Solihull Community Housing Limited

Company Limited by Guarantee

FINANCIAL STATEMENTS

For the year ended

31 March 2011

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Officers and Professional Advisers

Directors	W A M Blackburn P A Brandum G Craig (appointed 25 May 2010, resigned 24 May 2011) D H J Dixon J Evans N A Grace S Gomm J Hamilton (resigned 24 May 2011) S Hawthorne-Slater (resigned 1 December 2010) H R Hendry C J Horrocks C Iddles Dr A G C Lane A M Mackiewicz (resigned 25 May 2010, re-appointed 24 May 2011) S B Partridge J Potts P L Smith (appointed 1 December 2010)
Executive Management Team	S Boyd – Chief Executive C Hodson – Director of Corporate Services J D King – Director of Housing K A Preece – Director of Finance & Investment KP Gardner – Director of Asset Management (retired 31 December 2010)
Secretary	K A Preece
Registered office	Endeavour House Meriden Drive Solihull B37 6BX
Registered number	04462630
Auditors	Baker Tilly UK Audit LLP Chartered Accountants St Philips Point Temple Row Birmingham B2 5AF
Bankers	Barclays Bank plc Corporate Business Centre PO Box 333 15 Colmore Row Birmingham B3 2WN

Report of the Directors

31 March 2011

The directors present their report and the audited financial statements for the year ended 31 March 2011.

Principal Activities

The principal activity of the Company is the management and maintenance of social housing stock and other related activities.

Business review and future developments

2010/11 was very much a year to look to the future – and for the social housing sector, a year in which we have seen an unprecedented number of changes in the way that the sector operates. The Tenant Services Authority began its new role as the sector regulator on 1 April 2010 and before many months were out, it was being absorbed within a new look streamlined Homes & Communities Agency. In the same breath, the Audit Commission, which has set service standards and monitored our delivery of them for many years, was also earmarked for closure - future inspections will happen only when the regulator has identified a cause for concern.

Locally our management agreement expires in March 2012 and we spent much of the year working to agree a renewal with the Council – in the new financial climate of restraint and the pressure for cuts in local government, we knew that relying on our past excellent performance was not the way to achieve this. One of the strengths of Solihull Community Housing has always been the breadth of services that we provide outside of the standard housing management service and even more importantly our drive to innovate. As an organisation, we have always taken a positive part in the wider work of the Council, with many of our managers working with council colleagues in areas that are not strictly our remit – this has included key roles in the Local Safeguarding Children and Adults Boards. It was certainly this collaborative and innovative approach coupled with our delivery ethic that ensured that the Council agreed to renew our Management Agreement for a 10-year term, which will take us through to 31 March 2021. In a world where many local authorities are winding up their ALMOs at the end of Decent Homes, this was a real endorsement of the quality of the work that we continue to do.

During 2009/10 we set out our new vision in which we aimed to "…provide 2,000 new homes for people in housing need by 2020", and we began the year with our first 3 projects either on the ground or ready to start. Our conversion of a former homeless hostel into 4 family-sized apartments was successfully completed in August 2010 – these were the first new homes built by the Council for nearly 30 years. Our two remaining schemes (both in the south of the borough) were completed successfully during 2011 – they were firsts in a number of respects. Principally they are the first homes actually owned by Solihull Community Housing rather than the Council and secondly we now have 8 shared owners. These residents have each purchased between 30% and 50% of their flats, renting the balance from us – over time they have the option of purchasing a further share when and if their financial position allows. Shared ownership is just one of the options that are now available to those that want to get a foot on the home ownership ladder but do not have the deposit or the income to do so when they want to.

These new homes are only a drop in the ocean in meeting the increasing demand for the properties that we manage as a result of the difficult economic climate. We are seeing this in three key areas - levels of property turnover have continued to fall (from 11% to 9%), the number of households on our waiting list at the end of the year is now just under 16,000 and we are continuing to see unprecedented numbers of homeless cases. Our enhanced homelessness service, which provides a sign-posting service to the private rented sector as well as temporary accommodation, has continued to produce good results. To supplement this, we have now started to look at other opportunities such as leasing private properties in partnership with the council in order to take up some of the demand. Trailblazer funding from the Department for Communities & Local Government has continued to support a wider programme focussed on combating financial and employment exclusion across the borough to complement the work of the homelessness team. This funding will draw to a close during next year and we are already looking at ways to sustain this very valuable strand of work in these difficult times.

Report of the Directors

31 March 2011
(continued)

We continue to be committed to wide working with our customers to ensure that we deliver the service that they expect and deserve. Once again, we successfully retained the Government's Customer Services Excellence award as well as accreditation with the Customer Contact Association. In October we published our first performance report against the new Tenant Services Authority standards in conjunction with our Tenants' Forum. We have also agreed a series of "local offers" with our residents to be rolled out in 2011/12 – many of these are directly focussed on the needs of some of our more vulnerable tenants and those living in high-rise blocks. These successes are a key part of our wider customer access approach, which seeks to place customers at the heart of everything that we do. We believe that our staff really do "Go the extra mile, find solutions to problems and work as one team for the community".

Service Improvement and therefore monitoring of service delivery remains one of the SCH essentials. Target setting was once again a consultative process that includes tenants as well as staff, board members and the Council. We have established a new tenant panel that scrutinises our performance on a quarterly basis and works with our Board Performance Sub-Committee to ensure that our targets and service improvement plans meet the expectations of residents. The strength of our performance monitoring at all levels and the challenge that comes from scrutiny by the Board, the Council and our tenants ensures that problem areas are identified and remedial action taken at the earliest possible opportunity. During the year, we have updated our complaints handling processes with the aim of improving our response for those residents where our service has not been as good as it should have been.

Having achieved two real performance milestones last year, we succeeded in matching them this year - current tenant rent arrears are even further below £1m despite the worsening economic climate for our tenants and our gas servicing regime continues to ensure that 100% of our properties have a valid certificate. What is especially pleasing given the demand for our properties, is that we managed to further reduce our void re-let times from 29 days to 22 days. The direct and positive impact on rental income is an added bonus for us.

As always, we set another challenging service improvement plan and we delivered most of this successfully, although much of it was focused on streamlining and reducing back-office processes in line with our value for money objective to focus as much as possible of our funding on front-line customer contact service areas. We set ourselves some targets to improve our use of customer profiling information and this proved particularly useful in the very cold winter months when our contact centre staff called our older and more vulnerable customers to ensure that they had heating (and anything else that they might need and not be able to access) – a number of our staff went the extra mile at this time, using their own four-wheel drive vehicles to get to tenants where their heating had failed.

In early 2010 we launched "Solihull Independent Living" our tenure-neutral service that provides disabled adaptations to homes across the borough. We work together with the Council and the Care Trust to deliver a joined up service to support the more vulnerable sections of the community. As well as adaptations, this service also provides a "handyman" and gardening service. Over the year we have carried out a root and branch review of our existing "Safe & Sound" monitoring service to ensure that it is ready to meet the needs of the elderly and (more widely) the vulnerable today. We will be launching a new service in the autumn of 2011 that provides a range of options rather than a "one-size fits all" approach. Once this is rolled out, we will be merging these two services into one service for the elderly and vulnerable.

Our commitment to strong financial management and value for money is even more important as the pressure to make savings to balance the nation's books increases. Once again, we have delivered and exceeded our expected performance generating a financial surplus to recycle into meeting future needs. Financial performance (excluding the pension impact of IAS19 and before taxation) during the financial year against budget and the previous year can be summarised as follows:

Report of the Directors

31 March 2011
(continued)

	2010/11 Actual £'000	2010/11 Budget £'000	2009/10 Actual £'000
Revenue			
Income	23,028	22,388	20,429
Expenditure	(22,503)	(22,578)	(20,029)
Surplus	525	(190)	400
Capital			
Income	12,841	13,587	17,016
Expenditure	(12,841)	(13,587)	(17,016)
Surplus	-	-	-
Combined			
Income	35,869	35,975	37,445
Expenditure	(35,344)	(36,165)	(37,045)
Operating surplus/(deficit)	**525**	**(190)**	**400**
Homelessness Reward Income	217	-	-
Contribution to Capital from Reserves	(163)	-	(100)
Supplemental Management Fee	-	-	660
Pension Adjustments	1,632	-	(476)
Surplus/(Deficit) per Income Statement	**2,211**	**(190)**	**484**

We remain proud of the strength of our financial culture - zero-based budget setting and a really strong relationship between budget holders and finance staff helps us to ensure that all available funds are used efficiently and effectively to deliver excellent, customer-focused services. We still aim to identify efficiency savings of around 5% every year – as well as ensuring that we balance the books financially, it enables us to fund a stream of new activities and initiatives across the organisation every year. This year we have reported efficiency savings of £1.2m as well as sustaining the £1.9m of cashable savings delivered last year. An element of this reflects the increasing strength of our procurement team in delivering improved value for money on new contracts as well as the efforts of staff managing long-term contracts in getting better value or increased service from our suppliers without an increase in prices.

Statutory legislation covering the provision of housing services by local authorities ensures that income from housing activities such as rents paid by tenants cannot be used for purposes that are defined as non-housing activities. Our Management Agreement ensures that all available funds for housing are made available to the Company in order for it to carry out its activities whether they are revenue or capital in nature. We continue to seek new sources of income to maximise the projects that we can carry out. This year as well as obtaining grant funding of £600,000 from the Homes & Communities Agency for our new developments, we received income from the Carbon Trust and British Gas to support energy saving initiatives within the capital programme.

Once again, our capital programme was all about delivering the Decent Homes programme – 67% to be exact. We are expecting to complete the programme around August 2011 – this is ahead of schedule even though we have picked up works to some 283 properties that were originally scheduled for demolition as part of the North Solihull Regeneration Scheme. The programme still aims to give tenants as much choice as possible through the menu system – this also allows us to control our average unit cost (now about £7,400), whilst ensuring that we meet the Decent Homes Standard. Overall we were able to bring 1,182 properties up to the required standard. This leaves a further 356 to complete before the programme ends.

Although our efforts over the last 6 years have been focussed on the delivery of Decent Homes, we have realised that this has largely been at the expense of the communal areas in our blocks. Throughout this year (and rolling into next year) we have therefore carried out a programme of painting to these areas. For the first time however, we have used local labour through the government's Future Jobs Fund programme to carry out this work, supervised by our own in-house maintenance team. 130 local long-term unemployed each undertook a 6-month work placement that included on-the-job training as well as support to get them more ready to re-enter the workplace.

Report of the Directors

31 March 2011
(continued)

We recognise that a well-trained and highly motivated workforce is essential to continue to meet challenging performance and service improvement targets. We have now completed the final stage of our internal management development programme as well as supporting a number of staff members through professional training in their chosen area. In some cases, this is a personal achievement and in others a whole team is successful – at the start of the year our ASB team were the first team in the country to achieve accreditation through the Social Landlords Crime & Nuisance Group. We continue to challenge individual members of staff to take responsibility for their own performance and development through a combination of the formal annual appraisal and more informal progress monitoring with line managers throughout the year. We have continued a programme of cross-organisation training at all levels to build on existing skills and competencies.

We continue to look to the future to ensure that we are ready for the challenges that are round the corner. The changes to the benefit regime that will come into effect between now and 2013 will place our residents (and therefore us) under even more financial pressure than they are now and funding for new development has been severely curtailed until 2015. The Localism Bill will also bring options for more flexible tenures as well as a new affordable rent offer to widen the range of options available to our tenants and those on the waiting list. On a more positive note, the proposal to replace the Housing Finance Subsidy regime with locally managed and financed local authority housing services ("self-financing") is now expected to happen in April 2012. We have led on joint responses from the Council and SCH to a number of consultation documents that underpin the plans and have developed our own models to assess the real impact of the changes on Solihull over the next 30 years. Although this major change will not deliver any immediate improvement in our financial position in the short term, it should result in additional funding in the future. Preparations are underway to ensure that we are ready for the new regime and our embedded culture of service excellence and innovation means that we believe that we are as best placed as we can be to take advantage of the change when it happens.

Directors

The directors of the company during the year and subsequently are set out on page 1.

Employees

We remain committed to ensuring that our employees are fully engaged with the work that we do and the future plans for the business. We have a clear programme of communication and engagement with all staff including regular face to face team briefs, an extensive intranet site and staff newsletters as well as team meetings and briefings. We have clear lines of communication and reporting and well documented procedures for staff to raise concerns and issues and welcome and respond to feedback from staff at all levels of the business.

Our staff support package includes access to occupational health, counselling and financial and other support services where these are necessary and we have an active social club that is run by and for staff and supported by senior management. In addition, we have a positive relationship with our recognised trade unions (UNITE and UNISON), meeting regularly with them to discuss changes and new policies that affect staff.

Our employment policies (including recruitment) clearly commit us to ensuring that every stage of employment starting with the application stage is transparent and fair. Assessment is based on the skills and aptitudes necessary to carry out a role regardless of any disability or personal attributes (including age, race, nationality, religion, gender and sexual orientation). When an employee becomes disabled during their employment, we work with them to make arrangements that will enable them to continue their employment with us as far as is practicable, through changes in working arrangements, or training for a change of role. The training and development programmes previously outlined are open to all staff and are tailored to take into account the personal needs of each member of staff as an individual as well as meeting the expectations of SCH as a business.

Report of the Directors

31 March 2011
(continued)

Disclosure of information to auditors

The directors who were in office on the date of approval of these statements have confirmed, as far as they are aware, there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

Auditors

A resolution to reappoint Baker Tilly UK Audit LLP, Chartered Accountants as auditor will be put to the Board at the Annual General Meeting.

Approval

The report of the directors was approved by the Board on 9 November 2011 and signed on its behalf by:

K A Preece
Company Secretary
16 November 2011

Statement of Directors' Responsibilities for the Financial Statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS).
Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.
In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Directors is responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Chairman's Statement

31 March 2011

2010-11 has been a year of challenges for SCH and the social housing sector. Much of the change in SCH has either been in response to these challenges, or to prepare us ahead of each change event. To start the ball rolling, our parent, Solihull MBC, approved a renewal of the management agreement for a further 10 year period in August 2010. The formal contract was signed in May 2011 including some new ways in which we would work more closely with Solihull MBC to achieve the wider housing plans for Solihull.

Last year we also defined a new vision – "strive to be an excellent organisation at the leading edge, and provide 2,000 new homes for people in housing need by 2020". Work has already begun to deliver some of these much needed new homes. With the regeneration scheme in the north of the borough, we decided to focus our development activities on providing more homes in the south. We converted a homeless hostel unit into 4 family flats which benefit from self-contained communal gardens. In January 2011 we took ownership of 23 high-quality flats on a site developed in conjunction with Waterloo Housing Group. In a new departure for SCH, 8 of these flats have been sold on shared ownership terms. This allowed 8 families to take their first step onto the housing ladder by purchasing an affordable share and renting the balance from SCH until they can afford to buy further shares. The last few months of 2010-11 saw further work in progress to build 10 new houses (again on a development shared with Waterloo). These were completed in June 2011. We are especially pleased these homes will benefit from the latest "green" technology allowing them to generate their own electricity and reduce utility bills for the residents.

During the year, the Coalition Government announced significant reductions in funding levels available to SCH for future development. They also announced changes in the type of tenancies that will be offered in future. The introduction of a new "80% affordable" rent could be an opportunity for us in the south of the borough. However the impact on tenants and SCH of these higher rents in the proposed new benefits regime is still unclear.

The credit crunch and benefit changes planned by the Government continue to have an impact on our customers and our activities. The government-funded Trailblazer team has again been much in demand during the year. This service delivers proactive housing advice to prevent homelessness, based on strong links to a network of local private landlords. It also provides a better resourced Money Advice team to help our customers stretch tight funds further. This funding will cease during 2011-12, and I am pleased to say we are already looking at ways to sustain this much needed service. Two groups of trainees (75 in total) have progressed through the Future Jobs Fund programme this year. The programme has enabled SCH to paint the communal areas of many of our high-rise and low-rise blocks under the supervision of our own maintenance services team. This programme will finish next year when Government funding will cease. The positive benefits will live on as so many of those within the programme have gained much needed skills to help them in their future jobs.

The waiting list for SCH properties has continued to rise. Coupled with the continuing credit crunch, we are experiencing increasing pressure on our homelessness service. The Board cannot praise the efforts of the teams involved in delivering this service enough. SCH continues to use every possible option to meet the wide-ranging needs of families as sensitively as possible. Bed & breakfast continues to be seen as a last resort, although our capacity to meet need is increasingly stretched.

The Decent Homes programme will conclude in 2011, however we have added a further 283 properties to the programme as a result of changes to the regeneration plans in the north of the borough. This means families who were expecting to move into new properties will now remain in their current homes. We have added these properties to our Decent Homes programme and planned preventative maintenance work to ensure these homes are brought up to the same standard enjoyed by tenants living in decent homes. We completed work to 1,182 properties in the year, more than we originally planned. These additional properties move the overall completion date for the programme to August 2011.

The long-awaited proposals from the Department for Communities & Local Government to reform the Housing Finance Subsidy regime and replace it with local self-financing arrangements have been enshrined in the Localism Bill. Self-financing is now expected to start in April 2012. Much of our financial planning work has been focussed on ensuring we are prepared for expected changes. Work to develop a robust business planning model supported by an up to date asset management strategy is well in hand.

Chairman's Statement

31 March 2011
(continued)

SCH staff remain fully committed to making good use of agreed budget allocations during the year. During 2010-11 we have delivered a healthy operating surplus to add to our reserves. This was in part due to the final settlement of the "reward" funding in recognition of our excellent performance in preventing homelessness in the last two years. We have continued to build on last year's significant improvements in void turn round time and arrears performance.

The number of SCH staff undertaking vocational and professional training is increasing. The final level of our management development programme completed during the year with our supervisors undertaking training in people management and team building skills to get the best from their staff. SCH staff as a result are well trained and committed to SCH tenants and other stakeholder needs.

Although the Tenants Service Authority ("TSA") has been closed, we have taken on board the objective to "put tenants at the heart of everything". We have established a tenant performance scrutiny panel, which meets quarterly to review performance. This group links to the Board Performance & Service Improvement Sub-Committee, with further integration planned in 2011-12. The panel worked with SCH staff to develop the annual service improvement plan with the aim to ensure it reflects customer priorities. The panel also produced the first Annual Performance Report for tenants sent to all tenants and leaseholders in October 2010. We have also agreed a number of "local offers" to tenants, to be delivered during 2011-12. These have been tailored to the needs of our older, more vulnerable residents and those living in high-rise blocks, and will seek solutions to smaller scale problems. In addition a successful Gardens and Good Neighbour competition was run in Summer 2010 which highlighted the excellent support and rapport SCH has with its tenants.

Our partnership with the Council and Care Trust to deliver the "Solihull Independent Living" ("SIL") brand really started to deliver results during the year. We also carried out a full review of our existing "Safe & Sound" service to ensure it remains fit for purpose. Our revamped service will launch September 2011. During 2011-12 we intend to merge the two services to really deliver a one-stop shop for all older and more vulnerable Solihull residents regardless of where they live.

Once again, the SCH Board has been very impressed by the enormous commitment and enthusiasm of our staff working in conjunction with tenants, leaseholders and partners. They should be proud of the wide ranging improvements achieved. The SCH Board thanks all those involved for their dedication and commitment to the people of Solihull.

Dr AGC Lane

16 November 2011

Statement on Internal Control

31 March 2011

The board acknowledges its overall responsibility for establishing and maintaining a system of governance, risk management and internal control and for reviewing its effectiveness. These systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, and not absolute, assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by the company is ongoing. The year ended 31 March 2011 has seen continuing development of the internal control framework including the implementation of changes to remedy weaknesses that were identified at the end of 2009/10 and the implementation of a new strategy for risk management.

The key elements of the control framework in place during the year include:

- Board approved terms of reference and clearly delegated authorities for the Finance & Audit, Asset Management, Performance & Service Improvement and Human Resources, Equalities & Diversity sub-committees.
- Formally adopted Standing Orders (incorporating Rules for Contract and Financial Regulations) setting out the arrangements for the supervision and control of the finances, assets and other resources of the company. This includes detailed guidance notes, standard monitoring and approval documentation and for high value contracts an independent challenge Board to assess progress in tendering and then managing each contract.
- Formal processes and guidance based on Standing Orders to delegate financial authority limits from the Board down to relevant budget holders.
- Robust strategic and business planning processes.
- Formal quarterly reviews of the company's Corporate Risk Register (and supporting Directorate Risk Registers), which sets out the identified risks and the mitigating actions in place to deal with these risks as well as clearly defined management responsibilities for their identification, evaluation and control.
- Detailed financial budgets and a ten-year rolling financial forecast, supported by regular monitoring meetings with individual budget holders and at directorate level, as well as formal, scheduled reporting to the Senior Management team and the Finance & Audit sub-committee.
- A formal programme of internal audit work, carried out by officers independent of the executive. Reports and recommendations are agreed at directorate level as well as being considered in detail by the Finance & Audit sub-committee.
- Formal and independent annual external audit of reported financial performance and the processes that underpin it.
- Monthly monitoring of an agreed suite of performance indicators (both local and national) at team and corporate level and by the Performance & Service Improvement sub-Committee, who then report to the Board. In addition, performance against an agreed suite of indicators is monitored on a quarterly basis by a panel of tenants.
- Established authorisation and appraisal procedures for all significant new initiatives and commitments.
- Regular reporting to senior management and the board of key business objectives, targets and outcomes.
- Continuing Board appraisal and member training programme supported by a formal Board Composition, Recruitment and Retention policy.
- Formal recruitment, retention, training and development policies for staff that incorporate annual appraisals of performance against targets that are consistent with the Business Plan and corporate objectives.
- Board approved anti-fraud and corruption policies and clearly documented guidance and procedures for reporting conflicts of interest and the receipt of gifts and hospitality, including a mandatory annual declaration of interests by all staff and Board Members.
- Detailed policies and procedures in each area of the company's work.

The Board met for four mandatory "away days" during the year, with a wide agenda that enabled them to spend time discussing the key issues facing the company in more detail. These sessions also included training and updates on key areas of change both within the sector and more widely – this included areas such as Health & Safety and the new Equalities Act. As part of the company's response to the Tenant Services Authority ("TSA") requirement for local service standards, Board Members are now meeting formally with a new Tenants Scrutiny Panel to further improve tenant involvement in our service development. The proposals in respect of self-financing have continued to be a key area of debate for members throughout the year as it moves towards implementation.

Statement on Internal Control

31 March 2011
(continued)

All Board Members took part in a formal individual appraisal round in December 2010 and the outcomes from this have been reflected in a new Governance Improvement Plan for 2011/11. Performance against the plan will be monitored and progressed at the quarterly "away days" during 2011/12. In addition, new members of the Board have all followed a personalised induction programme designed to ensure that their understanding of the business is sufficient to enable them to play an active part in decision-making.

During the year, the Board approved its annual update to Standing Orders (incorporating Rules for Contracts). The key changes reflected the delegation of authority to make decisions in some areas to sub-committees from the full Board. Membership of sub-committees remains reflective of overall Board membership in order to ensure that decisions are made in the interests of all stakeholders. Briefings on the changes have been delivered to all staff alongside further training on procurement procedures. The delegation of authority levels across SCH has again been formally reviewed and updated to reflect changes in staffing and structure and every member of staff (as well as board members) was again required to make a formal annual declaration of interests as at 31 March 2011.

The new structure of meetings at the various tiers of management has continued to develop and has seen continuing improvement in collaborative working throughout the organisation. We have delivered the final year of our Management Development programme, which aimed to embed our established leadership and competencies right down to supervisory level staff. In addition, we have delivered a wide range of training for staff across the organisation during the year. The SCH Academy worked with 12 ambitious members of staff from a wide range of teams and experience to really make a difference to their personal development. They finished the year by working together on a project to develop our response to the outcomes from the last "Best Companies" survey.

The drive to embed performance management at all levels of the organisation is still continuing in many different ways; through personal and team targets and through regular discussion at individual and team meetings. Our collaborative working structure has also helped to increase cross-team challenge to make step changes in performance – during the year, we have carried out Lean reviews of our day to day repairs service and our approach to leaseholders, which have drawn in a wide range of staff from across the organisation and seen some real improvements in the style in which we deliver services. The corporate "TeamSCH" initiative continues through Chief Executive, director and team briefings and regular staff newsletters.

Work to maintain a high level of compliance and awareness of health & safety has continued, with every team again being subject to a formal audit of its arrangements and procedures. This year, all teams have achieved at least a good rating – last year we still had some teams achieving satisfactory. Overall teams have improved, reflecting the success of our embedded approach to compliance in this area.

During the year, we substantially updated our approach to risk – both in terms of the identification of risks and the process by which we monitor and manage them. A new strategy was approved by the Board at the start of the year and a "cascade" approach to staff briefing means that all staff now have a clear understanding of their role and responsibilities in this area. Each directorate is now managing its own risk register and monitoring it on a regular basis. Review of corporate risk is now undertaken by the slightly wider Corporate Leadership team rather than just the Senior Management Team and the Board.

We continue to seek to improve our financial and performance monitoring. The close work between the designated finance representatives for each directorate with budget holders throughout the year has shown continuing improvement in budget management but more importantly in our ability to look forward to understand what is going to happen in the year – this has provided us with increased flexibility to re-align activities when a probable underspend or overspend is identified. Effective manager involvement in the budget and performance target setting process is now ingrained in day to day operations and personal and team ownership of targets and budgets is simply a fact of life. Setting a balanced budget will always be difficult for us, but the continuing improvement in managers' understanding of corporate drivers as well as the needs of their own teams actually means that there is little need to explain the process of prioritising to those that do not get everything that they have asked for. Our already robust medium-term financial planning process has been further developed (we now look at 10 years rather than 5) and integrated with the work that has been taking place to assess the impact of the self-financing proposals on our activities over the 30 year business plan. We

Statement on Internal Control

31 March 2011
(continued)

have particularly expanded our capital programme forecasting to a five-year timeframe to allow us to take a longer tem view of how we plan to meet the needs identified in our asset management strategy.

As in previous years, SCH set itself a robust Corporate Service Improvement Plan (and a suite of team improvement plans) that aim to help us meet our objective of delivering excellent services and the majority of the scheduled improvements were successfully delivered. This included some key pieces of work to review in detail the operations of some our less core, but nevertheless essential, business areas such as the Safe & Sound service, where we expect to see real improvements in the forthcoming year.

The constraints that we face in setting budgets have not abated and our drive to demonstrate efficiency and value for money remains an essential management tool for SCH. The roll-out of our "toolkit" of procurement procedures and documentation in 2009/10 has shown real benefits this year as well as some real savings on some of the more recent contracts that we have tendered. Alongside this, we have been developing a suite of contract management guidance and delivered some targeted training in a number of teams. As a result, we have seen our contractors delivering a broader range of continuous improvement and value for money savings throughout the life of contracts.

The Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the Finance & Audit sub-committee to regularly review the effectiveness of many of the key elements of the control framework. The Board receives five reports a year from the committee. The Board has reserved the review of the remaining key elements (in particular Risk and Health & Safety) to itself and receives reports on a regular basis.

The Finance & Audit sub-committee and full Board reviews the effectiveness of the system of internal control through consideration of the results from regular reviews of the Corporate Risk Register, internal audit reports, management assurances, the external audit management letter and annual health and safety audits. The Finance & Audit sub-committee has received the formal assurances of the Senior Management Team with regard to the system of internal control operating within the company together with the annual report of the internal auditor and the external auditor, and has reported its findings to the Board. The Board has considered all of this information in arriving at its assessment that the system of internal control being operated by the company is effective and appropriate for the organisation.

Dr AGC Lane
Chairman

S Boyd
Chief Executive

Report of the Independent Auditor to the Member of Solihull Community Housing Limited

We have audited the financial statements on pages 14 to 39. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS's) as adopted by the European Union.

This report is made solely to the company's member, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's member 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 company and the company's member as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As more fully explained in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the 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.

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 the financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS's as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

GARY MORETON (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
St Philips Point
Temple Row
Birmingham B2 5AF

2011

Statement of Comprehensive Income

for the year ended 31 March 2011

	Note	2011	2010
		£'000	£'000
REVENUE	1	35,869	37,445
Operating expenses	3	(33,400)	(36,596)
PROFIT FROM OPERATIONS	3	2,469	849
Finance costs	4	(258)	(365)
PROFIT BEFORE TAXATION		2,211	484
Income Tax expense	6	-	-
PROFIT FOR THE YEAR	14	2,211	484
OTHER COMPREHENSIVE INCOME/ (EXPENDITURE), NET OF TAX			
Actuarial gains/(losses) on defined benefit obligations	17	3,574	(6,408)
TOTAL COMPREHENSIVE INCOME/(EXPENDITURE) FOR THE YEAR		5,785	(5,924)

The profit from operations for the year arises from the Company's continuing operations.

The profit for the year is entirely attributable to its sole member (note 13).

Statement of Changes in Equity

for the year ended 31 March 2011

	Note	Retained Earnings
		£'000
BALANCE AT 1 APRIL 2009		(2,611)
Profit for the financial year to 31 March 2010		484
Actuarial (loss) relating to the pension scheme	17	(6,408)
TOTAL COMPREHENSIVE EXPENDITURE FOR THE YEAR		(5,924)
BALANCE AT 31 MARCH 2010		(8,535)
Profit for the financial year to 31 March 2011		2,211
Actuarial gain relating to the pension scheme	17	3,574
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		5,785
BALANCE AT 31 MARCH 2011		**(2,750)**

Balance Sheet

at 31 March 2011

	Note	2011 £'000	2010 £'000
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	8	1,860	75
Other non current financial assets	7	286	57
CURRENT ASSETS			
Inventories	9	263	95
Trade and other receivables	7/10	1,791	802
Cash and cash equivalents	7/15	5,134	6,246
Other current financial assets	7	114	195
TOTAL ASSETS		9,448	7,470
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	7/11	(5,658)	(5,416)
Borrowings	7/12	(621)	(57)
		(6,279)	(5,473)
NON CURRENT LIABILITIES			
Borrowings	7/12	(1,029)	(445)
Retirement benefit net obligations	17	(4,878)	(10,084)
Other non current financial liabilities	7/11	(12)	(3)
TOTAL LIABILITIES		(12,198)	(16,005)
NET LIABILITIES		**(2,750)**	**(8,535)**
EQUITY			
Retained earnings	14	(2,750)	(8,535)
TOTAL EQUITY		**(2,750)**	**(8,535)**

The financial statements on pages 14 to 39 were approved by the Board and authorised for issue on 16 November 2011 and are signed on their behalf by:

Dr AGC Lane
Chairman

SB Partridge
Chair of Finance & Audit
Sub-Committee

Statement of Cash Flows

for the year ended 31 March 2011

	Note	2011	2010
		£'000	£'000
OPERATING ACTIVITIES			
Cash (used by)/generated from operations	15	(284)	2,855
Interest paid	4	(14)	-
NET CASH FROM/(USED IN) OPERATING ACTIVITIES		(298)	2,855
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	8	(2,296)	(75)
Loans issued	7	(205)	(252)
Loans repaid	7	57	-
Interest received	4	1	1
NET CASH USED IN INVESTING ACTIVITIES		(2,443)	(326)
FINANCING ACTIVITIES			
Proceeds of new borrowings	12	1,497	252
Repayments of borrowings	12	(349)	-
Grant income received	8	481	-
NET CASH FROM FINANCING ACTIVITIES		1,629	252
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1,112)	2,781
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		6,246	3,465
CASH AND CASH EQUIVALENTS AT END OF YEAR	**15**	**5,134**	**6,246**

Significant Accounting Policies

31 March 2011

BASIS OF ACCOUNTING

The financial statements have been prepared on the historical cost basis. The principal accounting policies are set out below. The financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations as endorsed by the EU ("IFRS") and the requirements of the Companies Act 2006 applicable to companies reporting under IFRS.

These financial statements are the first published financial statements of Solihull Community Housing Limited (SCH) prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The financial statements of SCH were previously prepared in accordance with UK GAAP.

Some of the IFRS recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from UK GAAP. Consequently, the directors have amended certain accounting policies to comply with IFRS. Comparative figures have been restated to reflect the adjustments made.

Reconciliations and descriptions of the effect of the transition to IFRS on the company equity, and the company total comprehensive income previously reported under UK GAAP are given in note 18.

REVENUE

Revenue consists of the invoiced value (excluding VAT) for goods and services supplied. The revenue taken to the Income Statement reflects the company's right to consideration in exchange for performance.

Revenue is recognised when revenue and associated costs can be measured reliably and future economic benefits are probable. Revenue is measured at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Revenue from services is recognised on a time-apportioned basis by reference to the provision of services set out in the Management Agreement, applicable Service Level Agreement or contract for services.

Sales of goods or property are recognised when goods are delivered and title has passed. Delivery occurs when the risks and rewards of ownership have been transferred to the customer.

PROPERTY, PLANT AND EQUIPMENT

All non-current assets are recorded at cost less accumulated depreciation.

Housing properties are recorded at cost less any identified impairment loss while they are under construction and in the first year that they come into use.

Thereafter completed properties are held at Existing Use (Social Housing) value and re-valued in full every 5 years. This valuation is updated annually. All amounts exceeding the previous value are credited to the revaluation reserve. Depreciation of these assets commences when the assets are ready for their intended use.

DEPRECIATION

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset. Depreciation is calculated using the straight line method at rates set out below. A full year's depreciation is charged in the year of acquisition and no depreciation in the year of disposal.

Significant Accounting Policies
31 March 2011

(continued)

DEPRECIATION (continued)

Housing Properties

Freehold Land and Assets in the Course of Construction are not depreciated.

In accordance with International Accounting Standard 16 (IAS16), SCH's housing properties are split into their underlying components as defined by the BCIS "Component Life Survey" and each component is depreciated separately. SCH uses the following components:

- Substructure
- Superstructure
- Internal Finishes
- Fittings
- Services
- External works

Depreciation is calculated on each component of the asset so as to write off the cost, less its estimated residual value, over the lower of 50 years or the useful economic life of each component. The useful economic life is determined separately for each development.

Completed properties are held at Existing Use (Social Housing) value. This value is updated annually, with a full independent revaluation every 5 years. Revaluation gains and losses are applied across components as appropriate.

IMPAIRMENT OF PROPERTY

At each reporting date, the Company reviews the carrying amounts of its property assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at a re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

INVESTMENT AND SHARED OWNERSHIP PROPERTIES

Properties acquired or constructed for re-sale are recorded as a current asset (within Inventories) at the lower of cost or net realisable value, net of any applicable capital grant. Net realisable value represents the estimated selling price less all estimated costs to completion and selling costs.

Significant Accounting Policies
31 March 2011

(continued)

INVESTMENT AND SHARED OWNERSHIP PROPERTIES (continued)

Where a property is acquired for re-sale on shared ownership terms, the proportion of the asset related to the first "tranche" for sale is recorded as a current asset (as set out above). The balance is held as a non-current asset within Housing Properties and depreciated accordingly.

Revenue from the initial "tranche" sales of Shared Ownership properties is recognised as sales income. Sales of subsequent tranches are recognised as the disposal of a non-current asset, with the profit or loss on disposal being charged or credited to the Income Statement.

GRANTS

Grants in respect of revenue activities are credited to the Income Statement in the same period as the expenditure to which they contribute.

Grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received. Capital grants relating to property, plant and equipment are deducted from the cost of the relevant non-current asset.

Grants related to mixed tenure developments are apportioned across the relevant current and non-current assets. The proportion relating to non-current assets is deducted from the cost of the relevant asset.

INVENTORIES (excluding Investment and Shared ownership properties)

Inventories are stated at the lower of cost and estimated value in use. Cost comprises direct material costs and (where applicable), direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method.

LEASES

Leases in which a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged against profit or loss on a straight line basis over the period of the lease.

Where SCH has substantially all the risks and rewards of ownership, these are classed as finance leases. Finance leases are capitalised at the commencement of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The corresponding rental obligations, net of finance charges, are shown in other payables. The property acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when the Company has become a party to the contractual provisions of the instrument.

FINANCIAL ASSETS

Trade receivables: Trade receivables are classified as loans and receivables and are initially recognised at fair value. They are subsequently measured at their amortised cost using the effective interest method less any provision for impairment.

A provision for impairment is made where, in the opinion of the Directors, there is a reasonable likelihood that amounts will not be recovered in accordance with the original terms of the agreement. The level of the provision depends on the nature of the debt and the customer's payment history. The carrying value of the receivable is reduced through the use of an allowance account and any impairment loss is recognised in the Income Statement.

Significant Accounting Policies
31 March 2011

(continued)

FINANCIAL ASSETS (continued)

Cash and cash equivalents/liquid resources*:* Cash and cash equivalents comprise cash at bank and in hand and other short-term deposits held by the Company with maturities of less than three months.

Bank overdrafts are presented within current liabilities.

Investments: Short-term investments, comprising short term deposits with maturities of three months or more, are stated at cost and classified as current assets.

FINANCIAL LIABILITIES

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

Bank borrowings: Interest-bearing bank loans and overdrafts are recorded initially at their fair value, net of direct transaction costs. Such instruments are subsequently carried at their amortised cost and finance charges, including premiums payable on settlement or redemption, are recognised in the Income Statement over the term of the instrument using an effective rate of interest.

Trade payables: Trade payables are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

TAXATION

The relationship between the Company and its parent undertaking has been recognised as non-trading in nature. Consequently, any activities that the Company carries on with its parent under its Management Agreement are not liable to corporation tax.

Where the Company has trading income from outside its parent company, this may be liable to Corporation Tax. The tax payable is based on taxable profit for the year. Taxable profit differs from accounting profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is measured using tax rates that have been enacted or substantively enacted by the reporting date.

The tax expense represents the sum of the current tax expense and deferred tax expense.

DEFERRED TAXATION

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax is provided, except as noted below, on timing differences that have arisen but not reversed by the balance sheet date, where the timing differences result in an obligation to pay more tax, or a right to pay less tax, in the future. Timing differences arise because of differences between the treatment of certain items for accounting and taxation purposes.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Where law or accounting standards require gains and losses to be recognised in the Statement of Changes in Equity, the related taxation is also taken directly to the Statement of Changes in Equity in due course.

Significant Accounting Policies
31 March 2011

(continued)

PENSIONS

All permanent employees of the Company are entitled to join the "defined benefit" pension scheme, the West Midlands Metropolitan Authorities Pension Fund, which is administered by Wolverhampton City Council and provides members with defined benefits related to pay and service. During the year, the Company paid an employer's contribution rate of 11.1% (2010: 10.8%) into the fund in addition to meeting all pension payments relating to added years benefits awarded during the year, together with any related increases.

In accordance with IAS 19 "Employee benefits", the service cost of the pension provision relating to the period, together with the cost of any benefits relating to past service, is charged to the Income Statement. A charge equal to the increase in the present value of the scheme liabilities (because the benefits are closer to settlement) and a credit equivalent to the Company's long-term expected return on assets (based on the market value of the scheme assets at the start of the period), are included in the Income Statement under "Finance costs".

The difference between the market value of the assets of the scheme and the present value of the accrued pension liabilities is shown as an asset or liability on the balance sheet net of deferred tax. Any difference between the expected return on assets and that actually achieved is recognised in the Statement of Changes in Equity along with differences arising from experience or assumption changes.

Government changes to retirement benefits arising from the replacement of RPI by CPI are treated as a change in scheme rules and hence credited to the Income Statement. Because of the one-off nature of this change, it is treated as an Exceptional Item within these accounts.

Further information on pension arrangements is set out in note 17 to the accounts.

STANDARDS ADOPTED EARLY BY THE COMPANY

The Company has not adopted any standards or interpretations early in either the current or the preceding financial year.

STANDARDS ISSUED AS AT 31 MARCH 2011 BUT NOT YET EFFECTIVE

At the date of authorisation of these financial statements the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

- IFRS 1 (Amendment) First-time Adoption of IFRS – Amendment; Limited Exemption from comparative IFRS 17 Disclosures for First-time adopters.
- IAS 24 (Revised) Revised IAS 24 Related Party Disclosures
- IFRS 7 (Amendment) Financial Instruments: Disclosures – Amendments; Disclosures – Transfers of Financial Assets
- IFRS 1 (Amendment) First-time Adoption of IFRS – Amendment; Severe Hyperinflation and removal of Fixed Dates for First-Time Adopters
- IAS 12 (Amendment) Income Taxes – Amendment; Deferred Tax: Recovery of Underlying Assets
- IFRS 9 Financial Instruments
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- IFRIC 14 (Amendment) Prepayments of a Minimum Funding requirement

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company when the relevant standards and interpretations come into effect. There were also a number of improvements to standards that have been issued on 6 May 2010 but not yet effective.

Areas of Judgement and Risk Management

31 March 2011

CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

The Company makes estimates and assumptions concerning the future that are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results.

The business review set out on pages 2 to 5 of the Report of the Directors' sets out a commentary on the current and future trading activities of the Company. The evidence gathered in this exercise forms a key element of the Directors' assessment of whether SCH continues to be a going concern. The other key factor is the agreement of a ten year extension to the Management Agreement with SCH's parent which was formally signed in May 2011.

The only estimate (and related assumptions) that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities is considered to relate to the pension scheme. The detailed assumptions in this regards are set out in Note 17 to the accounts. Solihull Community Housing's (SCH) parent, Solihull MBC confirms on an annual basis that they expect SCH to make best endeavours to maintain a fully funded scheme by complying with any guidance issued by the actuary with regard to contribution levels.

In considering whether the Company will be able to meet these future pension contributions, the business review set out on pages 2 to 5 of the Director's report confirms that SCH expects to continue to make sufficient cash surpluses to do so.

In preparing the accounts, the Directors have made provision for a potential negative outcome on 3 significant housing management legal cases that were ongoing at the year-end. Taking into consideration the period of time over which the cases have been in progress, the claims were considered to be outside the normal range of cases that the Company handles on a regular basis. A provision has therefore been made which reflects the potential loss (including costs) to SCH in the event that the cases are lost.

FINANCIAL RISK MANAGEMENT

The Board of Solihull Community Housing is responsible for identifying, evaluating and managing the significant risks faced by the company. The Chair of the Finance & Audit Sub-Committee jointly champions risk management (including the management of financial risks) throughout SCH on an ongoing basis together with the Director of Finance.

The Chief Executive and SCH's Senior Management Team (SMT) are collectively responsible for managing strategic risks as well as being responsible for managing operational risks in their individual areas of responsibility.

SCH maintains a Corporate Risk register and each Directorate maintains a supporting Directorate Risk Register. These registers set out the identified risks and the mitigating actions in place to deal with these risks, as well as clearly defined management responsibilities for their identification, evaluation and control. SMT and Directorate Management Teams carry out formal quarterly reviews of the registers and report the strategic risks to the Board twice a year.

Monitoring exposure to financial risks forms a key part of SCH's risk overall management processes. The Statement on Internal Control set out on pages 10-12 of these accounts sets out a more detailed explanation of SCH's approach to the management of both financial and operational risk.

Liquidity Risk and Credit Risk

SCH's objective is to meet its liabilities as they fall due whilst maintaining sufficient funds to enable the Company to react to unexpected changes in market conditions.

The Company is largely dependent on its largest customer, Solihull MBC. The Capital and Revenue Management Fees and income from Service Level Agreements from SMBC represent 97% (2010: 95%) of SCH's income and are receivable monthly in advance. SCH is dependent on Management Fee income in order to maintain the necessary cash flow to operate effectively.

Areas of Judgement and Risk Management

31 March 2011
(continued)

Liquidity Risk and Credit Risk (continued)

Solihull Community Housing is exposed to liquidity risk principally in the event that the Council were to experience cash flow difficulties in paying the management fee monthly. It is considered by the Board that the likelihood of this risk arising is remote.

The Company's maximum exposure to credit risk, gross of any collateral held, relating to its financial assets is equivalent to their carrying value. All financial assets have a fair value which is equal to their carrying value.

Credit risk predominantly arises from trade receivables – of the Company's total 2011 financial assets, £1,805,000 (2010: £817,000) is owed to the Company by Solihull MBC and the Board therefore also consider that the likelihood of this risk arising is remote. Other trade receivables are limited in value.

SCH has joint banking arrangements with Solihull MBC but the Company's arrangements reflect its independence (e.g. a separate bank account, bank mandate and signatories).

SMBC carries out Treasury Management on behalf of SCH under a Service Level Agreement (SLA). Surplus funds for both SMBC and SCH are pooled and deposited overnight and on longer arrangements, under a formal agreement between the two parties. The resulting interest is credited to the Council's Housing Revenue Account (HRA), and thus supplements the Management Fee payable to SCH.

Interest rate risk

SCH's interest rate risk is limited to the following areas:

- The rate that the Housing Revenue Account (HRA) earns on its balances – which directly affect the management fee payable to SCH (see above).
- Solihull MBC's Consolidated Rate of Interest (CRI) on the loan to finance SCH's developments and Planned Preventative Maintenance programme

All the Company's 2011 and 2010 Financial Assets are non-interest bearing.

All the Company's 2011 and 2010 Trade and Other Payables are non-interest bearing. The interest rates applicable to the Company's 2011 and 2010 Borrowings are set out in Note 12 to these accounts, where these amounts are analysed by interest type.

Capital Management

The Company's main objective when managing capital is to ensure that it maintains sufficient capital to ensure that the Council's tenants continue to receive an excellent housing management service from the Company. The level of management fee agreed with the Council annually in respect of the Management Agreement and the Company's level of operating efficiency are the principal determinants of the level of equity that the Company is able to retain. As a company limited by guarantee, the only equity / capital of the Company is represented by its retained earnings reserves.

The Company's level of debt is not significant. "Net debt" is defined as including short and long-term borrowings (including overdrafts and lease obligations) net of cash and cash equivalents and represents net positive funds of £3,484,000 at 31 March 2011 (2010: £5,744,000).

The Company does not have any externally imposed capital requirements and has not made any changes to its capital management during the year.

Credit risk

The Company's maximum exposure to credit risk, gross of any collateral held, relating to its financial assets is equivalent to their carrying value as disclosed above. All financial assets have a fair value which is equal to their carrying value.
Of the Company's total 2011 financial assets, £1,805,000 (2010: £817,000) is owed to the Company by Solihull MBC. The remainder are cash/cash equivalents and amounts due from third parties.

Notes to the Financial Statements

31 March 2011

1. REVENUE

Sales were made wholly in the United Kingdom and derived from the Company's principal activity of housing management.

2. SEGMENT INFORMATION

The Company has adopted IFRS 8 'Operating Segments' during the year. IFRS 8 requires the provision of segmental information for the Company on the basis of information reported internally to the chief operating decision-maker for decision-making purposes. The Company considers that the role of chief operating decision-maker is performed by the Company's Board of Directors. The adoption of IFRS 8 has not had any impact on the performance or position of SCH and all results are reported as a single segment.

3. PROFIT FROM OPERATIONS

Profit from operations is stated after charging/(crediting):	**Note**	**2011**	**2010**
		£'000	**£'000**
Inventories			
- amount credited to operating expenses		(7)	(7)
- amounts written off		1	1
Depreciation of owned property, plant and equipment	8	30	-
Auditor's fees:			
- On audit services		24	19
- On taxation		3	1
- For other services		3	2
Rentals under operating leases		438	309

The following table analyses the nature of expenses:		**2011**	**2010**
		£'000	**£'000**
Staff costs	5	11,361	10,285
Exceptional item: Pension credit due to change from RPI to CPI	5/17	(2,481)	-
Depreciation, amortisation and impairments	8	30	-
Property works		19,304	21,066
Housing management and maintenance		3,171	3,595
Finance		515	453
Corporate services		1,500	1,197
Total expenditure		33,400	36,596

Notes to the Financial Statements

31 March 2011
(continued)

4. FINANCE COSTS	Note	**2011**	**2010**
		£'000	**£'000**
Expected return on Pension assets	17	2,122	1,499
Interest costs of Pension liabilities	17	(2,367)	(1,865)
Prudential borrowing interest		(14)	-
Other interest receivable		1	1
		(258)	(365)

5. STAFF COSTS

The average monthly number of persons employed by the Company during the period was:	**2011**	**2010**
	£'000	**£'000**
Executive Management Team	5	5
Housing Management and Maintenance	233	219
Finance	25	25
Corporate Services	84	78
	347	327

Staff costs, including directors:	Note	**2011**	**2010**
		£'000	**£'000**
Wages and salaries		9,181	8,682
Social security costs		680	648
Other pension costs		1,441	916
Exceptional item: Pension credit due to change from RPI to CPI	17	(2,481)	-
Modernisation and redundancy costs		59	39
		8,880	10,285

The remuneration of the Executive Management Team of the Company in aggregate is as follows:	**2011**	**2010**
	£'000	**£'000**
Short Term Employee Benefits	425	490
Post Employment Benefits	67	51
	492	541

The directors are defined as being the members of the Main Board of Solihull Community Housing.

None of the directors received any emoluments but all were entitled to reimbursement of incidental expenses incurred when attending Board meetings and other formal events in their capacity as Board members.

Notes to the Financial Statements

31 March 2011
(continued)

6. TAX EXPENSE	**2011**	**2010**
Analysis of charge in year	**£'000**	**£'000**
Current tax:		
UK - Current year	-	-
	-	-

Current tax reconciliation:	**2011**	**2010**
	£'000	**£'000**
Profit before tax	2,211	484
Depreciation	30	-
IAS19 adjustments:		
Finance costs	245	366
Past and Present Pension service costs	604	110
Exceptional item: Pension credit due to change from RPI to CPI	(2,481)	-
	609	960
Tax at the standard rate of corporation tax 21% (2010: 21%)	128	202
Effect of non-trading activities with member not subject to corporation tax	(128)	(202)
	-	-

Where the Company has income related to outside trading, this is taxable. During the reporting year income from the ownership and management of the company's own developments was subject to Corporation Tax, however no taxable profit arose as a result.

Notes to the Financial Statements

31 March 2011
(continued)

7. FINANCIAL INSTRUMENTS

Assets at fair value:	Note	2011 £'000	2010 £'000
Non-current financial assets			
Loan to SMBC (Low-Energy lighting)		286	57
Current financial assets			
Loan to SMBC (Low-Energy lighting)		114	195
Trade and other receivables	10	1,791	802
Cash and cash equivalents	15	5,134	6,246
Total loans and receivables		7,325	7,300

Liabilities at fair value:		2011 £'000	2010 £'000
Current financial liabilities			
Trade and other payables	11	5,658	5,416
Borrowings	12	621	57
		6,279	5,473
Non-current financial liabilities			
Borrowings	12	1,029	445
Retentions on construction projects	11	12	3
Total other financial liabilities		7,320	5,921

Notes to the Financial Statements

31 March 2011
(continued)

7. FINANCIAL INSTRUMENTS (continued)

MATURITY ANALYSIS

Financial Assets

The table below analyses the Company's financial assets which are considered to be readily saleable or are expected to generate cash inflows to meet cash outflows on financial liabilities:

	Note	2011 £'000	2010 £'000
Within 6 Months			
Loan to SMBC (Low-Energy lighting)		57	-
Trade and other receivables	10	1,791	802
Cash and cash equivalents	15	5,134	6,246
6 Months to 1 Year			
Loan to SMBC (Low-Energy lighting)		57	57
1 to 5 Years			
Loan to SMBC (Low-Energy lighting)		286	195
Total		7,325	7,300

Financial Liabilities

The table below analyses the Company's financial liabilities on a contractual gross undiscounted cash flow basis into maturity groupings based on amounts outstanding at 31 March 2011 up to the contractual maturity date:

		2011 £'000	2010 £'000
Within 6 Months			
Trade and other payables	11	5,658	5,416
Borrowings	12	57	-
6 Months to 1 Year			
Borrowings	12	564	57
1 to 5 Years			
Borrowings	12	1,029	445
Trade and Other Payables	11	12	3
Total		7,320	5,921

The Company would normally expect that sufficient cash is generated in the operating cycle to meet the contractual cash flows as disclosed above through effective cash management

Notes to the Financial Statements

31 March 2011
(continued)

8. PROPERTY, PLANT AND EQUIPMENT

			Completed properties available for letting		Total
	Freehold Land	Assets in course of construction	Rented	Shared Ownership	
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2009	-	-	-	-	-
Additions	-	75	-	-	75
At 31 March 2010	-	75	-	-	75
Additions	233	2,063	-	-	2,296
Schemes completed	-	(1,179)	921	258	-
At 31 March 2011	233	959	921	258	2,371
Capital Grants					
At 1 April 2009	-	-	-	-	-
At 31 March 2010	-	-	-	-	-
Received during year	-	(481)	-	-	(481)
Schemes completed	-	181	(142)	(39)	-
At 31 March 2011	-	(300)	(142)	(39)	(481)
Accumulated depreciation and any recognised impairment losses					
At 1 April 2009	-	-	-	-	-
At 31 March 2010	-	-	-	-	-
Charged in the year	-	-	(23)	(7)	(30)
At 31 March 2011	-	-	(23)	(7)	(30)
Net book value:					
At 31 March 2011	233	659	756	212	1,860
At 31 March 2010	-	75	-	-	75
At 31 March 2009	-	-	-	-	-

Notes to the Financial Statements

31 March 2011
(continued)

9. INVENTORIES	**2011**	**2010**
	£'000	**£'000**
Raw materials and consumables	101	95
Property held for sale - Shared Ownership	162	-
	263	95

Raw materials and consumables set out above are carried at the lower of cost and net realisable value. The replacement cost would not be significantly different from the values stated.
The properties for resale are the proportion of development properties to be sold on shared ownership terms. All these units were sold by 26 May 2011.

10. TRADE AND OTHER RECEIVABLES	**2011**	**2010**
	£'000	**£'000**
Trade receivables	1,506	647
Other receivables	285	155
	1,791	802

The average credit period taken on provision of services is 19 days (2010: 14 days).

An allowance has been made for estimated irrecoverables of £230,000 (2010: £226,000). This allowance has been based on the knowledge of the financial circumstances of individual customers at year-end.

The following table provides an analysis of trade and other receivables that were past due at 31 March but not impaired. The Company believes that these balances are ultimately recoverable based on a review of past payment history and the current financial status of the customers.

	2011	**2010**
	£'000	**£'000**
Up to 3 months	23	113
Up to 6 months	7	1
Greater than 6 months	17	16
	47	130

The movement in the allowance account was as follows:	**2011**	**2010**
	£'000	**£'000**
Opening balance as at 1 April	226	195
Provision for receivables impairment	32	58
Receivables written off during the year	-	(1)
Unused amounts reversed	(28)	(26)
Closing balance as at 31 March	230	226

At the year end all trade and other receivables were denominated in sterling.

Notes to the Financial Statements

31 March 2011
(continued)

11. TRADE AND OTHER PAYABLES

	2011	2010
	£'000	£'000
Amounts payable relating to invoiced amounts	970	955
Accruals and deferred income	3,711	3,410
Other tax and social security	599	480
Other creditors	378	571
Sub-Total : Current trade and other payables	5,658	5,416
Non-current other creditors: retentions on construction projects	12	3
Total trade and other payables	5,670	5,419

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 20 days (2010: 17 days)

The Directors consider that the carrying amount of trade payables approximates to their fair value.

At the year end all trade and other payables were denominated in sterling.

12. BORROWINGS

	Notes	2011	2010
		£'000	£'000
Less than 1 year			
Interest free loan from Salix	a	114	57
Prudential borrowing from SMBC	b	507	-
		621	57
Greater than 1 year			
Interest free loan from Salix	a	286	195
Prudential borrowing from SMBC	b	743	-
Interest free loan from SMBC	c	-	250
		1,029	445
		1,650	502

Interest Rate Summary	2011	2010
	£'000	£'000
Non-Interest Bearing	400	502
Floating Rate	1,250	-
	1,650	502

Notes to the Financial Statements

31 March 2011
(continued)

12. BORROWINGS (continued)

Loan details are as follows:

a) Interest-free loan from Salix Finance Ltd under the Energy Efficiency Loan Scheme - £400,000 (2010: £252,000). This is repayable by equal instalments, with the last instalment falling due in 2014.

b) Loan from Solihull MBC to finance SCH's development of properties for rent and shared ownership - £1,250,000 (2010: £nil). This is a floating rate loan comprising 2 elements –£480,000 repayable within 1 year (subject to shared ownership sales) and £770,000 repayable over 22 years. Interest is charged at the Council's Consolidated rate of Interest (CRI). The loan is secured on the developed properties.

c) As at 31 March 2010, SCH had an interest free loan from SMBC of £250,000 made at the commencement of trading on 1 April 2004. This was repaid in full during the year ended 31 March 2011.

13. COMPANY LIMITED BY GUARANTEE

The Company is limited by guarantee, incorporated in the United Kingdom, and is governed by its Memorandum and Articles of Association. The guarantor is its sole member, Solihull Metropolitan Borough Council who is listed in the Company's Register of Members. The liabilities in respect of the guarantee are set out in the Articles of Association and are limited to £1 per member of the Company.

14. RESERVES

	2011	2010
	£'000	£'000
Retained Earnings		
1 April	(8,535)	(2,611)
Retained profit for the year	2,211	484
Actuarial gain/(loss)	3,574	(6,408)
At 31 March	(2,750)	(8,535)

15. CASH FLOWS

	2011	2010
	£'000	£'000
Reconciliation of profit from operations to net cash flow from operating activities		
Profit from operations	2,469	849
Depreciation and amortisation	30	-
Pension contributions paid in period	(821)	(791)
Pension contributions (credited)/charged in the period	(1,056)	901
Increase in inventories	(168)	(6)
(Increase)/decrease in trade and other receivables	(989)	1,649
Increase in trade and other payables	251	253
Net cash (outflow)/inflow from operating activities	(284)	2,855

Notes to the Financial Statements

31 March 2011
(continued)

15. CASHFLOWS (continued)

	2011 £'000	2010 £'000
Cash and cash equivalents represent:		
Cash at bank and in hand	5,134	6,246
	5,134	6,246

16. COMMITMENTS UNDER OPERATING LEASES

The minimum lease payments under non-cancellable operating leases are in aggregate as follows:

	Land and buildings 2011 £'000	Land and buildings 2010 £'000	Plant and equipment 2011 £'000	Plant and equipment 2010 £'000
Total value of lease commitments				
Expiry of lease:				
Within 1 year	46	-	47	53
Between 2-5 years	-	-	495	632
After 5 years	823	1,270	-	-
	869	1,270	542	685

Operating lease payments represent rentals payable by the Company for office premises and equipment. £450,000 of the leases for land and buildings relates to a lease expiring after 20 years, with the remaining £373,000 relating to a lease expiring after 5 years. Rentals on both leases are fixed throughout the term of the lease. Rentals for plant and equipment are fixed for an average of 3 years

17. RETIREMENT BENEFIT OBLIGATIONS

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out as at 31 March 2011 for the purposes of the IAS 19 valuation for inclusion in these financial statements prepared by a registered actuary engaged by Mercer Limited. The present values of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

	2011 %	2010 %
Key assumptions used:		
Discount rate	5.5	5.7
Expected return on plan asset	6.9	7.0
Future salary increases	4.7	5.3
Future pension increases	2.9	3.5

Mortality rate assumptions are based on publicly available data in the UK.

The average life expectancy for a pensioner retiring at 65 on the reporting date is:	2011 Years	2010 Years
Male	87	86
Female	89	89

Notes to the Financial Statements

31 March 2011
(continued)

17. RETIREMENT BENEFIT OBLIGATIONS (continued)

The average life expectancy for a pensioner retiring at 65, aged 45 at the reporting date is:	2011 Years	2010 Years
Male	88	87
Female	91	90

The sensitivity of the overall pension liability to changes in the weighted principal assumptions is:

	Change in Assumption	Overall Impact on Liability
Discount rate	Increase by 0.1%	Increase by £801,000
Salary growth rate	Increase by 0.1%	Increase by £345,000
Rate of mortality	Increase by 1 year	Increase by £882,000

Amounts recognised in profit or loss in respect of these defined benefit schemes are as follows:

		2011 £'000	2010 £'000
Current service cost		1,425	879
Past service (gain)/cost	(Exceptional Item in 2011)	(2,481)	22
Employers contributions paid		(821)	(791)
Expected return on scheme assets		(2,122)	(1,499)
Interest cost		2,367	1,865
Total operating (credit)/charge		(1,632)	476

Of the charge for the year: £1,877,000 has been credited to operating costs (2010: £110,000 charged)
£245,000 has been included in finance costs (2010: £366,000)

Actuarial gains and losses are reported in the Statement of Changes in Equity are as follows::

- Gain recognised in 2011 was £3,574,000 (2010: £6,408,000 expensed)
- Cumulative expense is £2,936,000 (2010: £6,510,000)

The actual return on scheme assets was £1,999,000 (2010: £7,122,000)

The amounts included in the Balance Sheet arising from the Company's obligation in respect of defined benefit retirement schemes are as follows:

	2011 £'000	2010 £'000
Fair value of scheme assets	34,927	30,710
Present value of defined benefit contributions	(39,805)	(40,794)
Deficit in scheme	(4,878)	(10,084)
Past service cost not yet recognised in the Balance Sheet	-	-
Liability recognised in the Balance Sheet	(4,878)	(10,084)

Notes to the Financial Statements

31 March 2011
(continued)

17. RETIREMENT BENEFIT OBLIGATIONS (continued)

Analysis for reporting purposes:	2011	2010
	£'000	£'000
Non-current assets	7,894	6,480
Current assets	27,033	24,230
Current and non-current liabilities	(39,805)	(40,794)
	(4,878)	(10,084)

Movements in the present value of defined benefit obligations in the current period are as follows:	2011	2010
	£'000	£'000
at 1 April	40,794	25,663
Current service cost	1,425	879
Past service cost	(2,481)	22
Interest cost	2,367	1,865
Actuarial gains and losses	(2,329)	12,031
Contributions by plan participants	493	476
Benefits paid	(464)	(142)
at 31 March	39,805	40,794

Movement in the fair value of scheme assets in the current period are as follows:	2011	2010
	£'000	£'000
at 1 April	30,710	22,463
Expected return on scheme assets	2,122	1,499
Actuarial gains and losses	1,245	5,623
Employer contributions	821	791
Employee contributions	493	476
Benefits paid	(464)	(142)
at 31 March	34,927	30,710

Analysis of the scheme assets and the expected rate of return at the reporting date:

	Expected return		Fair value of assets	
	2011	2010	2011	2010
	%	%	£'000	£'000
Equity instruments	7.5	7.5	20,642	16,491
Debt instruments	4.7	4.8	4,925	4,269
Property	6.5	6.5	2,969	2,211
Other assets	6.7	7.1	6,391	7,739
	6.9	7.0	34,927	30,710

Notes to the Financial Statements

31 March 2011
(continued)

17. RETIREMENT BENEFIT OBLIGATIONS (continued)

The expected rates of return on categories of plan assets are determined by reference to relevant indices. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

The five year history of experience adjustments are as follows:

	2011	2010	2009	2008	2007
	£'000	£'000	£'000	£'000	£'000
Fair value of plan assets at 31 March	34,927	30,710	22,463	27,306	25,994
Present value of defined obligation at 31 March	(39,805)	(40,794)	(25,663)	(30,844)	(26,423)
Deficit in the plan	(4,878)	(10,084)	(3,200)	(3,538)	(429)
Experience adjustments arising on plan assets	1,245	5,623	(7,408)	(1,391)	not available
Experience adjustments arising on plan liabilities	541	-	-	(407)	

Disclosure of information regarding experience adjustments was not a requirement of FRS17 before the year ended 31 March 2009 and so figures are not available for the year ended 31 March 2007.

18. RELATED PARTY TRANSACTIONS

The Company's parent and ultimate parent is Solihull Metropolitan Borough Council.

Solihull Community Housing Limited is an Arms Length Management Organisation with a contract from the ultimate parent (Solihull Metropolitan Borough Council) which passes on responsibility for the management and maintenance of the Council's homes and other related buildings.

	2011	2010
During the year the Company:	£'000	£'000
- supplied goods and services to SMBC	34,692	36,486
- purchased goods and services from SMBC	2,117	2,399
At 31 March		
- included in year-end Debtors due from SMBC	1,805	817
- included in year-end Creditors owing to SMBC	1,740	674
- Net balance from SMBC	**(65)**	**(143)**

Included in the above figures is a loan from SMBC to fund SCH's own development of properties for rent and shared ownership. Further details are set out in note 12. The loan is secured against the assets that it was used to develop. As at 31 March the balance outstanding was £1,250,000.

Apart from this loan the amounts outstanding that are recorded in the accounts are unsecured, carry or bear no interest and will be settled in cash. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

The Remuneration of key management personnel in included in note 5.

Notes to the Financial Statements

31 March 2011
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19. CAPITAL COMMITMENTS

At 31 March the Company had capital expenditure commitments as follows:

	2011	2010
	£'000	£'000
Contracted for, but not provided in the accounts	132	2,258

20. IFRS TRANSITION DISCLOSURES

Reconciliation of Company Equity at 1 April 2009	Notes	UK GAAP	Effect of Transition to IFRS	IFRS
		£'000	£'000	£'000
ASSETS				
NON CURRENT ASSETS				
Property, plant and equipment		-	-	-
CURRENT ASSETS				
Inventories		89	-	89
Trade and other receivables		2,451	-	2,451
Cash and cash equivalents		3,465	-	3,465
TOTAL ASSETS		6,005	-	6,005
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	a	(5,003)	(163)	(5,166)
Borrowings		-	-	-
		(5,003)	(163)	(5,166)
NON CURRENT LIABILITIES				
Borrowings		(250)	-	(250)
Retirement benefit obligations		(3,200)	-	(3,200)
TOTAL LIABILITIES		(8,453)	(163)	(8,616)
NET ASSETS		(2,448)	(163)	(2,611)
EQUITY				
Retained earnings		(2,448)	(163)	(2,611)
TOTAL EQUITY		(2,448)	(163)	(2,611)

Notes to the Financial Statements

31 March 2011
(continued)

20. IFRS TRANSITION DISCLOSURES (continued)

Reconciliation of Company Equity at 31 March 2010	Notes	UK GAAP	Effect of Transition to IFRS	IFRS
		£'000	£'000	£'000
ASSETS				
NON CURRENT ASSETS				
Property, plant and equipment		75	-	75
CURRENT ASSETS				
Inventories		95	-	95
Trade and other receivables		1,054	-	1,054
Cash and cash equivalents		6,246	-	6,246
TOTAL ASSETS		7,470	-	7,470
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables		(5,286)	(187)	(5,473)
Borrowings		(198)	-	(198)
		(5,484)	(187)	(5,671)
NON CURRENT LIABILITIES				
Borrowings		(250)	-	(250)
Retirement benefit obligations		(10,084)	-	(10,084)
TOTAL LIABILITIES		(15,818)	(187)	(16,005)
NET ASSETS		(8,348)	(187)	(8,535)
EQUITY				
Retained earnings		(8,348)	(187)	(8,535)
TOTAL EQUITY		(8,348)	(187)	(8,535)

Notes to the Financial Statements

31 March 2011
(continued)

20. IFRS TRANSITION DISCLOSURES (continued)

Reconciliation of Company Total Comprehensive Income for the year ended 31 March 2010	Notes	UK GAAP	Effect of Transition to IFRS	IFRS
		£'000	£'000	£'000
REVENUE		37,445	-	37,445
Operating expenses	b	(36,572)	(24)	(36,596)
PROFIT/(LOSS) FROM OPERATIONS		873	(24)	849
Finance income		1,500	-	1,500
Finance costs		(1,865)	-	(1,865)
PROFIT/(LOSS) BEFORE TAXATION		508	(24)	484
Tax on profit on ordinary activities		-	-	-
PROFIT/(LOSS) FOR THE YEAR		508	(24)	484
Actuarial (loss)/gain relating to the pension scheme		-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		508	(24)	484

Impact on Equity and Total Comprehensive Income and Cash Flow

Short-term employee benefits
Under IFRS, when an employee has rendered service during an accounting period, the Company recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as a liability.
As a result the following adjustments have been made:
a) Current liabilities (accrued expense) have been increased by £163,000, representing the liability at the date of transition (31 March 2009).
b) Amounts previously charged within staff costs (operating expenses) to the Income Statement for the year ended 31 March 2010 have been increased by £24,000.

There is no material impact on cash flow as a result of these adjustments.