

Black Country Housing Group Limited



Financial Statements

Year ended 31 March 2011



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Information

Board

Ms S Webb (Chair)
Mrs J Ayliffe
Mr P Bilson
Mr R Chapman
Ms D Gittens
Mr D Gutteridge
Mrs A Harrison
Mr J Malik
Mr R Newby
Mr M Sandhar
Mr F Takrouri
Mr R Virdee (Deputy Chair)
Mr K Wright

Executive

Ms S Spence – Chief Executive
Ms E Parkes – Director of Community Regeneration
Mr D Saunders – Finance Director
Mr I Stuart – Director of Housing & Development
Mrs A Tomlinson – Assistant Chief Executive

Secretary

Mrs A Tomlinson

Registered Office

134 High Street
Blackheath
West Midlands
B65 0EE

Bankers

Lloyds Bank plc
153 High Street
Blackheath
West Midlands
B65 0EB

Auditors

Mazars LLP
45 Church Street
Birmingham
B3 2RT

Registration

TSA Number: L1668
VAT Number: 705333170
I&P Society: 21157R

Board report

Operating & Financial Review and Board Report

The Board of Black Country Housing Group is pleased to present its report together with the audited financial statements for the year ended 31 March 2011.

Vision and Core Values

Black Country Housing Group (the Group) is committed to making a difference to the lives of people living across the Black Country and Birmingham. We do this by providing good quality, affordable, energy efficient homes and a range of other services.

We shape the way we deliver our services by listening to and working with local communities. This is reflected in our core values:

- Integrity
- Positive Attitude
- Respect for the Environment
- Respect for People
- Quality

Activities

The Group comprises:

- Black Country Housing Group (the Association), and its subsidiaries
- BCS Associates
- Black Country Care Services
- Causeway Care (dormant)
- Black Country Self Build (dormant)

The Association is a registered provider of social housing and has charitable status. Key activities during the year included:

- managing and developing homes for rent including supported housing
- providing low cost home ownership
- supporting people in to work or training
- helping to create sustainable communities
- providing a Home Improvement Agency

BCS Associates includes our domiciliary care service "Causeway Care," which provides support to the residents of our supported accommodation, and "e²S" which supports our investment in green technologies.

Black Country Care Services provides domiciliary care to residents of Dudley and the wider Black Country who are not our tenants.

Board report

Board Members

The present Board Members (non-executive) are set on page 4. There have been no changes to Board membership during the year.

The Board currently comprises 13 members, which is above the recommended optimum in the NHF Code: Excellence in Governance. In addition, a number of our Board members have served more than nine years. Following a thorough Governance Review the Board has agreed to adopt the NHF Code and to move to full compliance with the Code over a phased period. During this transition, longer serving members will stand down and new members will be recruited with the right skills and experience to maintain highly effective governance.

Objectives

The Group has six overarching strategic objectives which are set out in the Business Plan 2010-15:

- Providing Quality Homes
- Delivering Quality Services
- Providing more services for older people and vulnerable groups
- Investing in our communities
- Supporting the Green Agenda
- Efficient Business Operations

Operating Review

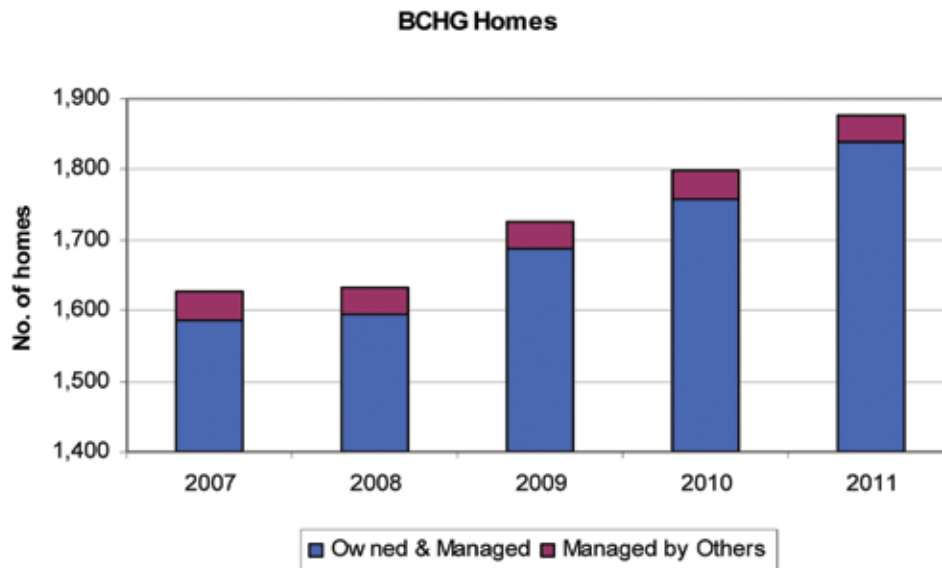
The environment in which housing associations operate has changed significantly as a consequence of the economic crisis of 2008-9. The Government's Comprehensive Spending Review has led to challenging savings targets being set for many of our stakeholders and traditional funding providers. The Board is confident that, as a locally based organisation, with a track record of successful work involving communities, health and employment as well as our core housing activities, the Group is well placed to respond to the localism agenda in a real and measurable way.

In January 2011 our regulator, the Tenant Services Authority, issued its annual Regulatory Judgement and found that the Group meets its requirements in terms of financial viability and is properly governed.

The Group manages 1,839 homes of which 99.3% meet the Decent Homes Standard.

During the year we completed the development of 56 new homes and purchased a further 22 homes under the "mortgage rescue" scheme. At 31 March 2011 we had five shared ownership homes awaiting sale and have thirty homes in development in Bloxwich, Great Barr and Birmingham.

Board report



Over the course of the year we let homes to 268 new tenants and our average time to re-let a property fell to 4.3 weeks (2010: 6.9 weeks). 57% of lettings were to nominations from our local authority partners.

Rent collection improved over the year notwithstanding the difficult economic climate.

Current Tenants. % Rent Debit in Arrears

	2007	2008	2009	2010	2011
General Needs	4.82%	4.97%	4.96%	4.94%	2.88%
Supported Housing	1.99%	2.24%	2.29%	3.09%	1.11%

In January 2011 we completed the development of the iconic Blackheath Library and offices in partnership with Sandwell Council. Bringing this vital community service to the heart of the town dramatically improves accessibility and therefore use. Building features, from a sloping south wall and large roof overhang keeping out unwanted heat and glare, to solar roof panels that generate electricity for the building, demonstrate our commitment to reducing the environmental impact of our new facilities and enhancing the local environment.

BCHG worked with 207 local people through our Next Steps project, helping them to find employment or training. This is an important area of work for us and we are pleased to have been selected as a sub-contractor for the Single Work Programme in 2011.

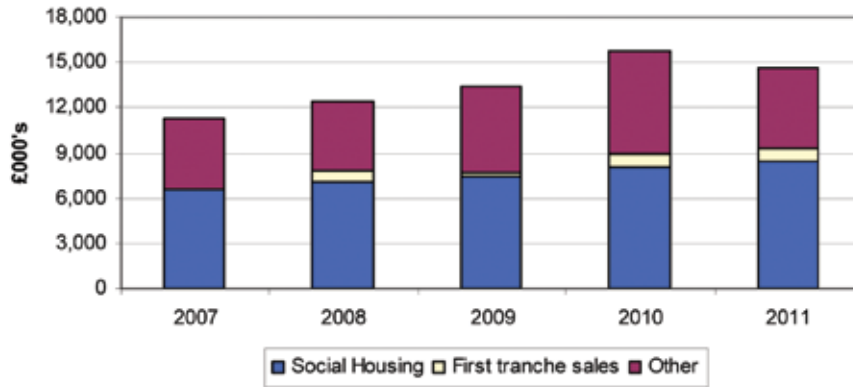
As the financial year drew to a close the Group, along with other publicly funded organisations, has had to revise working practices and service delivery models in order to improve efficiency and adapt to a new public funding environment.

Financial Review

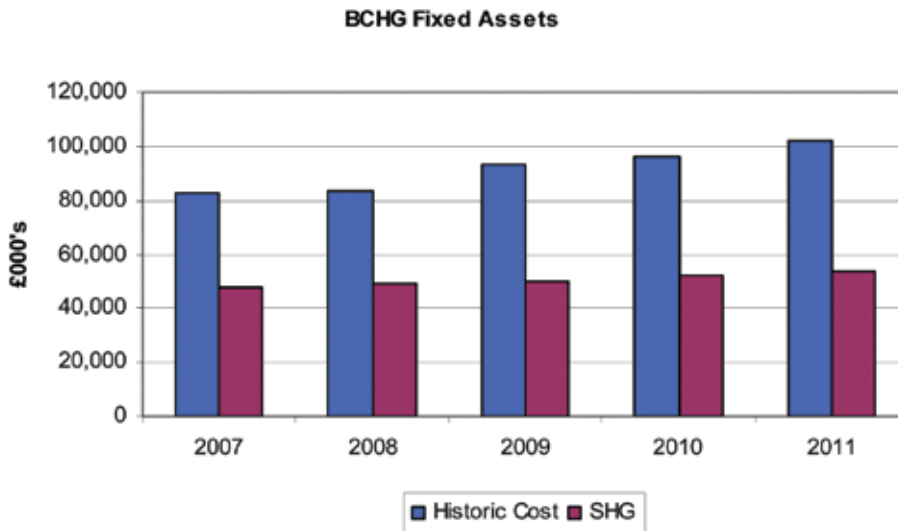
Our Financial Strategy sets out the Board's clear intention to be a financially robust and viable organisation which invests in the local communities that we serve. As a prudent and sustainable not-for-profit organisation, our objective is to grow the business and reduce unit costs in order to generate the financial strength and capacity to invest in services rather than to produce surpluses for their own sake.

Board report

The Group's turnover for the year was £14.6 million (2010: £15.8 million), reflecting a contraction in our Care & Repair business. The surplus for the year was £448,000 (2010: £529,000).



The Group's housing asset base increased to £102.4 million (2010: £96.1 million) supported by Social Housing Grants of £53.7 million (2010: £51.9 million).

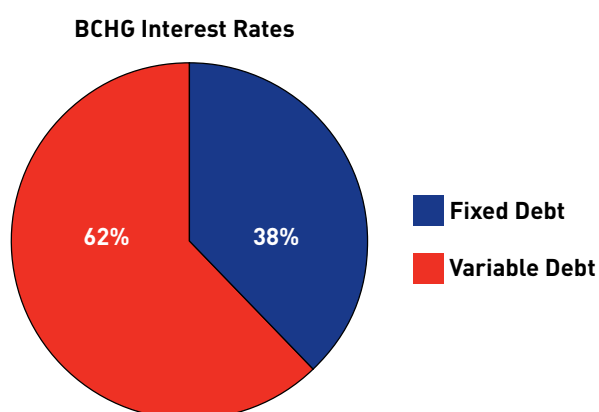


Board report

Loan Debt at 31 March 2011 was £37.4 million a reduction on the previous year as no new loan drawings were required during 2010/11. Of this £869,000 falls due for repayment within the next year as illustrated.

Loan Maturity	2011 £000's	2010 £000's
Within one year	869	875
Between one and two years	845	869
Between two and five years	3,199	3,304
After five years	32,560	33,300
	37,473	38,348

Treasury activities are controlled by the Finance Director in accordance with policies and strategies approved by the Board and the Finance & Development sub-committee. At 31 March 2011 62% of debt was at variable rates. The average cost of funds was 4.3%. The Association complied with all lenders' covenants for the year.



Investing in our Future

The Board has approved a Financial Strategy which is clearly aligned to the delivery of our Business Plan objectives. This is underpinned by our financial plan which demonstrates the long-term viability and sustainability of the Group and confirms on-going compliance with all loan covenants.

The Group has bid for funding under the Affordable Housing Programme and plans to develop up to 200 homes over the next four years. The Group has available loan facilities of £15 million in order to support our ambitions for growth.

In addition, we are collaborating with a range of partners across Birmingham and the Black Country in order to maximise our support to local residents in areas such as employment and returning to work, health and social care, fuel poverty and green technology.

Internal Control and Risk Management

The Board acknowledges its overall responsibility, applicable to all organisations within the group, for establishing and maintaining the whole system of internal control and for reviewing its effectiveness.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve our business objectives, and to provide reasonable assurance against material misstatement or loss.

Board report

Key elements of the control framework include:

- Board approved terms of reference and delegated authorities for sub-committees
- A robust business planning process, supported by a clear financial strategy, financial plans and forecasts and detailed budgets
- Recruitment, training and development policies for staff
- Authorisation and appraisal policies for significant new initiatives and commitments
- Board approved whistle-blowing, fraud, anti-corruption and anti-bribery policies
- Regular monitoring of loan covenants

Statement of the Responsibilities of the Board

The Industrial & Provident Societies Acts and Housing Association legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Association and of their income and expenditure for the year.

In preparing those financial statements the Board is required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- follow applicable UK accounting standards and the Statement of Recommended Practice: Accounting by Registered Social Landlords issued in 2008.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Association and enable it to ensure that the financial statements comply 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. It is also responsible for ensuring arrangements are made for safeguarding the assets of the Group and the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for ensuring that this report of the board is prepared in accordance with the Statement of Recommended Practice: Accounting by Registered Social Housing Providers.

Going Concern

The Board has reviewed the Group and Association budgets, financial plans, cash flow forecasts and loan facilities. On the basis of this review the Board is satisfied the Group and the Association is a going concern and has therefore continued to adopt the going concern basis in preparing the financial statements.

Annual General Meeting

The annual general meeting will be held on 15 September 2011 at the National Metalforming Centre, West Bromwich.

Sarah Webb Chair of the Board

Independent auditors report to the members of Black Country Housing Group Limited

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

Respective responsibilities of the board and the auditor

As explained more fully in the Statement of Board's Responsibilities set out on page 10, the board is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's [(APB's)] Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the association's affairs as at 31 March 2011 and of the group's and the association's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit

Mazars LLP

Chartered Accountants and Statutory Auditor

45 Church Street

Birmingham

B3 2RT

Consolidated income and expenditure account

Year ended 31 March 2011

		Group	
	Notes	2011 £'000	2010 £'000
TURNOVER	2	14,630	15,758
Operating costs	2	(12,663)	(13,855)
		<hr/>	<hr/>
OPERATING SURPLUS	2	1,967	1,903
Surplus on sale of properties	23	53	43
Interest receivable and similar income		37	61
Interest payable and similar charges	5	(1,609)	(1,478)
		<hr/>	<hr/>
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION	4	448	529
Taxation	8	-	-
		<hr/>	<hr/>
SURPLUS FOR THE YEAR		448	529
		<hr/> <hr/>	<hr/> <hr/>

The Group's turnover and expenses all relate to continuing operations. The Group has no recognised surpluses and deficits other than the surplus for the year and the surplus for the year has been calculated on the historical cost basis.

Income and expenditure account

Year ended 31 March 2011

		Parent	
		2011	2010
	Notes	£'000	£'000
TURNOVER	2	13,546	14,756
Operating costs	2	(11,585)	(12,858)
		<hr/>	<hr/>
OPERATING SURPLUS	2	1,961	1,898
Surplus on sale of properties	23	53	43
Interest receivable and similar income		37	61
Interest payable and similar charges	5	(1,609)	(1,478)
		<hr/>	<hr/>
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION	4	442	524
Taxation	8	-	-
		<hr/>	<hr/>
SURPLUS FOR THE YEAR		442	524
		<hr/> <hr/>	<hr/> <hr/>

The Association's turnover and expenses all relate to continuing operations. The Association has no recognised surpluses and deficits other than the surplus for the year and the surplus for the year has been calculated on the historical cost basis.

Consolidated balance sheet At 31 March 2011

	Notes	2011 £'000	2010 £'000
FIXED ASSETS			
Housing properties - Cost	9	102,405	96,087
- SHG		(53,714)	(51,857)
- Depreciation		(2,875)	(2,493)
		<hr/>	<hr/>
Other fixed assets	10	45,816	41,737
		3,172	1,435
		<hr/>	<hr/>
		48,988	43,172
		<hr/>	<hr/>
CURRENT ASSETS			
Stock	12	554	1,428
Debtors	13	1,471	1,839
Cash at bank and in hand		961	6,205
		<hr/>	<hr/>
		2,986	9,472
		<hr/>	<hr/>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	14	(4,670)	(4,843)
		<hr/>	<hr/>
NET CURRENT (LIABILITIES) / ASSETS		(1,684)	4,629
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		47,304	47,801
		<hr/> <hr/>	<hr/> <hr/>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	15	36,264	37,201
		<hr/>	<hr/>
ACCRUALS AND DEFERRED INCOME	16	38	46
		<hr/>	<hr/>
		36,302	37,247
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	17	-	-
Designated reserves	18	2	2
Income and expenditure account	18	11,000	10,552
		<hr/>	<hr/>
		47,304	47,801
		<hr/> <hr/>	<hr/> <hr/>

Association balance sheet At 31 March 2011

	Notes	2011 £'000	2010 £'000
FIXED ASSETS			
Housing properties - Cost	9	102,429	96,111
- SHG		(53,714)	(51,857)
- Depreciation		(2,875)	(2,493)
		<u>45,840</u>	<u>41,761</u>
Other fixed assets	10	3,172	1,434
Investments	11	-	-
		<u>49,012</u>	<u>43,195</u>
CURRENT ASSETS			
Stock	12	554	1,428
Debtors	13	1,367	1,746
Cash at bank and in hand		959	6,202
		<u>2,880</u>	<u>9,376</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	14	<u>(4,616)</u>	<u>(4,792)</u>
NET CURRENT ASSETS / (LIABILITIES)		<u>(1,736)</u>	<u>4,584</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>47,276</u>	<u>47,779</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	15	36,264	37,201
ACCRUALS AND DEFERRED INCOME	16	38	46
		<u>36,302</u>	<u>37,247</u>
CAPITAL AND RESERVES			
Called up share capital	17	-	-
Designated reserves	18	2	2
Income and expenditure account	18	10,972	10,530
		<u>10,972</u>	<u>10,530</u>
		<u>47,276</u>	<u>47,779</u>

The financial statements on pages 12 to 34 were approved by the Board of Management on 18 July 2011 and were signed on its behalf by:

- Member of the Board of Management
- Member of the Board of Management
- Secretary

Cosolidated cash flow statement Year ended 31 March 2011

	Notes	£'000	2011 £'000	2010 £'000
Net cash flow from operating activities	19		3,400	3,283
Returns on investments and servicing of finance				
Interest received		20	50	
Interest paid		(1,746)	(1,599)	
			(1,726)	(1,549)
Capital expenditure				
Acquisition and construction of housing properties		(6,654)	(4,047)	
Social housing grants received	22	2,358	2,074	
Sale of housing properties		262	362	
Purchase of other tangible and fixed assets		(1,940)	(506)	
			(5,974)	(2,117)
			(4,300)	(383)
Financing				
Loans received		-	7,250	
Loan repayments		(944)	(791)	
	21		(944)	6,459
(Decrease) / increase in cash	20		(5,244)	6,076

Notes to the financial statements Year ended 31 March 2011

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable financial reporting standards and comply with the Statement of Recommended Practice "Accounting by Registered Social Landlords" issued in 2008 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of preparation of group financial statements

The group financial statements consolidate the financial statements of the Association and its subsidiary undertakings on a line by line basis.

(a) Turnover

Turnover represents rents and revenue grants receivable in respect of tenanted properties, special needs accommodation and residential homes, amounts invoiced in respect of the provision of services and the sale of first tranches of shared ownership properties.

(b) Depreciation

Depreciation is calculated to write off the cost or revalued amount less estimated residual value of fixed assets over their estimated useful lives as follows:

(i) Housing properties

Freehold land is not depreciated. Depreciation is charged so as to write down the cost (net of social housing grant) of freehold housing properties other than freehold land to their estimated residual value on a straight line basis over their expected useful economic lives as follows:

Housing properties 100 - 150 years

Properties held on long leases are depreciated over their estimated useful economic lives or the lives of the lease if shorter. For properties with an estimated useful life of more than 50 years, impairment reviews are carried out on an annual basis in accordance with FRS11.

Short life properties are amortised over the length of the lease.

(ii) Other fixed assets

Freehold offices are depreciated at 2% per annum on cost from the date of handover.

Office furniture and equipment is depreciated at 12½% per annum on costs.

Motor vehicles are depreciated at 25% per annum on cost.

Computer equipment is depreciated at 25% per annum on cost.

Residential homes furniture and fittings is depreciated at 25% per annum on costs.

(c) Social Housing Grant (SHG) and other grants

Grants for capital expenditure are deducted from the cost of the fixed asset to which they relate as they become receivable. SHG is repayable under certain circumstances, primarily following sale of a property but will normally be restricted to net proceeds of sale. Grants received in advance of the relevant expenditure are included in short-term creditors and represent amounts to be utilised in the rent accounting period. Grants for revenue expenditure are credited to the income and expenditure account as they become receivable.

A grant may take the form of money or money's worth including the provision of land. Where the grant is the provision of land, the cost that would have been paid is shown as an addition to the cost of fixed assets with a corresponding addition to SHG.

Notes to the financial statements Year ended 31 March 2011

(d) (i) Housing properties

Cost comprises directly attributable acquisition and development costs.

(ii) Works to existing properties

Expenditure on housing properties which results in an enhancement of the economic benefits of the property is capitalised.

(e) Sales of Housing Properties

The surplus or deficit on the disposal of housing properties, including second or subsequent tranches of shared ownership properties, is accounted for in the income and expenditure account in the period in which the disposal occurs as the difference between the net sale proceeds and the net carrying value. First tranche sales proceeds are recognised in the income and expenditure account as turnover with the appropriate proportion of the cost of the properties as cost of sales. All shared ownership properties, including those under construction, are proportionally split between fixed assets and current assets, the split determined by the percentage of the property to be sold under the first tranche sale, which is shown as a current asset, with the remainder classified as a fixed asset.

(f) Stocks

Stocks are stated at the lower of cost and net realisable value.

(g) Investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value. Investments held as current assets are stated at market value.

(h) Interest charges

Interest charges incurred on the financing of housing properties are capitalised up to the date of practical completion. Interest charges arising after that date are charged to the income and expenditure account.

Costs directly connected with the raising of finance are deducted from loans and written off evenly over the life of the loan in the income and expenditure account.

Interest on low-start finance is charged at a constant percentage of the remaining balance of the capital sum outstanding to the extent that the total interest charges over the term of the loan are known.

(i) Schemes managed by agents

In respect of schemes owned by the Association where the managing agent suffers the risks and has control of benefits, only the net income receivable by the Association is included in the financial statements.

Notes to the financial statements Year ended 31 March 2011

2. TURNOVER, COST OF SALES, OPERATING COSTS, AND OPERATING SURPLUS - GROUP	2011			2010		
	Turnover £'000	Operating Costs £'000	Operating surplus/ (deficit) £'000	Turnover £'000	Operating costs £'000	Operating surplus/ (deficit) £'000
Social housing lettings						
Housing accommodation	7,586	(4,739)	2,847	7,133	(4,357)	2,776
Special needs accommodation	713	(961)	(248)	698	(969)	(271)
	8,299	(5,700)	2,599	7,831	(5,326)	2,505
Other social housing activities						
Supporting people block gross income	179	(118)	61	213	(104)	109
Shared ownership first tranche sales	818	(937)	(119)	941	(941)	-
Other activities						
Care & repair	3,305	(3,379)	(74)	4,728	(4,715)	13
Other	1,981	(2,103)	(122)	2,012	(2,041)	(29)
Development costs written off	48	(386)	(338)	33	(332)	(299)
Impairment provisions	-	(40)	(40)	-	(396)	(396)
Total	14,630	(12,663)	1,967	15,758	(13,855)	1,903

Turnover and expenses relating to shared ownership accommodation are included in housing accommodation.

Notes to the financial statements Year ended 31 March 2011

2. TURNOVER, COST OF SALES, OPERATING COSTS, AND OPERATING SURPLUS – PARENT	2011			2010		
	Turnover £'000	Operating Costs £'000	Operating surplus/ (deficit) £'000	Turnover £'000	Operating costs £'000	Operating surplus/ (deficit) £'000
Social housing lettings						
Housing accommodation	7,586	(4,739)	2,847	7,133	(4,357)	2,776
Special needs accommodation	713	(961)	(248)	698	(969)	(271)
	8,299	(5,700)	2,599	7,831	(5,326)	2,505
Other housing						
Supporting people block gross income	179	(118)	61	213	(104)	109
Shared ownership first tranche sales	818	(937)	(119)	941	(941)	-
Other activities						
Care & repair	3,305	(3,379)	(74)	4,728	(4,715)	13
Other	897	(1,025)	(128)	1,010	(1,044)	(34)
Development costs written off	48	(386)	(338)	33	(332)	(299)
Impairment provisions	-	(40)	(40)	-	(396)	(396)
Total	13,546	(11,585)	1,961	14,756	(12,858)	1,898

Turnover and expenses relating to shared ownership accommodation are included in housing accommodation.

Notes to the financial statements Year ended 31 March 2011

3. INCOME AND EXPENDITURE FROM SOCIAL HOUSING
LETTINGS – GROUP & PARENT

	2011			2010
	Housing accommo- dation £'000	Special needs accommo- dation £'000	Total £	Total £
Rents receivable (net of voids)	6,763	223	6,986	6,598
Service charges receivable (net of voids)	602	37	639	577
Supporting people block subsidy charges	221	-	221	215
Net rents receivable	7,586	260	7,846	7,390
Revenue grants from local authorities and other agencies	-	453	453	441
Total income from lettings	7,586	713	8,299	7,831
Expenditure on letting activities:				
Services (Including Care & Support costs)	998	56	1,054	1,045
Management	862	842	1,704	1,722
Routine maintenance	1,182	6	1,188	1,204
Planned maintenance	1,262	55	1,317	995
Rent losses from bad debts	54	1	55	3
Depreciation of housing properties	381	1	382	357
Total expenditure on lettings	4,739	961	5,700	5,326
Operating surplus/(deficit) on letting activities	2,847	(248)	2,599	2,505
Rents, service charges and supporting people block subsidy charges receivable above are stated after deducting the following:				
Rent losses from voids	130	10	140	187

Notes to the financial statements Year ended 31 March 2011

4. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

	Group		Parent	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Surplus on ordinary activities before taxation is stated after charging:				
Depreciation:				
Tangible owned fixed assets	571	477	570	476
Impairment of housing properties	40	396	40	396
Auditors' remuneration:				
In their capacity as external auditors (exclusive of VAT)	21	19	17	16
In a non audit capacity (exclusive of VAT)	1	1	1	1

5. INTEREST PAYABLE AND SIMILAR CHARGES

	Group		Parent	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Bank loans, overdrafts and other loans wholly repayable within 5 years:				
Payable in year	1,636	1,525	1,636	1,525
Less: capitalised	(27)	(47)	(27)	(47)
	1,609	1,478	1,609	1,478

6. STAFF COSTS

	Group		Parent	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Staff costs including officers and senior executives:				
Wages and salaries	4,081	4,040	3,100	3,136
Social security costs	319	310	258	255
Other pension costs	232	201	224	194
	4,632	4,551	3,582	3,585
Average number of employees in full time equivalents was	185	188	136	136

Notes to the financial statements Year ended 31 March 2011

7. DIRECTORS' EMOLUMENTS

	2011 £'000	2010 £'000
Total emoluments	<u>491</u>	<u>480</u>
The emoluments of directors disclosed above (including pension contributions and employers NI) include amount paid to:		
Executive staff members	425	471
Non-executive members	66	9
The highest paid director:		
Salary	-	-
Benefits in kind	9	15
Pension contributions	13	13
Employers NI	<u>128</u>	<u>132</u>

For the purpose of this note, executive staff members are defined as the Chief Executive and any other member of the senior management team.

Non-executive members are defined as members of the board of management.

8. TAXATION

The Association has been accepted as having charitable status by H M Revenue and Customs with effect from 8 October 1997 and accordingly no tax is payable for the year.

Other members of the group are subject to taxation at the usual rates.

Notes to the financial statements Year ended 31 March 2011

9. TANGIBLE FIXED ASSETS – GROUP

	Housing properties £'000	Housing properties in the course of construction £'000	Shared ownership properties £'000	Shared ownership in the course of construction £'000	Total £'000
COST					
At 1 April 2010	87,558	607	7,841	81	96,087
Transfers	302	(295)	(294)	(59)	(346)
Additions	6,011	622	64	100	6,797
Works to existing properties	49	-	50	-	99
Disposals	(164)	-	(28)	-	(192)
Impairment Provision	(40)	-	-	-	(40)
At 31 March 2011	93,716	934	7,633	122	102,405
SOCIAL HOUSING AND OTHER GRANTS					
At 1 April 2010	48,465	156	3,193	43	51,857
Transfers	(37)	(119)	-	(43)	(199)
Received during the year	1,828	296	-	41	2,165
Eliminated in respect of disposals	(95)	-	(14)	-	(109)
At 31 March 2011	50,161	333	3,179	41	53,714
DEPRECIATION					
At 31 March 2010	2,416	-	77	-	2,493
Charge for the year	350	-	32	-	382
At 31 March 2011	2,766	-	109	-	2,875
NET BOOK VALUE					
At 31 March 2010	36,677	451	4,571	38	41,737
At 31 March 2011	40,789	601	4,345	81	45,816
	2011	2010			
	£'000	£'000			
Housing properties comprise:					
Freeholds	38,386	34,245			
Short leaseholds		-			
Long leaseholds	2,403	2,432			
	40,789	36,677			

Notes to the financial statements Year ended 31 March 2011

9. TANGIBLE FIXED ASSETS – PARENT

	Housing properties £'000	Housing properties in the course of construction £'000	Shared ownership properties £'000	Shared ownership in the course of construction £'000	Total £'000
COST					
At 1 April 2010	87,582	607	7,841	81	96,111
Transfers	302	(295)	(294)	(59)	(346)
Additions	6,011	622	64	100	6,797
Works to existing properties	49	-	50	-	99
Disposals	(164)	-	(28)	-	(192)
Impairment Provision	(40)	-	-	-	(40)
At 31 March 2011	93,740	934	7,633	122	102,429
SOCIAL HOUSING AND OTHER GRANTS					
At 1 April 2010	48,465	156	3,193	43	51,857
Transfers	(37)	(119)	-	(43)	(199)
Received during the year	1,828	296	-	41	2,165
Eliminated in respect of disposals	(95)	-	(14)	-	(109)
At 31 March 2011	50,161	333	3,179	41	53,714
DEPRECIATION					
At 31 March 2010	2,416	-	77	-	2,493
Charge for the year	350	-	32	-	382
At 31 March 2011	2,766	-	109	-	2,875
NET BOOK VALUE					
At 31 March 2010	36,701	451	4,571	38	41,761
At 31 March 2011	40,813	601	4,345	81	45,840
	2011	2010			
	£'000	£'000			
Housing properties comprise:					
Freeholds	38,410	34,269			
Short leaseholds		-			
Long leaseholds	2,403	2,432			
	40,813	36,701			

Notes to the financial statements Year ended 31 March 2011

10. OTHER FIXED ASSETS – GROUP

	Freehold offices £'000	Residential homes, furniture & fixtures £'000	Office computer furniture fixtures & vehicles £'000	Total £'000
COST				
Brought forward 1 April 2010	1,514	363	964	2,841
Additions	1,777	19	144	1,940
Disposals	-	-	(114)	(114)
	<u>3,291</u>	<u>382</u>	<u>994</u>	<u>4,667</u>
Carried forward at 31 March 2011	3,291	382	994	4,667
DEPRECIATION				
Brought forward 1 April 2010	267	336	803	1,406
Charge for period	66	23	99	188
Disposals	-	-	(99)	(99)
	<u>333</u>	<u>359</u>	<u>803</u>	<u>1,495</u>
Carried forward 31 March 2011	333	359	803	1,495
NET BOOK VALUE				
1 April 2010	<u>1,247</u>	<u>27</u>	<u>161</u>	<u>1,435</u>
31 March 2011	<u>2,958</u>	<u>23</u>	<u>191</u>	<u>3,172</u>

Notes to the financial statements Year ended 31 March 2011

10. OTHER FIXED ASSETS – PARENT

	Freehold offices £'000	Residential homes, furniture & fixtures £'000	Office computer furniture fixtures & vehicles £'000	Total £'000
COST				
Brought forward 1 April 2010	1,514	357	950	2,821
Additions	1,777	19	144	1,940
Disposals	-	-	(114)	(114)
Carried forward at 31 March 2011	3,291	376	980	4,647
DEPRECIATION				
Brought forward 1 April 2010	267	330	790	1,387
Charge for period	66	23	98	187
Disposals	-	-	(99)	(99)
Carried forward 31 March 2011	333	353	789	1,475
NET BOOK VALUE				
1 April 2010	1,247	27	160	1,434
31 March 2011	2,958	23	191	3,172

11. FIXED ASSETS INVESTMENTS – GROUP
UNDERTAKINGS – PARENT

	2011 £	2010 £
COST		
At 1 April 2010 and 31 March 2011	2	2

Details of the Associations' subsidiaries at 31 March 2011:

Name	Nature of business
Causeway Care Limited	Dormant
BCS Associates Limited	Provision of personal care and development of community support
Black Country Self Build Limited	Dormant
Black Country Care Services Limited	Provision of personal care and development of community support

BCS Associates Limited, Black Country Self Build Limited and Black Country Care Services Limited are considered to be subsidiaries by virtue of the fact that the parent controls the composition of the boards. The Group has taken the exemption under FRS 8 Related Party Transaction not to disclose transactions with other group companies. Black Country Housing Group Limited provide administrative services for Energy Extra a connected company by way of partnership with the Group. A management charge of £13,265 (2010 £13,265) was received during the year.

Notes to the financial statements Year ended 31 March 2011

12. STOCKS

	Group		Parent	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Shared ownership	543	1,422	543	1,422
Care & repair materials	11	6	11	6
	554	1,428	554	1,428

Shared ownership stock comprises both properties for resale and work in progress.

13. DEBTORS

	Group		Parent	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Amounts falling due within one year:				
Rental debtors	347	438	347	438
Less: provision for bad debts	(105)	(80)	(105)	(80)
	242	358	242	358
Prepayments and other debtors	1,229	1,481	1,105	1,361
Amounts owed by group undertakings	-	-	20	27
	1,471	1,839	1,367	1,746

14. CREDITORS (AMOUNTS FALLING DUE WITHIN ONE YEAR)

	Group		Parent	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Housing loans	869	875	869	875
Rents received in advance	188	219	188	219
Trade creditors	887	1,375	871	1,357
Housing Grants in Advance	272	-	272	-
Recycled Capital Grant Fund	173	51	173	51
Other taxation and social security payable	134	184	127	175
Amounts owing to group undertakings	-	-	-	-
Accruals and other creditors	2,147	2,139	2,116	2,115
	4,670	4,843	4,616	4,792

Recycled Capital Grant Fund – Analysis of movements:

	2011 £'000	2010 £'000
At 1 April 2010	51	159
Disposals during the year	201	17
Interest applied	-	-
Utilisation of fund	(79)	(125)
At 31 March 2011	173	51

Notes to the financial statements Year ended 31 March 2011

15. CREDITORS (AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR)

	Group	and	Parent
	2011		2010
	£'000		£'000
Housing loans repayable by instalments:			
Not wholly repayable within five years:			
Between two and five years	4,044		4,173
Repayable after five years	31,840		32,580
	35,884		36,753
Wholly repayable within five years	-		-
	35,884		36,753
Non-housing loans repayable by instalments after five years	720		720
	36,604		37,473
Less: net finance costs	(340)		(272)
	36,264		37,201

Housing loans

Housing loans from Greenwich Natwest, THFC and banks are secured by specific charges on the Group's housing properties and are repayable at varying rates of interest. £6.28m of the amount shown as Housing loans is additionally charged by way of a floating charge, and bears interest at a fixed rate of 11½%.

Non Housing loan

The Non Housing loan is secured by a floating charge on the assets of the Association and bears interest at a fixed rate of 11½%.

16. DEFERRED INCOME

	Group	and	Parent
	2011		2010
	£'000		£'000
Premium on issue of the Housing Finance Corporation debenture stock:			
At 1 April 2010	46		53
Transfer to income and expenditure account	(8)		(7)
At 31 March 2011	38		46

Notes to the financial statements Year ended 31 March 2011

17. CALLED UP SHARE CAPITAL PARENT

	Group 2011 £	and	Parent 2010 £
Allotted, issued and fully paid:			
At 1 April 2010	28		29
Issued during the year	1		-
Cancelled	(7)		(1)
	<hr/>		<hr/>
At 31 March 2011	22		28
	<hr/> <hr/>		<hr/> <hr/>

18. MOVEMENT IN RESERVES

	Income & expenditure account £'000	Revaluation reserve £'000	Total £'000
GROUP			
At 1 April 2010	10,552	2	10,554
Surplus for the year	448	-	448
	<hr/>	<hr/>	<hr/>
At 31 March 2011	11,000	2	11,002
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
PARENT			
At 1 April 2010	10,530	2	10,532
Surplus for the year	442	-	442
	<hr/>	<hr/>	<hr/>
At 31 March 2011	10,972	2	10,974
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements Year ended 31 March 2011

19. RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES	2011	2010
	£	£
Operating surplus	1,967	1,903
Depreciation charges	608	874
(Increase) / decrease in debtors	351	(259)
Decrease in stocks	896	484
(Decrease) / increase in creditors	(414)	288
Deferred income	(8)	(7)
	<hr/>	<hr/>
Net cash inflow from operating activities	3,400	3,283
	<hr/> <hr/>	<hr/> <hr/>

20. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT	2011	2010
	£	£
(Decrease) / increase in cash	(5,244)	6,076
Cash outflow / (inflow) from decrease / (increase) in debt financing	944	(6,459)
	<hr/>	<hr/>
Movement in net debt in the year	(4,300)	(383)
Net debt at 1 April 2010	(31,872)	(31,489)
	<hr/>	<hr/>
Net debt at 31 March 2011	(36,172)	(31,872)
	<hr/> <hr/>	<hr/> <hr/>

21. ANALYSIS OF CHANGES IN NET DEBT	At	Cash	At
	1 April	flows	31 March
	2010	£'000	2011
	£'000	£'000	£'000
Cash at bank and in hand	6,205	(5,244)	961
Housing loans	(38,077)	944	(37,133)
	<hr/>	<hr/>	<hr/>
	(31,872)	4,300	(36,172)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements Year ended 31 March 2011

22. STATEMENT OF GRANT MOVEMENTS

	2011 £	2010 £
Balance at 1 April 2010	51,857	50,089
Capital grants received	2,358	2,074
Capital grants recycled	(122)	108
Movements in creditors	(272)	(414)
Transfer	(107)	-
	<hr/>	<hr/>
Balance at 31 March 2011	53,714	51,857
	<hr/> <hr/>	<hr/> <hr/>

23. SALES OF PROPERTIES GROUP AND PARENT

	2011 £	2010 £
Right to buy/Shared ownership/Disposals		
Proceeds of sales	262	493
Less: costs of sale	(192)	(432)
Less: operating costs	(17)	(18)
	<hr/>	<hr/>
	53	43
	<hr/> <hr/>	<hr/> <hr/>

24. UNITS OF ACCOMMODATION

	2011 Number	2010 Number
General needs	1,431	1,377
Supported housing and housing for older people	250	249
Residential Care Homes	8	9
Low cost home ownership	118	119
Intermediate rent	32	10
	<hr/>	<hr/>
Total properties owned and managed	1,839	1,764
	<hr/>	<hr/>
Properties owned, managed by others	39	39
	<hr/>	<hr/>
	1,878	1,803
	<hr/>	<hr/>
RTB Leaseholders	15	15
	<hr/>	<hr/>
Total housing stock	1,893	1,818
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements Year ended 31 March 2011

25. AGENCY MANAGED SCHEMES

Name of managing body	No. of units	2011		2010	
		Gross grants receivable	£	Gross grants receivable	£
SENSE	7	-		7	-
Sandwell Women's Refuge	18	-		18	-
The Royal National Institute for Deaf People (RNID)	8	-		8	-
Langstone Society Limited	6	-		6	-
	39	-		39	-

26. PENSION OBLIGATIONS

The Association participates in the Social Housing Pension Scheme (SHPS). The Scheme is funded and is contracted out of the state pension scheme.

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

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

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

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2010. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £1,985 million and indicated a reduction in the shortfall of assets compared to liabilities to approximately £497 million, equivalent to a past service funding level of 80.0%.

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

Notes to the financial statements Year ended 31 March 2011

27. CAPITAL COMMITMENTS GROUP AND PARENT

	2011	2010
	£'000	£'000
Capital expenditure contracted for but not provided for in the financial statements	2,613	2,190
Capital expenditure authorised but not yet contracted for	557	7,688

The capital commitments will be financed by a mixture of bank finance facilities that the Association has available, Social Housing Grant from the Homes and Communities Agency, receipts from shared ownership sales and other third party commitments.

28. OTHER FINANCIAL COMMITMENTS GROUP AND PARENT

At 31 March 2011 the Association and Group were committed to making the following payments under non-cancellable operating leases in the year to 31 March 2012.

	2011	2010
	£'000	£'000
Operating leases which expire:		
Within one year	6	2
Within 2 to 5 years	29	31
	35	33

29. LEGISLATIVE PROVISIONS

The Association is incorporated under the Industrial and Provident Societies Act 1965.

Black Country Housing Group Ltd
134 High Street
Blackheath
West Midlands
B65 0EE
Telephone: 0121 561 1969
Facsimile: 0121 561 5694
www.bcha.co.uk