure and financial investment					
Acquisition and construction of housing properties		(53,537)		(49,351)	
Purchase of other tangible fixed assets		(395)		(4,617)	
Proceeds from sale of other fixed assets		3,179		882	
Social housing grant received		38,500		16,547	
Loans repaid by part equity owners		443		303	
Payments to local authorities on the sale of housing properties		-		(138)	
Net cash outflow from capital expenditure and financial investment			(11,810)		(36,374)
Net cash outflow before financing			(3,718)		(29,605)
Loan advances received		48,790		29,000	
Loan principal repayments		<u>(40,000)</u>		<u>-</u>	
Net cash inflow from financing			8,790		29,000
Increase/(decrease) in cash in the year	25		<u>5,072</u>		<u>(605)</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 all the following items:

- rental income and service charges receivable. These are mostly charged weekly but adjustment is made through a rent equalisation account to charge a full year's rent each year
- Supporting People income
- revenue fees and grants from local authorities and The Housing Corporation/Homes & Communities Agency
- income from property sales through the 'Homebuy' scheme
- sales proceeds from first tranche shared ownership sales
- sundry small amounts of income receivable from other sources.

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 1997. This will be utilised to fund future housing programmes.

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

1 Accounting Policies (continued)

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.

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.

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

1 Accounting Policies (continued)

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.

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.

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

1 Accounting Policies (continued)

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.

Finance and 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.

Leasing agreements that transfer to the Association substantially all the benefits and risks of ownership of the assets are treated as if the asset has been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitment is shown within creditors as an obligation under finance leases. The lease payments are treated as consisting of capital and interest elements: the capital element is applied to reduce the outstanding obligations and the interest element is charged to the income and expenditure account.

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.

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.

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

1 Accounting Policies (continued)

Sales of Shared Ownership Housing Accommodation

As a result of adopting the 2008 SORP, the accounting treatment of shared ownership properties has changed. Previously, the proceeds from the first tranche sales were deducted from the carrying value of housing properties, with no gain or loss recorded. The 2008 SORP changes this treatment and instead requires first tranche sales to be included within turnover and the related portion of the cost of the asset recognised as cost of sales. The revised policy therefore recognises a surplus or deficit arising on first tranche sales.

Similarly, the costs relating to expected future first tranche sales in respect of shared ownership properties are transferred from housing properties under construction in fixed assets to housing properties current assets.

The comparatives in respect of the previous year have been adjusted to reflect this change in accounting policy.

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 2010				Year ended 31 March 2009			
	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	36,096	-	(24,258)	11,838	33,784	-	(21,928)	11,856
<u>Other Social housing activities</u>								
CommuniCare service	559	-	(542)	17	566	-	(490)	76
Homebuy sales	-	-	-	-	1,505	(1,534)	-	(29)
First tranche shared ownership sales	4,356	(4,201)		155	1,732	(1,600)	-	132
Development services	-	-	(570)	(570)	-	-	(580)	(580)
Release of/(increase in) impairment provision of development projects	-	-	206	206	-	-	(3,007)	(3,007)
<u>Non-social housing activities</u>								
Lettings	713	-	(405)	308	507	-	(314)	193
Other	542	-	(342)	200	418	-	(413)	5
Total	42,266	(4,201)	(25,911)	12,154	38,512	(3,134)	(26,732)	8,646

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

2(a)(i) Particulars of Association Turnover and Operating Surplus / (Deficit) Analysis

	Year ended 31 March 2010				Year ended 31 March 2009			
	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	36,096	-	(24,258)	11,838	33,784	-	(21,928)	11,856
<u>Other Social housing activities</u>								
CommuniCare service	559	-	(542)	17	566	-	(490)	76
Homebuy sales	-	-	-	-	1,505	(1,534)	-	(29)
First tranche shared ownership sales	4,356	(4,201)	-	155	1,732	(1,600)	-	132
Development services	-	-	(566)	(566)	-	-	(632)	(632)
Release of/(increase in) impairment provision of development projects	-	-	206	206	-	-	(3,007)	(3,007)
<u>Non-social housing activities</u>								
Lettings	713	-	(405)	308	507	-	(314)	193
Other	542	-	(342)	200	418	-	(413)	5
Total	42,266	(4,201)	(25,907)	12,158	38,512	(3,134)	(26,784)	8,594

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
HCA revenue grants	-	-	-	-	-
Turnover from letting activities	<u>33,962</u>	<u>87</u>	<u>993</u>	<u>1,054</u>	<u>36,096</u>
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	<u>(23,150)</u>	<u>(187)</u>	<u>(824)</u>	<u>(97)</u>	<u>(24,258)</u>
Operating surplus/ (deficit) on social housing lettings	<u>10,812</u>	<u>(100)</u>	<u>169</u>	<u>957</u>	<u>11,838</u>
Losses from voids	(157)	(18)	(28)	(93)	(296)

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

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

Year ended 31 March 2009

	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	30,047	164	668	1,089	31,968
Charges for support services	543	-	-	-	543
Service charge income	1,001	32	186	-	1,219
Rental income net of voids	31,591	196	854	1,089	33,730
HCA revenue grants	-	54	-	-	54
Turnover from letting activities	31,591	250	854	1,089	33,784
Expenditure on letting activities					
Management	(5,898)	(313)	(453)	(40)	(6,704)
Services	(1,292)	(66)	(152)	-	(1,510)
Support	(639)	-	-	-	(639)
Routine maintenance	(3,750)	(39)	(35)	(96)	(3,920)
Planned maintenance	(1,614)	(5)	(3)	-	(1,622)
Major repairs expenditure	(6,061)	-	-	-	(6,061)
Bad debts	(156)	(2)	(6)	-	(164)
Depreciation - housing properties	(840)	(4)	(111)	-	(955)
Impairment – regeneration properties	(353)	-	-	-	(353)
Operating costs on lettings	(20,603)	(429)	(760)	(136)	(21,928)
Operating surplus/ (deficit) on social housing lettings	10,988	(179)	94	953	11,856
Losses from voids	(280)	(33)	(20)	(87)	(420)

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

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

	Group and Association	
	2010	2009
	£'000	£'000
Lettings		
Market renting	191	186
Commercial rents	432	195
Leasehold service charges	90	126
	<u>713</u>	<u>507</u>
Other		
Homecare service	466	319
Other	76	99
	<u>542</u>	<u>418</u>
Income from non-social housing activities	<u><u>1,255</u></u>	<u><u>925</u></u>

3 Surplus on Ordinary Activities before Taxation

	Group		Association	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
<i>The surplus on ordinary activities before taxation is stated after charging/(releasing):</i>				
Depreciation of housing properties	1,127	955	1,127	955
Depreciation of other fixed assets	333	252	333	252
Auditors' remuneration:				
In their capacity as auditors	61	61	59	59
In respect of other services	22	27	22	27
Exceptional items:				
Impairment of regeneration schemes	330	353	330	353
(Decrease) / increase in impairment provision of development projects	(206)	3,007	(206)	3,007
Impairment of other fixed assets	245	245	245	245
Operating lease rentals	<u>19</u>	<u>179</u>	<u>19</u>	<u>179</u>

4 Directors' Emoluments – Group & Association

	2010	2009
	£'000	£'000
Emoluments (including pension contributions and estimated monetary value of benefits in kind)	<u>511</u>	<u>453</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 2010 (2009: £115,000).

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

4 Directors Emoluments (continued)

The pension contributions paid on behalf of the Chief Executive were £16,671 (2009: £16,215). The Chief Executive is an ordinary member of the pension scheme and no enhanced or special terms are applied.

The previous Chair of the Board received remuneration of £4,963 in 2009/10 and the new Chair (from September 2009) was paid £7,168 (2009: £10,764 to one Chair).

Other payments to Board Members were as shown below:

Robert Barton, Dennis Battle, Derek Childs, Jane Cooke, Brian Etheridge, William Hall, Lynda Hance, Kathy Hine, Sheila Jenkins, Tony Mitchell, Toby Rougier and Richard Wylie, all at £4,306. Patrick Symington received £2,418. Sheila Jenkins 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:

	2010	2009
Management and administration	176	163
Wardens, caretakers and cleaners	18	20
	<u>194</u>	<u>183</u>

The average actual number of employees during the year was:

	2010	2009
Management and administration	204	190
Wardens, caretakers and cleaners	23	24
	<u>227</u>	<u>214</u>

Staff costs of the above employees were:

	2010	2009 (Restated)
	£'000	£'000
Salaries and wages	5,832	5,534
Social security costs	482	461
Pension costs	547	538
	<u>6,861</u>	<u>6,533</u>

6 Surplus on Disposal of Property– Group & Association

	2010	2009
	£'000	£'000
Sales proceeds and allowances	3,658	1,185
Cost of sales - property disposals	(2,616)	(284)
Cost of sales - loan redemptions	(443)	(303)
Repaid to local authorities	-	(138)
Transfer to disposal proceeds fund	(120)	-
Administration costs	(21)	(19)
	<u>458</u>	<u>441</u>

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

7 Interest Receivable

	Group		Association	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Bank interest receivable	<u>1</u>	<u>14</u>	<u>1</u>	<u>14</u>

8 Interest Payable

	Group		Association	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
On bank loans, overdrafts and other loans wholly repayable in more than five years	4,971	6,059	4,971	6,059
Less: Capitalised interest	<u>(1,020)</u>	<u>(1,159)</u>	<u>(1,020)</u>	<u>(1,159)</u>
	<u>3,951</u>	<u>4,900</u>	<u>3,951</u>	<u>4,900</u>

9 Taxation – Group & Association

	Group		Association	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Analysis of credit/(charge) in period:				
UK corporation tax - Current	11	20	-	18
	<u>11</u>	<u>20</u>	<u>-</u>	<u>18</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 2009	206,821	50,276	25,612	282,709
Reclassifications	(1,922)	2,549	(627)	-
Transfers to other fixed assets	(120)	(1,249)	-	(1,369)
Transfers to current assets	(216)	-	(124)	(340)
Additions	1,425	53,687	59	55,171
Schemes completed in the year	30,443	(40,180)	9,737	-
Disposals	(64)	(2,120)	(432)	(2,616)
Impairment of housing stock	(330)	-	206	(124)
As at 31 March 2010	<u>236,037</u>	<u>62,963</u>	<u>34,431</u>	<u>333,431</u>
<u>Depreciation:</u>				
As at 1 April 2009	6,452	-	318	6,770
Charge for the year	995	-	132	1,127
Transfers	(34)	-	-	(34)
As at 31 March 2010	<u>7,413</u>	<u>-</u>	<u>450</u>	<u>7,863</u>
<u>Social housing grant:</u>				
As at 1 April 2009	66,987	19,974	7,537	94,498
Reclassifications	(360)	360	-	-
Receivable in the year	975	31,412	-	32,387
Schemes completed in the year	14,433	(18,838)	4,405	-
Disposals	-	-	(225)	(225)
As at 31 March 2010	<u>82,035</u>	<u>32,908</u>	<u>11,717</u>	<u>126,660</u>
<u>Net book value</u>				
As at 31 March 2010	<u>148,510</u>	<u>28,024</u>	<u>22,374</u>	<u>198,908</u>
As at 31 March 2009	<u>133,382</u>	<u>30,302</u>	<u>17,757</u>	<u>181,441</u>

Housing properties are all held on freehold tenure except for 70, which are held on long leases (2009: 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 £1,369,000 have been transferred to other fixed assets.

Cost of Group properties includes £6,600,000 (2009: £5,580,000) of interest capitalised. Interest capitalised during the year is disclosed in note 8. The capitalisation rate applied during the year was an average of 3.10% (2009: 4.77%).

The Group has a major repairs programme, of which £869,000 has been capitalised as improvements (2009: £569,000). In addition, £7,591,000 has been taken to the income and expenditure account as major repairs expenditure (2009: £6,061,000).

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 2009	207,342	50,276	25,996	283,614
Reclassifications	(1,922)	2,549	(627)	-
Transfers to other fixed assets	(120)	(1,249)	-	(1,369)
Transfers to current assets	(216)		(124)	(340)
Additions in the year	1,425	53,687	59	55,171
Schemes completed in the year	30,443	(40,180)	9,737	-
Disposals in the year	(64)	(2,120)	(432)	(2,616)
Impairment of housing stock	(330)	-	206	(124)
As at 31 March 2010	<u>236,558</u>	<u>62,963</u>	<u>34,815</u>	<u>334,336</u>
<u>Depreciation:</u>				
As at 1 April 2009	6,452	-	318	6,770
Charge for the year	995	-	132	1,127
Transfers	(34)	-	-	(34)
As at 31 March 2010	<u>7,413</u>	<u>-</u>	<u>450</u>	<u>7,863</u>
<u>Social housing grant:</u>				
As at 1 April 2009	66,987	19,974	7,537	94,498
Reclassifications	(360)	360	-	-
Received in the year	975	31,412	-	32,387
Schemes completed in the year	14,433	(18,838)	4,405	-
Disposals	-	-	(225)	(225)
As at 31 March 2010	<u>82,035</u>	<u>32,908</u>	<u>11,717</u>	<u>126,660</u>
<u>Net book value</u>				
As at 31 March 2010	<u>149,031</u>	<u>28,024</u>	<u>22,758</u>	<u>199,813</u>
As at 31 March 2009	<u>133,903</u>	<u>30,302</u>	<u>18,141</u>	<u>182,346</u>

Housing properties are all held on freehold tenure except for 70, which are held on long leases (2009: 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 £1,369,000 have been transferred to other fixed assets.

Cost of Association properties includes £6,176,000 (2009: £5,156,000) of interest capitalised. The capitalisation rate applied during the year was an average of 3.10% (2009: 4.77%).

The Association has a major repairs programme, of which £869,000 has been capitalised as improvements (2009: £569,000). In addition, £7,591,000 has been taken to the income and expenditure account as major repairs expenditure (2009: £6,061,000).

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

10 Tangible Fixed Assets – Housing Properties (continued)

Total accumulated Social Housing Grant received at 31 March 2010 (Group & Association):

	2010	2009
	£'000	£'000
Revenue grants	270	270
Capital grants	142,596	97,896
	<u>142,866</u>	<u>98,166</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 2009	5,215	491	5,706
Repaid	(401)	(42)	(443)
As at 31 March 2010	<u>4,814</u>	<u>449</u>	<u>5,263</u>
<u>Grant:</u>			
As at 1 April 2009	3,274	491	3,765
Recycled	(363)	(42)	(405)
As at 31 March 2010	<u>2,911</u>	<u>449</u>	<u>3,360</u>
<u>Net book value:</u>			
As at 31 March 2010	<u>1,903</u>	<u>-</u>	<u>1,903</u>
As at 31 March 2009	<u>1,941</u>	<u>-</u>	<u>1,941</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
<u>Cost:</u>					
As at 1 April 2009	1,508	2,106	3,891	1,786	9,291
Reclassifications	(39)	421	-	(382)	-
Transfers	-	-	1,369	-	1,369
Additions	-	197	-	221	418
Impairment	(245)	-	-	-	(245)
As at 31 March 2010	<u>1,224</u>	<u>2,724</u>	<u>5,260</u>	<u>1,625</u>	<u>10,833</u>
<u>Depreciation</u>					
As at 1 April 2009	378	2	139	1,092	1,611
Reclassifications	(5)	161	-	(156)	-
Transfers	-	-	34	-	34
Charge for year	35	73	108	117	333
As at 31 March 2010	<u>408</u>	<u>236</u>	<u>281</u>	<u>1,053</u>	<u>1,978</u>
<u>Net Book Value</u>					
As at 31 March 2010	<u>816</u>	<u>2,488</u>	<u>4,979</u>	<u>572</u>	<u>8,855</u>
As at 31 March 2009	<u>1,130</u>	<u>2,104</u>	<u>3,752</u>	<u>694</u>	<u>7,680</u>

13 Stock and Work in Progress - Group and Association

	2010			2009		
	Homebuy £'000	Shared Ownership £'000	Total £'000	Homebuy £'000	Shared Ownership £'000	Total £'000
<u>Housing for sale</u>						
Completed	1,973	4,174	6,147	1,831	1,300	3,131
Under construction	-	3,325	3,325	-	6,341	6,341
	<u>1,973</u>	<u>7,499</u>	<u>9,472</u>	<u>1,831</u>	<u>7,641</u>	<u>9,472</u>

14 Debtors: Amounts falling due within one year

	Group		Association	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Rent arrears	1,442	1,486	1,442	1,486
Less: provision for bad debts	(463)	(502)	(463)	(502)
	<u>979</u>	<u>984</u>	<u>979</u>	<u>984</u>
Other debtors and prepayments	3,880	1,103	3,879	1,103
	<u>4,859</u>	<u>2,087</u>	<u>4,858</u>	<u>2,087</u>

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

15 Cash at bank and in hand

Cash at bank includes an amount of £204,000 (2009: £154,000) held in trust on behalf of service charge payers as reserve fund contributions.

16 Creditors: Amounts falling due within one year

	Group		Association	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Bank overdraft	-	463	-	463
Trade creditors	1,465	662	1,465	662
Rents received in advance	436	424	436	424
Other creditors and accruals	6,960	7,449	6,955	7,438
Corporation tax	-	11	-	-
Starter home grant payable	-	313	-	313
SHG in advance	10,193	-	10,193	-
	<u>19,054</u>	<u>9,322</u>	<u>19,049</u>	<u>9,300</u>

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

	2010	2009
	£'000	£'000
Housing loans		
As at 1 April 2009	140,800	111,800
Drawn during the year	48,790	29,000
Repaid during the year	(40,000)	-
Total housing loans	<u>149,590</u>	<u>140,800</u>
Less: Loan arrangement costs	(699)	(390)
	<u>148,891</u>	<u>140,410</u>
Recycled capital grant fund	488	651
Disposal proceeds fund	146	421
As at 31 March 2010	<u>149,525</u>	<u>141,482</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 nine and nineteen years. Interest is payable on the loans at fixed rates between 3.22% and 5.23% (including margin) and at variable rates between 0.286% and 1.426% above LIBOR.

	Disposal Proceeds Fund		Recycled Capital Grant Fund	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
As at 1 April 2009	421	762	651	695
Grant recycled	120	-	405	195
Interest accrued	-	19	-	21
Applied to new build	(395)	(360)	(568)	(260)
As at 31 March 2010	<u>146</u>	<u>421</u>	<u>488</u>	<u>651</u>

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

18 Share Capital – Non equity

Allotted, issued and fully paid

	2010	2009
	£	£
As at 1 April 2009	46	50
Issued during the year	1	3
Cancelled during the year	(6)	(7)
As at 31 March 2010	<u>41</u>	<u>46</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 2009	49,237	50,102
Surplus for the year after taxation	8,383	8,422
Actuarial loss on pension deficit	(1,210)	(1,210)
Balance at 31 March 2010	<u>56,410</u>	<u>57,314</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:

	2010	2009
	£'000	£'000
Capital expenditure that has been contracted for	78,553	38,969
Capital expenditure that has been authorised by the Board but has not yet been contracted for	50,119	18,896
Total Capital Commitments	<u>128,672</u>	<u>57,865</u>

These commitments will be met by a combination of resources including Social Housing Grant £33.7m 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:

	2010		2009	
	Land and Buildings	Other	Land and Buildings	Other
	£'000	£'000	£'000	£'000
Expiring within one year	-	5	-	3
Expiring between two to five years	-	20	-	17
	<u>-</u>	<u>25</u>	<u>-</u>	<u>20</u>

22 Group Contingent Liabilities

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

23 Group Housing Stock

	2010		2009	
	Under development Units	In Management Units	Under development Units	In Management Units
Rented social housing	574	6,928	382	6,853
Intermediate market rental	63	69	-	-
Non social housing	-	25	-	25
Shared ownership	146	374	143	286
	<u>783</u>	<u>7,396</u>	<u>525</u>	<u>7,164</u>
Homebuy	-	131	-	131
	<u>783</u>	<u>7,527</u>	<u>525</u>	<u>7,295</u>

24 Reconciliation of Group Operating Surplus to Net Cash Inflow

	2010		2009	
	£'000	£'000	£'000	£'000
Operating surplus		12,154		8,646
Depreciation of housing properties	1,127		955	
Depreciation of other fixed assets	333		252	
Impairment of housing properties	124		3,360	
Impairment of other fixed assets	245		245	
Loan arrangement fees	-		(275)	
(Increase)/Decrease in debtors	(146)		383	
Decrease in creditors	(861)		(947)	
		<u>822</u>		<u>3,973</u>
		<u>12,976</u>		<u>12,619</u>

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

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

	2010	2009
	£'000	£'000
Increase/(decrease) in cash in year	5,072	(605)
Loans drawn during year	(48,790)	(29,000)
Loans repaid during year	40,000	-
Increase in debt	<u>(3,718)</u>	<u>(29,605)</u>
Net debt at 1 April 2009	<u>(139,960)</u>	<u>(110,355)</u>
Net debt at 31 March 2010	<u><u>(143,678)</u></u>	<u><u>(139,960)</u></u>

26 Analysis of Net Debt

	1 April 2009 £'000	Cash Flows £'000	31 March 2010 £'000
Cash at bank and in hand	840	5,072	5,912
Due after more than one year	(140,800)	(8,790)	(149,590)
	<u>(139,960)</u>	<u>(3,718)</u>	<u>(143,678)</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 2007. 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)

Main financial assumptions at 31 March each year were as follows

	% per annum				
	2010	2009	2008	2007	2006
Inflation	3.9	3.4	3.7	3.2	3.0
Rate of general long-term increase in salaries	5.4	4.9	5.2	4.7	4.5
Rate of increase to pensions in payment	3.9	3.4	3.7	3.2	3.0
Rate of increase to deferred pensions	3.9	3.4	3.7	3.2	3.0
Discount rate	5.4	6.7	6.8	5.3	4.9

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

	% per annum				
	2010	2009	2008	2007	2006
Equities	8.0	7.0	7.6	7.7	7.3
Property	8.5	6.0	6.6	6.7	6.3
Government bonds	4.5	4.0	4.6	4.7	4.3
Corporate bonds	5.5	5.8	6.8	5.3	4.9
Total	<u>6.7</u>	<u>5.7</u>	<u>6.7</u>	<u>6.9</u>	<u>6.5</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 2010.

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

27 Group Pension Arrangements (continued)

Funding Position at 31 March each year

	£ million				
	2010	2009	2008	2007	2006
Share of assets	8.25	6.50	8.53	8.90	8.58
Estimated funded liabilities	(13.17)	(9.92)	(9.65)	(12.29)	(11.92)
Deficit	<u>(4.92)</u>	<u>(3.42)</u>	<u>(1.12)</u>	<u>(3.39)</u>	<u>(3.34)</u>

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

	£ million				
	2010	2009	2008	2007	2006
Current service cost	0.06	0.06	0.08	0.09	0.12
Past service costs	-	-	0.04	0.08	-
Total operating charge	<u>0.06</u>	<u>0.06</u>	<u>0.12</u>	<u>0.17</u>	<u>0.12</u>

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

	£ million				
	2010	2009	2008	2007	2006
Expected return on pension scheme assets	0.36	0.56	0.59	0.55	0.49
Interest on pension scheme liabilities	(0.65)	(0.65)	(0.64)	(0.58)	(0.57)
Net return	<u>(0.29)</u>	<u>(0.09)</u>	<u>(0.05)</u>	<u>(0.03)</u>	<u>(0.08)</u>

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

	£ million				
	2010	2009	2008	2007	2006
Actual return less expected return on pension scheme assets	1.73	(2.26)	(0.34)	(0.01)	1.18
Experience gains and losses on the scheme liabilities	0.14	(0.05)	0.80	(0.03)	-
Changes in underlying assumptions	(3.08)	0.10	1.92	0.04	(0.83)
Total actuarial (loss)/gain	<u>(1.21)</u>	<u>(2.21)</u>	<u>2.38</u>	<u>-</u>	<u>0.35</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				
	2010	2009	2008	2007	2006
Deficit in scheme at beginning of the year	(3.42)	(1.12)	(3.39)	(3.34)	(3.57)
Total contributions	0.06	0.06	0.06	0.15	0.08
Current service cost	(0.06)	(0.06)	(0.08)	(0.09)	(0.12)
Past service costs	-	-	(0.04)	(0.08)	-
Other finance costs	(0.29)	(0.09)	(0.05)	(0.03)	(0.08)
Actuarial (loss)/gain	(1.21)	(2.21)	2.38	-	0.35
Deficit in scheme at end of year	<u>(4.92)</u>	<u>(3.42)</u>	<u>(1.12)</u>	<u>(3.39)</u>	<u>(3.34)</u>

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

	2010 £ million	2009 £ million
Opening fair value of assets	6.50	8.53
Expected return on assets	0.36	0.56
Actuarial gains / (losses) on assets	1.73	(2.26)
Contributions by the employer	0.06	0.06
Contributions by the participants	0.02	0.02
Net benefits paid out	(0.42)	(0.41)
Closing fair value of assets	<u>8.25</u>	<u>6.50</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:-

	2010 £ million	2009 £ million
Opening present value of liabilities	9.92	9.65
Current service cost	0.06	0.06
Interest cost	0.65	0.65
Contributions by participants	0.02	0.02
Actuarial losses/(gains) on liabilities	2.94	(0.05)
Net benefits paid out	(0.42)	(0.41)
Closing present value of liabilities	<u>13.17</u>	<u>9.92</u>

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

	2010	2009	2008	2007	2006
Difference between expected and actual return on scheme assets:					
▪ Amount (£ M)	1.73	(2.26)	(0.34)	(0.01)	1.18
▪ Percentage of scheme assets	21%	(34.7%)	(4.0%)	(0.1%)	13.8%
Experience gains (losses) on scheme liabilities:					
▪ Amount (£ M)	0.14	(0.05)	0.80	(0.03)	0.00
▪ Percentage of the present value of the scheme liabilities	1.1%	(0.5%)	8.3%	0.2%	0.0%
Change in assumptions					
▪ Amount (£ M)	(3.08)	0.10	1.92	0.04	(0.83)
▪ Percentage of the present value of the scheme liabilities	(23.3%)	1.0%	19.9%	0.3%	(7.0%)
Total amount recognised in STRGL:					
▪ Amount (£ M)	(1.21)	(2.21)	2.38	0.00	0.35
▪ Percentage of the present value of the scheme liabilities	(9.2%)	(22.3%)	24.7%	0.0%	2.9%

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".

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 2010 the following key statistics applied:-

Scheme	Contributions as % of salary			Participating employees at year end	
	Employee Average	Sentinel	Total	2010	2009
Final salary with 1/60 th benefit	7.9	14.1	22.0	94	94
CARE with 1/60 th benefit	6.2	12.3	18.5	33	27

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:-

	Deficit	Asset / Liability Ratio
	£ million	%
September 2005 valuation	283	82.0
March 2007 estimate	N/A	90.0
September 2008 valuation	663	69.7
September 2009 estimate`	738	70.0

This illustrates the volatility of defined benefit pension schemes.

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

27 Group Pension arrangements (continued)

SHPS SCHEME (continued)

Going forward the actuaries to the scheme, HSBC, estimate that only a relatively small increase in funding rates are necessary to meet future benefits. There is 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 estimated to be:-

	% 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 will be 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

Following consultation, Sentinel responded to the SHPS proposals and are applying 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 will be introducing 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).

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

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	

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 employees of the same grade.