family mosaic

annual accounts 2011


we can
CAFE
CLINIC
HAIR
EXCHANGE SHOP

Family Mosaic: an introduction

We're one of the largest housing associations in London and Essex. We provide affordable homes to rent, and buy, as well as services to people who may need extra support. We have around 23,000 homes for rent. We serve over 45,000 residents. And we support over 4,000 people with additional services to help them live independently.

We're driven by our customers. We want to offer them more control and choice. We can do this because we are financially strong, and because it's part of the way we work.

This means we can reinvest our surplus into our existing housing stock. It means we can finance the construction of new homes. It means we can help people get the most out of their local community.

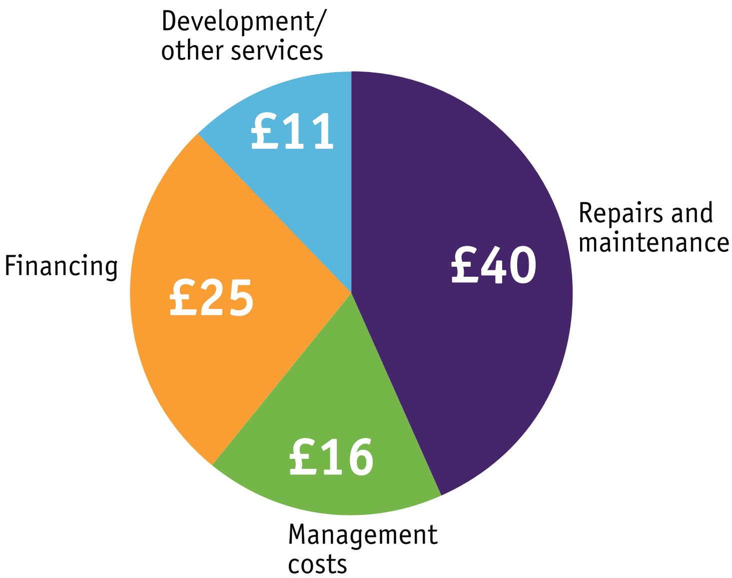
It means making them feel valued in everything we do for them.

Our strategic objectives:

- **5 star services**: we're targeting customer-focused standards;
- **big, but local**: we're using our size to deliver high quality services at a local level;
- **we can**: we're ambitious in everything we do for our customers, our stakeholders and our staff;
- **more homes, stronger communities**: we're going to grow by building more homes every year, by expanding our supported housing services and by adding value to local communities.

Where does the rent go?

Average rent £92 per week



Financial highlights

Turnover

2011	**£165m**
2010	£168m
2009	£142m

Gearing

2011	**41.2%**
2010	40.9%
2009	48.6%

Operating surplus

2011	**£43m**
2010	£31m
2009	£26m

Interest cover ratio

2011	**2.8**
2010	2.1
2009	1.4

Operating surplus as % of turnover

2011	**26.1%**
2010	18.7%
2009	17.9%

Arrears

2011	**5.1%**
2010	5.7%
2009	6.9%

Net surplus

2011	**£34m**
2010	£33m
2009	£17m

Void turnaround time (days)

2011	**29**
2010	29
2009	45

Borrowings

2011	**£586m**
2010	£569m
2009	£575m

Number of new homes

2011	**889**
2010	762
2009	675

The fast read

Last year: continued financial strength
This was another good year for us. We reduced costs in our repairs programmes, and improved our operating efficiency. The resulting record operational surplus, combined with sales proceeds and very high levels of capital grant receipts for the new build programme, kept borrowing to a minimum. We are very well positioned for future growth.

Highlights from the year included:

- operating surplus rose from 19% the previous year to 26%;
- net surplus increased to £34 million, a rise of 4% on the previous year;
- improved cash collection on rent arrears and debtors;
- £210 million of unused borrowing facilities in place at the end of year, with very low gearing;
- overall tenant satisfaction rose during the year;
- we built 889 new homes.

The year ahead: a year of challenges and change
We think 2011–12 will be another testing year. First, the introduction of the Government's new Affordable Housing programme will completely change rent setting, funding for housing and benefits to tenants, and raises fundamental questions about our social purpose.

We believe that the future new supply of affordable housing at reasonable rent levels will depend on housing associations and local authorities working even more closely together. We will continue to build and nurture these relationships with local authorities for the benefit of local communities, while investing resources into supporting tenants as they adjust to these changes.

Secondly, we are also facing cuts to our care and support services. While these will impact on the provision of these services, we are responding by developing and implementing new, inventive approaches to care and support that give our customers real choice and control over their lives, an approach that we are rolling out across all our service provision.

We will continue to implement financial measures to meet these pressures, improving our operational efficiencies, and further strengthening our financial position.

Family Mosaic Housing
Consolidated financial statements
for the year ended 31 March 2011

Contents

Chairman's statement

Over the last year changes to the social housing sector were announced which will radically alter the way in which we carry out our business. Grants will no longer be available for the development of fully subsidised properties; rather we will be encouraged and given grants to build properties with intermediate rent, up to 80% of free market rental. Increasingly rental payments for those on welfare will not be paid directly by the local authority to the housing association, but via the tenant. The financial position of many tenants will be affected by the changes in welfare legislation and their security of tenure will be affected by alterations in *'tenancies for life'*. Local authority payments for many of our supported housing projects will be cut.

Your Board's responsibility during this period of fundamental change is to continue to work in the best long term interests of our current and future tenants and to ensure that Family Mosaic is managed prudently. Clearly in a time of such radical change we need to be particularly cautious in order to safeguard the long term viability of the organisation.

We also need to decide the extent to which we move towards the intermediate rental market rather than concentrate on our traditional fully subsidised tenants. This decision will affect the long term prospects for our tenants, for Family Mosaic and for the social housing sector as a whole.

I am pleased to report that on most measures the operational performance of Family Mosaic improved markedly last year. The net surplus was £34 million, a strong performance and one which was less dependent on property sales than in previous years. This surplus will help us build more homes for the future. Tenant satisfaction overall also rose and tenant arrears and voids fell. Our financial stability, as measured by gearing and interest cover ratios, improved and we have ample ability to borrow for future developments. Sales of properties continued at a healthy level.

Of all the services we deliver to residents we know that repairs is the most important. In 2010 we completely renegotiated our repairs contracts. Some elements of the implementation have gone well and others not so well. Tenant satisfaction with repairs declined during the winter, partly due to the bad weather and partly to do with the performance of contractors. We have therefore changed our approach to partnering. We agreed with Enterprise to go our separate ways and our agreement with Mears and Morrisions are being managed in a more traditional contract manner.

During the year Doug Stein and Jo Murphy left the organisation. I should like to thank both of them for their contribution to the growth and development of Family Mosaic. Our management structure has been simplified with the combining of Supported Housing and Housing Management into one Operations Directorate and Asset Management and Development into one Property Directorate.

I am delighted to welcome to the Board Cath Shaw who brings sector experience and expertise to our Board discussions. I should also like to thank our Board, committee members, management and staff for their dedication and hard work. Finally, my thanks to our tenants, particularly those who have helped feedback via Panel Plus.

Ian Peacock

Who runs Family Mosaic

Board

Ian Peacock	Chair
John Owen	Deputy Chair
Mike Verrier	Treasurer
Brendan Sarsfield	
Cath Shaw	*Appointed October 2010*
Claire Tiney	
Ian Vaughan	
Keith Clancy	
Pam Aujla	
Richard Capie	
Richard Stevens	
Sam Hall	

Management Team

Brendan Sarsfield	Group Chief Executive
Yvonne Arrowsmith	Group Operations Director
John Schofield	Group Director of Research & Development
John Gibbons	Group Director of Corporate Services
Dick Mortimer	Group Development and Asset Management Director
Ken Youngman	Group Finance Director

Company Secretary

John Gibbons — *Company Secretary*

Registered Office

Albion House
20 Queen Elizabeth Street
London, SE1 2RJ

Registered under the Industrial
and Provident Societies Act, No: 30093R
Registered by the Tenant Services Authority: L4470

Advisors

Auditors

KPMG LLP
1 Forest Gate
Brighton Road
Crawley, RH11 9PT

Bankers

Barclays Bank plc
1 Churchill Place
London, E14 5HP

Our results – Operating and financial review

The Board presents this report and Financial Statements for the year ended 31 March 2011.

These show us to be in a strong financial position, which we will use to realise our ambitions.

Description of the business

As a Group we own and manage 23,000 properties, across 27 London Boroughs, and in Essex. These are mostly provided at affordable rents, made possible through capital grants from government, subsiding the cost of building and acquiring properties.

We have a significant Supported Housing business providing nursing, care and support services to around 4,000 people. These are funded through Supporting People , Health, Adults Social Care and other grants.

Most of the business is conducted through Family Mosaic Housing. We have two main operating subsidiaries, which form part of the Group.

These are:
Charlton Triangle Homes – a stock transfer Association which owns and manages an estate in Greenwich.
Old Oak Housing Association – a stock transfer Association, which manages an estate of homes in Hammersmith. Family Mosaic owns the homes.

We also have a number of trading subsidiaries to manage specific development and services activities.

Key objectives

Our vision is to provide
Quality Homes and Thriving Communities.

Our values are CLEAR

Customer Focus
Learning
Effective
Ambitious
Responsive

We have four key objectives to enable this vision to be met:

To have a **We Can** attitude.
To deliver a **5 Star** service.
To be **Big but Local.**
More homes, stronger communities.

Strategy

To have a *We Can* attitude we need *We Can* people. We have a leadership programme led by the Management Team, to foster the characteristics we have identified as being necessary in our staff group. We are continuing to focus on recruitment, induction and performance management.

Improving service in repairs is a key operational goal. We are aligning our partners' policies, procedures and processes to achieve top quartile performance and high satisfaction levels.

Alongside management of rent arrears and voids, we are committed to improving our management of service charges and leasehold services.

Under our Big but Local objective we will continue our programme of disposals and stock rationalisation. In areas where we do not have a big enough presence to be able to deliver an effective service, or influence community regeneration, we will look to transfer stock to a local Association who can better meet the needs of tenants.

We want to offer our customers more control and choice through *'personalisation'*. Our service delivery will be structured around the objective of making our customers feel valued during their transactions with us, and be very targeted on their needs.

We are also looking to influence and lead sector thinking on delivery and strategic issues.

We delivered 889 new homes during 2010/11, (2009/10: 762) and expect 1,123 handovers in 2011/12. We are planning to develop around 1,600 homes under the new affordable rent model up to 2015.

Measures used by the Board

We monitor our performance through the use of financial and non financial indicators, which are produced monthly. The following are the key indicators:

- Resident Satisfaction
- Operating Surplus
- Net Surplus as a % of Income
- Current Arrears %
- Net Development Spend
- Central Overhead as a % of Income
- Management Cost per Unit per Week

We also monitor Supported Housing services through the Quality Assessment Framework (the inspection regime for Support Services), inspections through the Care Quality Commission and peer reviews.

Performance in the period

We are pleased with the financial performance of the Group.

Overall Net Surplus for the period was £34.2m before tax, a similar level to the previous year (£32.8m in 2010) which was a record high. We had improvements in repairs expenditure and continued low interest costs. Efficiencies achieved through growth and low increases in management and overhead costs, all contributed to this good result. Operating surplus increased substantially. We had high profits on Shared Ownership sales. Provision for impairments reduced by £2.0m. We continue to benefit from the low interest rate environment, maintaining a high proportion of variable rate loans to maximise this advantage.

We recorded a surplus on disposals of £9.1m, but without this we would still have shown a large net surplus, demonstrating that we are not reliant on property sales.

During the year we drew down £17m on our loans. Thanks to our good operating cash flow, and high levels of capital grant receipts for our development programme, the increased borrowing was modest compared to the number of units delivered.

We had planned to do a capital markets bond issue during the current financial year, but we still have £210m of existing facilities available to us. On the basis of current projections we will be considering a bond issue towards the latter part of 2011. We remain comfortably within our bank loan covenants, with gearing at 41.2% and interest cover at 2.8 times.

The condition of our homes is good, with 100% compliance with the government’s Decent Homes standard.

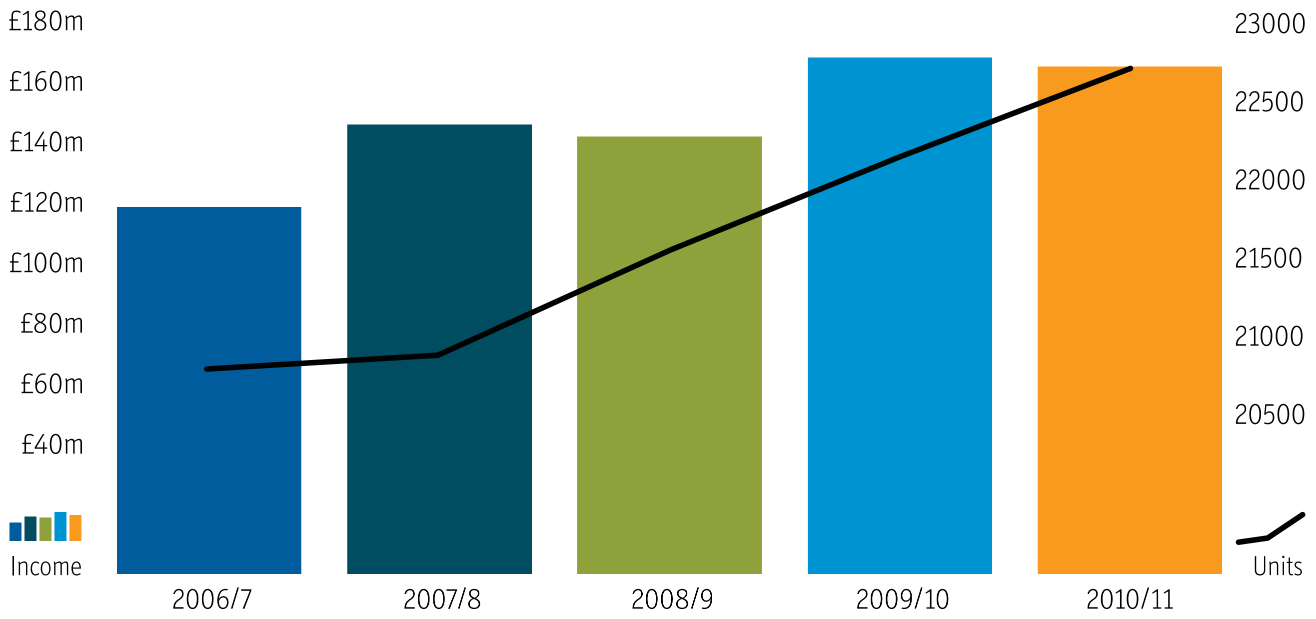
Key indicators

Tenant Satisfaction

We measure three components of satisfaction:

- Overall General Needs satisfaction
- Repairs satisfaction
- Supported Housing satisfaction

Each month 200 residents are interviewed by an independent specialist about the quality of our housing management service. The results for the



Units and Income

current year showed that overall satisfaction for General Needs tenants taken cumulatively over the year is 83%, which is an improvement of 1% over the previous year. The last official STATUS survey (a sector wide consultation done on the same basis by all housing associations) in 2010 showed satisfaction levels of 74% with this service.

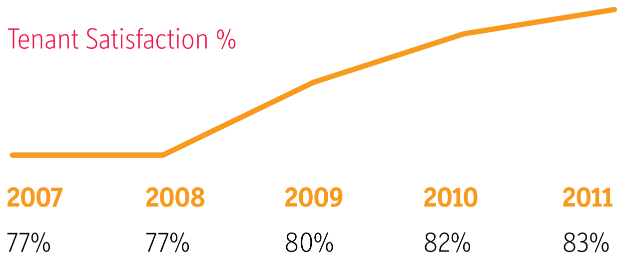
A separate independent monthly tracking survey of 200 tenants who have received a Repair in the last month shows satisfaction with last repairs at 78%. The official STATUS survey in 2010 showed 68% satisfaction with this service.

Supported Housing

In Supported Housing we measure overall satisfaction by surveying every person who receives support over the year. The overall average this year was 97%, in line with the excellent result achieved last year (97%).

The average of these three satisfaction surveys (i.e. General Needs, Repairs, and Supported Housing) is a lead driver for performance. A stepped target is set each year which, if met, will allow performance bonuses to be paid to all staff. The target this year was 83% and we achieved 83.4%. The table below shows this average tenant satisfaction for the last five years, and shows a generally improving trend. The target for 2012 is 85%.

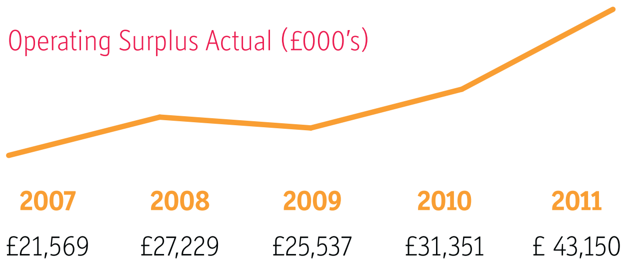
Tenant Satisfaction %



Operating Surplus

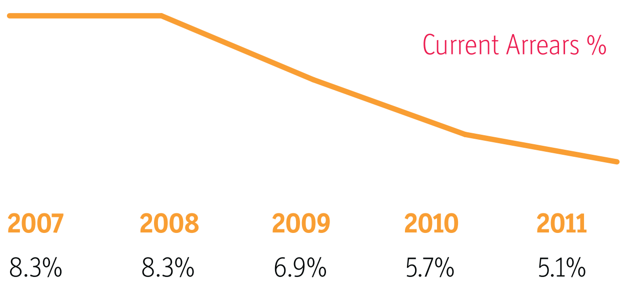
This measures our surplus before property disposals and interest. It is used to measure controllable performance at cost centre and department levels as well as for the organisation as a whole, and we would expect to see this increase over time. In 2011 the surplus increased as repair spend was reduced and we improved efficiency overall.

As a percentage of turnover our operating surplus is 26.1%. We compare this against the G15 group of fifteen leading London Housing Associations which in 2010 reported an average of 21.1%. Our medium term target for operating surplus is 20%.



Current Arrears

This measures the amounts of rent owed by current tenants compared to their annual rent charge. Our rent arrears reduced again in 2011 thanks to improved processes and a coordinated approach to collection across the organisation. We are targeting further reductions in the future with a medium term target of 5% or less. In 2010 we were in the second quartile in the HouseMark G15 peer group benchmarking report, an improvement on the previous year.



Net Development Spend

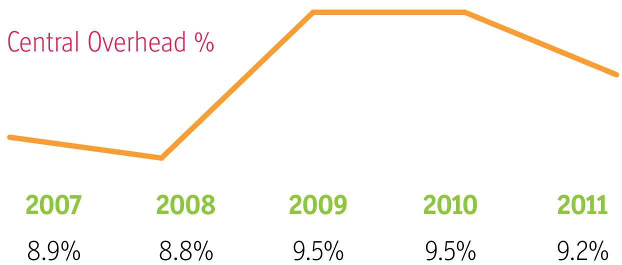
We target and measure Net Development Spend in the year, which is the total spent on new development, less grants received less proceeds on new build sales units. This is important because this sum predominantly drives the funding requirement of the business. The development team are tasked with managing within the parameters set, to ensure the business stays within banking covenants and the facilities available.

During the year net spend amounted to £56m (2010: £15m). Our spend was up as we acquired new sites and progressed significantly on existing schemes. We have again been able to secure high levels of grant funding from the Homes and Communities Agency to complete land acquisitions and start on sites by the year end.

Central Overhead

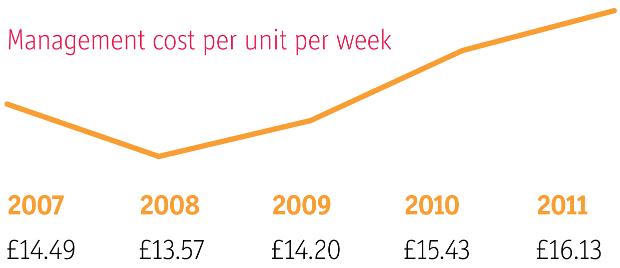
We measure the cost of central corporate services (which includes HR, Finance, I.T., Facilities, Communication, Insurance and other) as a % of total income. This gives a measure of relative efficiency. Our target is to remain at 10% or less and this was achieved.

In the HouseMark G15 benchmarking report for 2010 we were in the second quartile for low overheads. This report uses a slightly different measure but it gives a good indication of how we compare. Our competitors have generally been getting more efficient in this area, and we recognise the importance of maintaining value for money.



Management cost per unit per week

This measure looks at the weekly cost of managing our general needs units by comparing the direct costs of managing those units, (such as housing management staff) plus an appropriate share of central overheads, with the number of units being managed. It is reported monthly and allows us not only to target internal efficiency but also to compare against others. We wish to remain as efficient as possible and with as low a cost base as possible commensurate with service quality to tenants and users.



Our goal is to see management cost actually reducing, clearly we are some way off this challenging target. However, our management cost per unit per week was among the lowest within the G15 in 2010 (as disclosed in the published accounts) well under the average of £20 per week, but some way off the best performers at round £10/£11 per week.

Quality Assessment Framework

We continue to be inspected under the Quality Assessment Framework for our Supported Housing Services, however the number of inspections has tailed off over the last year due to administration cuts. Where we are inspected we continue to receive high grades, demonstrating high quality services. We had 16 services inspected reviewing 84 standards:

	Actual	
Target	**2011**	**2010**
Grade A – 80%	83%	82%
Grade B – 20%	17%	14%
Grade C – 0%	-	4%
Grade D – 0%	-	-

Our Registered Care Services are inspected by the Care Quality Commission and all inspections resulted in Good/Excellent grades.

Supported Housing

We secured £1.4m per annum of new contracts in 2010/11, with two new Young People schemes in Havering and Thurrock, and Learning Disability services in Redbridge, Waltham Forest, Hackney, Southwark and Bromley. On the negative side we lost two of our existing mental health contracts valued at £360k per annum. Net growth in business was therefore just over £1m.

We continue to push for continuous improvement in our services. This year we piloted personalisation in six schemes in preparation for changes in how services are delivered and paid for. These tested out how we can reduce paperwork, and give greater choice and control to our customers. This took place in a range of schemes and services including young people, older people, people with mental health problems and learning disabilities. All customers have been very positive about the experience and we are now rolling out a *Let Me Choose* strategy across all of our services.

There has been increasing pressures on funding over the last year, with significant reductions required in many of our Supporting People funded services. We continue to push the value for money of our services and have undertaken a large review around staff terms and conditions. We are aware that these cuts will continue over the coming few years, but remain resolute that we will not compromise on the quality of the services we deliver.

Subsidiaries

Charlton Triangle is a major regeneration scheme in the London Borough of Greenwich. Originally a stock transfer of some 1,200 homes from the

London Borough of Greenwich in 1999, all the initial promises have been met and major improvements in the properties, physical environment, local services and community have been delivered.

Charlton Triangle is now entering a new phase and the Board has endorsed a new strategy with a focus on reinvestment, customer engagement and community. A major asset management programme of works is currently underway and includes roof replacements, fire safety upgrades, electrical works, lift renewal programme and cyclical redecorations. The existing community development programme is to be expanded in 2011 and will see the launch of a One Stop Shop offering welfare rights advice, employment and training advice, counselling, youth activities and a range of other services.

Old Oak has concentrated on implementing its new tenant participation and community development strategy throughout this year providing the community with increased opportunity to get involved and influence our service provision.

A new selection process has been introduced for tenant board members, and a number of new forums have been set up to encourage greater participation from various groups within our community. So far we have the Old Oak Tenants' and Residents' Association, Parents' forum, Disability and Carers' forum, Youth forum, Owner Occupiers' Forum and Friendship Group and we continue to seek involvement from similar groups.

Our Community and Children's Centre has been recommended for *Hub* status by Hammersmith and Fulham, which means our grant funding has been increased providing us with more opportunity to expand on our existing service provision. This may result in additional services such as pre and post ante natal care, dental advice, and baby clinics.

In addition, Hammersmith and Fulham have commissioned a new Youth Club service provider to work closely with our Youth Forum to ensure improved activities and outcomes for youths on our estate. This may include an additional range of educational and fun activities.

We believe this increased engagement will improve services, provide more prosperity and opportunity, and create pride and spirit within our community.

Factors that may affect future performance

- Funding for new developments is being reduced, which means we will have to borrow more to build new units. We will, however, be given freedom to raise rents. These changes have risks to gearing levels and affordability. We are working on solutions to manage this whilst still building new homes.
- The government has introduced a programme of welfare reforms, which will affect our tenants financially. This may affect their ability to pay rent, with consequent increases in bad debt losses. We are putting resources into helping our tenants manage the changes.
- The ability to raise finance, either from banks or in the capital markets, is by no means certain. We are financially strong and well placed with potential funders. We continue to manage relationships carefully to maintain our strength as a lending proposition.
- As part of our development programme, we develop units for sale, either as Shared Ownership or for Outright Sale. The ability for us to sell these units at the right price is a risk to the business. Whilst we have demonstrated our ability to do so, we continue to monitor and manage this closely.
- Acquisition of land and properties for development has risks. There are uncertainties in development, with the risk that land purchased may be overvalued, costs

overrun or sales not achieved. As a result we can face write offs of cost and write downs in value. Our scheme and management assessment processes are aimed at minimising such occurrences.

- Our Repair and Asset Management services are provided through a limited number of partners. This represents a risk in delivery terms should a major partner fail. We monitor their position, and have reviewed back up options.
- Supported Housing is funded by grants such as Supporting People. The level of grant is under pressure from central government cuts and we are monitoring developments in this respect. We have produced a risk paper and have strategies in place to deal with this and maintain profitable services.

Financial review

The Association's investment in housing is financed predominantly by long term loans, capital grants and its own reserves.

We have loan facilities totalling £797m (2010: £797m), with maturity dates running out to 2048 (2010: 2048). Our major lenders are Barclays, Lloyds TSB, Nationwide and Santander. All bank debt is fully secured against housing assets.

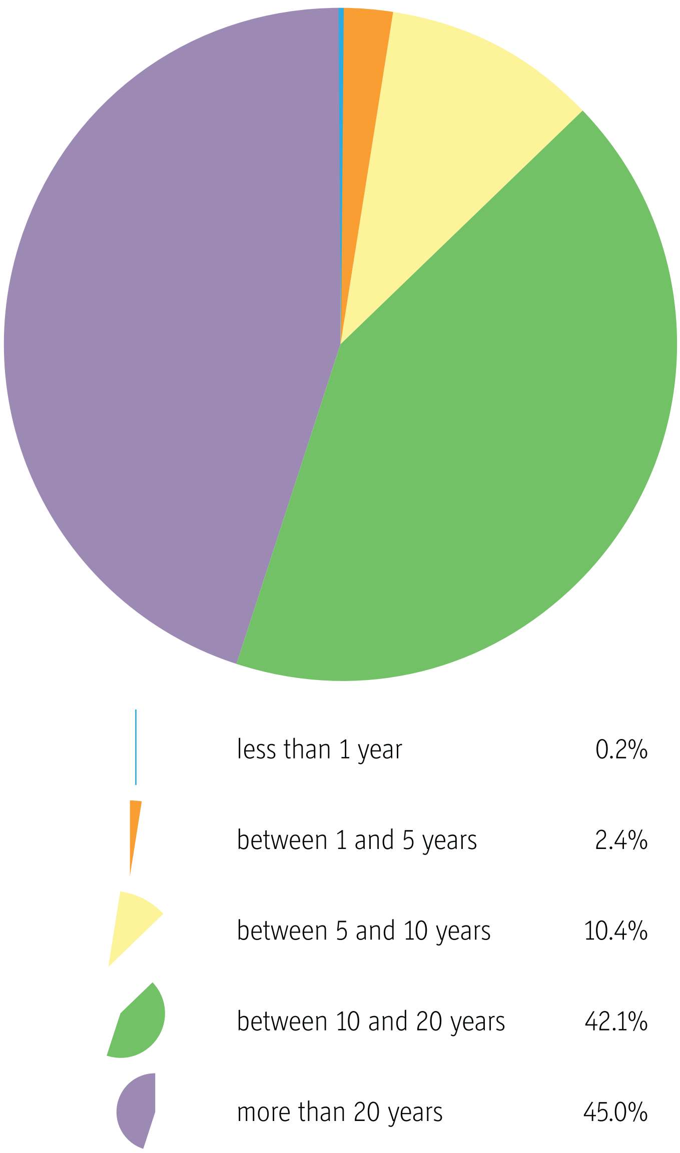
We have a Treasury policy, which sets out among other things how new loans can be raised, the profiling of repayments, and the exposure to variable interest rates.

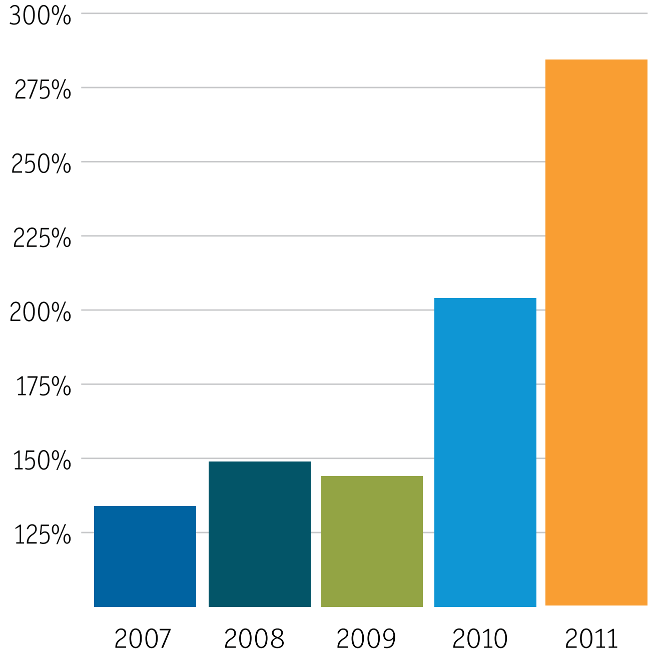
At year end variable interest rate loans were 37% (2010: 38%) of our loan book. This is in line with our policy, which is to have a maximum of 90% fixed. We continued to maintain the variable element this year in order to retain flexibility, benefiting from low short term interest rates as a result.

Our Gearing is 41.2% (2010: 40.9%) measured as housing loans net of deferred loan issue costs compared to reserves plus capital grants. This is within our financial covenants and fairly conservative for the sector.

Our bank loans have a variety of covenant provisions and definitions which are particular to the loan in question. Financial covenants include interest cover and gearing ratios, and both have performed well within the individual bank targets set.

Repayment analysis – drawn loans





Interest cover excluding disposals

Pension costs

The Association participates in the Social Housing Pension Scheme (SHPS). This is a multi employer scheme, so we do not recognise any fund deficits in our accounts. The Income and Expenditure charge represents only the employer contributions payable. The scheme has a funding deficit which increased following the most recent revaluation and this led to increased contribution rates.

Employees who joined us prior to 1st April 2010, if they elected to join, are in the SHPS career average earnings based final salary scheme. Employees joining since then have access to a defined contribution scheme still under the SHPS umbrella.

A number of employees are members of the NHS pension scheme. We pay fixed contributions and the Exchequer funds the scheme.

We also have a small number of employees in the Local Government Pension Scheme under which funding deficits or surpluses are recognised in our accounts.

Payment of creditors

Our policy is to pay suppliers in accordance with the terms of payment agreed as part of the contractual arrangements. In the year we set up an early payment discount arrangement.

Employees

We now have 1,730 employees (2010: 1,584). The majority work in our Care and Support business.

We are committed to equal opportunities for all employees, and this is particularly central to our success because of the diverse communities we serve. We were awarded the status of Disability Symbol User by the Department for Work and Pensions, recognising our positive approach to employing disabled people.

We see communication as a big part of employee relations. We do this in a number of ways, some of which are *'cascade'* bulletins which share the issues of the day, successes and items from the Management Team agenda, Group meetings, an annual staff conference and other social events.

Attracting and retaining good staff is key to our success. We have HR policies and practices that support this. Increasingly we are employing good quality staff from outside the housing sector.

Health and safety

The Board recognises its responsibilities on all matters relating to Health & Safety. We have appropriate policies, and provide staff training and education, though a dedicated Health & Safety officer.

Board members and management team

Members of the Board and Management Team are set out on page 5.

Board Members are drawn from a wide background bringing together professional, commercial and local tenant experience to provide both challenge and support to the Management Team. The Chief Executive of the Association is a member of the Board.

Management Team members hold no interest in the shares of the Association and act as Executives within authority delegated by the Board.

We have insurance policies that indemnify Board Members and Management Team against liability when acting for the Association.

Service contracts

Management Team are employed on the same terms as other staff, their notice periods ranging from 3 to 6 months. Remuneration details are included in note 6 to the Financial Statements.

NHF code of governance

We are pleased to report that Family Mosaic complies with the principal recommendations of the NHF Code of Governance (revised 2004).

Tenant involvement

We actively encourage participation in decision-making by promoting formal and informal mechanisms of tenant involvement. We have Tenant Board Members and have established clear reporting arrangements between tenant bodies and the Board.

We have a clear and simple complaints policy that we issue to all tenants. During the year we received 793 (2010: 456) formal complaints. The increase was due mainly to better recording mechanisms. We attempt to resolve all complaints as quickly as possible, however, 96 (2010: 72) remained outstanding at year end. We continue to investigate and take action in respect of these, with a view to resolving them professionally and amicably.

Internal controls assurance

The Board acknowledges that it has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing the effectiveness of the system of internal control, both for the Group and for the Association.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute, assurance against material mis-statement or loss.

The process for identifying, evaluating and managing the significant risks faced by the Group is ongoing, and has been in place throughout the year and up to the date of approval of the annual report and financial statements. The Board receives and considers reports from management on these risk management and control arrangements at meetings throughout the year. This approach is consistent with Turnbull principles as incorporated in the Housing Corporation circular: 07/07.

The key elements of the internal control framework include:

- Board approved terms of reference and delegated authorities for all Committees;
- clearly defined management responsibility for the identification, evaluation and control of significant risks;
- robust strategic and business planning processes;
- annual review of the Group's risk map by the Board, with updates at each Board meeting;
- detailed financial budgets and forecasts for subsequent years;
- formal recruitment, retention, training and development policies;
- formal authorisation and appraisal procedures for all significant new initiatives and commitments;
- regular reporting of key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes;
- Board approved whistle blowing and anti-theft and corruption policies;
- detailed policies and procedures in each area of the Group's work;
- a programme of internal audits every year.

We have a clear policy on fraud, which has been approved by Board, and distributed to all staff. This policy requires a register to be maintained of actual and attempted fraud, with all cases reported to Board. In 2010/11 one minor fraud case was reported.

The Board has ultimate responsibility for the system of internal control, but within this, it has delegated authority to the Risk Management and Audit Committee to regularly review the effectiveness of the system of internal control. The Board receives reports from this Committee together with minutes of the meetings.

The means by which the Risk Management and Audit Committee reviews the effectiveness of the system of internal control include considering risk reports, internal audit reports, management assurances and the external audit management letter.

Failings or weaknesses identified from internal audit reports and other work are reported with recommendations to the Risk Management and Audit Committee, and implementation plans are monitored.

The Risk Management and Audit Committee has received the chief executive's annual review of the effectiveness of the system of internal control for the Association and its subsidiaries, together with the annual report of the internal auditor, and has reported its findings to the Board.

Going concern

After making enquiries the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in the financial statements.

Disclosure of information to auditors

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

Annual general meeting

The annual general meeting will be held on 29 September 2011.

Auditors

A proposal to re-appoint KPMG LLP as auditors of Family Mosaic Housing will be tabled at the forthcoming Annual General Meeting.

The future

Our main objective is to continue to improve our services. Most of our services are currently operating at higher levels of service quality than in the past. A big area of weakness at the present remains leaseholder services and we are concentrating on that, together with ensuring our repairs and maintenance contracts provide top quality service. We will continue with our growth programme through development of new homes and will work with the new government to ensure that this happens. We are also open for opportunities for stock transfers or merger that may arise. A key part of our activities is to maintain our financial strength. Accordingly we will be continuing our approach of monitoring and managing income and costs carefully.

Statement of responsibilities of the Board

Statement of the Board's responsibility in respect of the Board's report and the financial statements

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

Industrial and Provident Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Association and of the surplus or deficit for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to do so.

The Board is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and the Association and enable them to ensure that its financial statements comply with the Industrial and Provident Societies Acts 1965 to 2003, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination 2006. The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Group and the Association and to prevent and detect fraud and other irregularities.

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

Ian Peacock
Chair of the Board

18 July 2011

Corporate governance

Corporate governance

The Board is committed to high standards of corporate governance and has adopted the National Housing Federation's code of governance. Family Mosaic meets the Tenant Services Authority performance standards relating to governance.

The organisation is managed and monitored by the Board, a number of Committees (which are listed below) and a Management Team. Membership of the Board and Committees is principally of non executive members, drawn from all walks of life, including relevant professionals and our tenants. Appointments are made via selection panels. The non-executives receive no remuneration for their services.

Composition of the Board

The Board consists of a maximum of twelve members. The Chief Executive of the Management Team is a member of the Board.

Committee structure

The Board has set up the following Committees to facilitate the direction of the Association's affairs:

Finance and Development Committee

This Committee consists of a maximum of ten non-executive members, with Mike Verrier (Treasurer and Board member) as Chair, and meets at least three times a year. The principal function of this Committee is to assess, monitor and maintain the financial viability of the Group, and oversee development activities.

Risk Management and Audit Committee

This Committee consists of a maximum of four non-executive members with Richard Stevens (Board Member) as Chair and meets at least three times a year. The Committee ensures that Family Mosaic has in place and operates appropriate controls to safeguard its assets and manage risks. It recommends to the Board the annual report and financial statements. It appoints the internal auditors and recommends to the Board the appointment of external auditors.

Appointments and Remuneration Committee

This Committee comprises three Board members and meets at least once a year, and as and when required. It has responsibility for the Chief Executive's remuneration and appraisal, and the appointment of Management Team and Board members.

Management Team

This Team has executive responsibility for the day to day running of the business, and its members are listed on page 5.

Report of the independent auditors

Report of the independent auditors to the members of Family Mosaic Housing

We have audited the financial statements of Family Mosaic Housing for the year ended 31 March 2011 set out on pages 20 to 55. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of the Board and auditor

As more fully explained in the Statement of Board's Responsibilities set out on page 17, the Association's Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

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

Matters on which we are required to report by exception

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

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

D A Bowen (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

KPMG LLP, Chartered Accountants,
1 Forest Gate, Brighton Road
Crawley, RH11 9PT

20 July 2011

Consolidated income and expenditure account

	Group		Association	
	2011 £000	2010 £000	2011 £000	2010 £000
Turnover 3	165,366	167,847	159,218	159,759
Operating Costs 3	(122,216)	(136,496)	(116,816)	(128,552)
Operating Surplus 3	43,150	31,351	42,402	31,207
Surplus on property sales 5	9,123	20,914	8,301	19,382
Net interest payable and similar charges 8	(18,037)	(19,426)	(16,761)	(17,405)
Surplus on ordinary activities before taxation 9	34,236	32,839	33,942	33,184
Gift Aid	(1,100)	(1,400)	-	-
Taxation on ordinary activities 10	3	-	-	-
Surplus on ordinary activities after taxation	**33,139**	**31,439**	**33,942**	**33,184**

All activities are classed as continuing

There is no material difference between the historical cost surplus for the year and the surplus for the year reported in the above Consolidated Income and Expenditure Account.

Statement of Recognised Surpluses and Deficits	Group		Association	
	2011 £000	2010 £000	2011 £000	2010 £000
Surplus for financial year	33,139	31,439	33,942	33,184
Actuarial gain/(loss) on pension scheme 25	1,631	(1,469)	1,631	(1,469)
Total Recognised Surpluses & Deficits since last report	**34,770**	**29,970**	**35,573**	**31,715**

Reconciliation of Movements in the Association's funds	2011 £000	2010 £000	2011 £000	2010 £000
Opening funds as previously stated	219,054	189,084	196,073	164,358
Total recognised surpluses relating to year	34,770	29,970	35,573	31,715
Closing Total Funds	**253,824**	**219,054**	**231,646**	**196,073**

Consolidated balance sheet

		Group		Association	
		2011 £000	2010 £000	2011 £000	2010 £000
Tangible Fixed Assets:	Housing properties – net cost [11]	1,917,638	1,830,294	1,852,610	1,725,634
	Social Housing Grant [11]	(1,125,056)	(1,089,452)	(1,099,931)	(1,043,066)
		792,582	**740,842**	**752,679**	**682,568**
Other tangible fixed assets [13]		17,892	18,606	17,748	18,452
Investment in subsidiary [28]		-	-	11	11
Homebuy Loan - net		57	57	-	-
		810,531	**759,505**	**770,438**	**701,031**
Current Assets:	Properties for sale [14]	50,565	34,774	24,394	22,368
	Debtors [15]	23,184	10,700	65,893	38,163
	Cash at bank and in hand	6,579	33,951	5,796	33,176
		80,328	**79,425**	**96,083**	**93,707**
Creditors: Amount falling due within one year [16]		(47,700)	(47,701)	(45,987)	(44,311)
Net Current Assets		32,628	31,724	50,096	49,396
Total Assets Less Current Liabilities		**843,159**	**791,229**	**820,534**	**750,427**
Creditors: Amounts falling due after more than one year [17]		589,263	569,866	588,816	552,045
Provisions for Liabilities and Charges [20]		72	2,309	72	2,309
		589,335	**572,175**	**588,888**	**554,354**
Capital and Reserves:	Non equity share capital [21]	-	-	-	-
	Reserves [22]	253,824	219,054	231,646	196,073
		253,824	219,054	231,646	196,073
		843,159	**791,229**	**820,534**	**750,427**

The notes on pages 24 to 55 form an integral part of these financial statements.
The financial statements were approved by the Board on 18 July 2011 and signed on its behalf by:

Chairman

Board Member

Company Secretary

Consolidated cash flow statement

	Group 2011 £000	2010 £000
Net Cash Inflow From Operating Activities	38,093	65,940
Returns on investments and servicing of finance		
Interest received	313	758
Interest paid	(23,329)	(25,238)
Net cash outflow from returns on investments and servicing of finance	**(23,016)**	**(24,480)**
Taxation and Gift Aid		
Corporation tax paid	-	-
Gift Aid payment	(1,100)	(1,400)
Net cash outflow from taxation and gift aid	**(1,100)**	**(1,400)**
Capital expenditure and financial investments		
Acquisition and construction of housing properties	(139,659)	(186,041)
Purchase of other tangible fixed assets	(1,134)	(906)
Sales of housing properties and other fixed assets	34,120	51,387
Social Housing Grant received	48,419	130,387
Net cash outflow from capital expenditure	**(58,254)**	**(5,173)**
Management of liquid resources	**(44,277)**	**34,887**
Financing		
Housing loans received	17,672	17,737
Annual repayments of housing loans	(767)	(23,590)
Net cash inflow/(outflow) from financing	**16,905**	**(5,853)**
(DECREASE)/INCREASE IN CASH IN THE PERIOD	**(27,372)**	**29,034**

Consolidated cash flow statement – *continued*

Reconciliation of net cash flow to movement in net debt	Group	
	2011 £000	2010 £000
(Decrease)/Increase in cash and short term	(27,372)	29,034
(Increase)/Decrease in loans	(16,905)	5,853
Movement in net debt	**(44,277)**	**34,887**
Net debt at beginning of year	(531,000)	(565,887)
Net debt at end of year	**(575,277)**	**(531,000)**

Reconciliation of operating surplus to net cash inflow from operating activities	Group	
	2011 £000	2010 £000
Operating surplus	43,150	31,351
Depreciation movements	11,590	10,456
Impairment movement	(1,992)	2,337
(Increase)/decrease in debtors	(16,987)	18,272
Increase in creditors	2,332	3,524
Net cash inflow from operating activities	**38,093**	**65,940**

Analysis of net debt		Group	
	As at 1 Apr 2010 £000	Cash Flow £000	As at 31 Mar 2011 £000
Cash and short term deposits	33,951	(27,372)	6,579
Debt due within 1 year	(657)	(146)	(803)
Debt due after 1 year	(564,294)	(16,759)	(581,053)
	(531,000)	**(44,277)**	**(575,277)**

1 Legal status

The Association is registered under the Industrial and Provident Societies Acts 1965 to 2003 and is registered with the Tenant Services Authority as a social landlord.

2 Accounting policies

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

Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards, with special regard to the Statement of Recommended Practice: *'Accounting by Registered Social Landlords 2008'* (the *'SORP'*), and comply with the Accounting Requirements for Registered Social Landlords General Determination 2006.

Basis of consolidation

The consolidated accounts incorporate the financial statements of Family Mosaic Housing and its subsidiaries. Please see note 28 for details of the subsidiaries.

Turnover

Turnover comprises rental income receivable in the year, revenue grants, recharges to other Associations, first tranche proceeds from Shared Ownership and income from service charges. All income is recognised on a receivable basis.

Pension costs

The expected cost of providing pensions is charged to the income and expenditure account in order to spread the cost over the service lives of employees in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

Housing properties

Freehold housing properties are stated at cost. The cost of housing properties is their purchase price together with any costs of acquisition, including the incidental costs of development, interest capitalised up to the date of practical completion and directly attributable development costs.

The major separate components that make up a housing property are accounted for separately. Housing properties are split between the structure and those major components which require periodic replacement. Expenditure to replace, enhance or refurbish major components is assessed against life cycle costing principles, and is depreciated in line with the useful economic life of the component to which it relates.

If the components have an estimated life in excess of 10 years they are capitalised and depreciated over their useful life. If the useful life is less than 10 years costs are charged directly to the Income and Expenditure account.

Costs of responsive repairs and planned cyclical maintenance are, to the extent that such cost does not relate to replacing a component, recognised in the income and expenditure account as incurred.

2 Accounting policies – *continued*

Shared Ownership

Shared Ownership properties are split proportionately between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset until sold. Sales proceeds are then included in turnover. The unsold balance is classed as a fixed asset with any subsequent sale treated as a disposal of the fixed asset. In mixed tenure schemes which include shared ownership, profits arising from first tranche sales are first applied to reduce any subsidy required on general needs rented housing and thus credited to the cost of those housing properties. Profits over and above the subsidy requirement or on stand alone shared ownership schemes are recognised in the Income & Expenditure account.

2 Accounting policies – *continued*

Depreciation and Impairment

Depreciation is charged so as to write down the value of freehold housing properties, other than freehold land, to their estimated residual value on a straight line basis over their remaining expected useful economic lives as follows:

- housing properties 120 years
- building envelope and structure 30 years
- bathrooms and kitchens 15 years
- heating systems 10 years

Properties held on long leases are depreciated over their estimated useful economic lives or the life of the lease if shorter. Depreciation is not charged on shared ownership assets. Impairment reviews are carried out on an annual basis in accordance with FRS 11 '*Impairment of fixed assets and goodwill*'. Where necessary appropriate write downs are made.

Social Housing Grant (SHG)

Social housing grant (SHG) is receivable from the Homes and Communities Agency and is utilised to reduce the capital costs of housing properties, including land costs. SHG due from the Homes and Communities Agency or received in advance is included as a current asset or liability. SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates.

SHG is subordinated to the repayment of loans by agreement with the Homes and Communities Agency. SHG released on sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grant Fund or Disposal Proceeds Fund and included in the balance sheet in creditors.

2 Accounting policies – *continued*

Other tangible fixed assets

Other fixed assets are included at cost to the Association less depreciation, which is provided on a straight line basis over the periods shown below:

• Freehold office premises	50 years
• Leasehold office premises	remaining life of lease
• Other fixed assets	from 3 to 25 years

Investments

Investments are shown at cost.

Leases

Rents payable under operating leases are charged to the income and expenditure account on a straight-line basis over the lease term. Rental income under operating leases is credited to the income and expenditure account as it falls due.

Agencies

The transactions incurred directly by agencies managing the Association's hostels are not consolidated in the financial statements.

Loan issue costs

Costs in respect of raising loan finance are deferred and then amortised over the periods of the loans.

Debtors due after one year

The Association has entered into various agreements with local authorities, the substance of which results in the local authority undertaking to reimburse the Association for the interest it pays on loans financing the schemes concerned. Where this occurs, any interest deferred under the loan agreement is carried forward as an asset within debtors.

Provisions for liabilities and charges

The Association makes provision for dilapidations to leasehold office accommodation where the lease has expired.

Stocks of properties for resale

Shared Ownership first tranche sales, completed properties for outright sale and property under construction are valued at the lower of cost and net realisable value. Cost includes acquisition and development cost together with interest payable. Net realisable value is based on estimated sales price after allowing for further costs of completion and disposal.

Sale of housing properties

Sales of housing properties are taken into account on the completion date. Where houses are sold, the surplus or deficit in the income and expenditure account is calculated by comparing sales proceeds and the carrying amounts.

Temporary Accommodation

Temporary Accommodation licences properties from local authorities. Expenditure on properties (including that on bringing properties up to a satisfactory standard initially) is written off over the agreed licence period.

VAT

Members of the Family Mosaic Housing Group are registered as a VAT group excluding Family Mosaic Thurrock limited and Family Mosaic Housing Services Limited. A large proportion of Family Mosaic's income comprises rental income, which is exempt for VAT purposes and gives rise to a partial exemption calculation. Expenditure is therefore shown inclusive of VAT. Recoverable VAT arising from partially exempt activities is credited to the income and expenditure account.

Interest payable

The cost of raising loans is amortised over the period of the loan. The deferred cost is offset against the liability and included within creditors: amounts falling due after more than one year, in accordance with FRS 26 *'Financial instruments: measurements'*.

The actual interest payable on these loans is charged to the income and expenditure account together with amortisation charges. Interest on loans to finance specific developments is capitalised to the date of practical completion of the scheme.

Estimates

Provision is made for debts where there is a risk of non-recovery. Former tenants' arrears are provided for in full.

Taxation

Family Mosaic Housing along with Old Oak HA and Charlton Triangle Homes HA have charitable status and therefore are not subject to Corporation Tax on surpluses derived from their charitable activities.

All other subsidiaries are subject to Corporation Tax. These subsidiaries include Family Mosaic Home Ownership Limited, Family Mosaic Housing Services Limited, Family Mosaic Thurrock Limited and Family Mosaic Housing Development Company Limited. The charge for taxation is based on the surplus for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Where possible taxable subsidiaries will make gift aid payments to mitigate Corporation Tax.

Deferred tax liabilities are recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19. Deferred tax assets are only recognised if management believe they will crystallise in the foreseeable future.

3 Particulars of turnover, cost of sales, operating costs and operating surpluses/(deficits)

	2011 Turnover £000	2011 Operating costs £000	2011 Operating Surplus/ (deficit) £000	2010 Turnover £000	2010 Operating costs £000	2010 Operating Surplus/ (deficit) £000
			Group			
Social housing lettings [4a]	138,680	97,781	40,899	134,120	105,839	28,281
Other social housing activities						
First tranche Shared Ownership sales	20,053	17,528	2,525	22,560	21,116	1,444
Leaseback schemes	995	139	856	2,165	260	1,905
Care Homes providing Nursing Care	3,781	3,745	36	3,892	3,630	262
Other	329	1,467	(1,138)	347	1,541	(1,194)
Non-social housing activities						
Commercial Income/Other	652	855	(203)	1,106	159	947
Market Sales	876	701	175	3,657	3,951	(294)
Total	**165,366**	**122,216**	**43,150**	**167,847**	**136,496**	**31,351**
			Association			
Social housing lettings [4b]	131,575	94,372	37,203	127,492	102,492	25,000
Other social housing activities						
First tranche Shared Ownership sales	20,053	17,528	2,525	22,560	21,116	1,444
Leaseback schemes	995	139	856	2,165	260	1,905
Care Homes providing Nursing Care	3,781	3,745	36	3,892	3,630	262
Gift aid from subsidiaries	1,854	-	1,854	2,703	-	2,703
Other	396	1,032	(636)	550	1,054	(504)
Non-social housing activities						
Commercial Income	564	-	564	397	-	397
Total	**159,218**	**116,816**	**42,402**	**159,759**	**128,552**	**31,207**

4a Particulars of income and expenditure from social housing lettings

Group

	Housing Accom	Supported Housing	Shared Ownership Accom	Temporary Accom	Residential Care Homes	2011 Total	2010 Total
	£000	£000	£000	£000	£000	£000	£000
Rent receivable	80,823	11,142	5,750	5,755	97	103,567	99,613
Service and Support income	4,372	3,576	572	996	-	9,516	9,665
Gross rental income	85,195	14,718	6,322	6,751	97	113,083	109,278
Voids	(807)	(492)	(14)	(346)	(10)	(1,669)	(1,757)
Net rental income	84,388	14,226	6,308	6,405	87	111,414	107,521
Supporting people income	-	25,695	-	-	-	25,695	24,763
Other revenue grants	-	-	-	-	1,571	1,571	1,836
Turnover from social housing lettings	**84,388**	**39,921**	**6,308**	**6,405**	**1,658**	**138,680**	**134,120**
Support services and recoverable service charges	5,198	24,705	65	291	1,407	31,666	31,067
Management	14,010	7,742	1,990	1,105	225	25,072	23,652
Routine maintenance	9,744	1,794	48	970	17	12,573	13,766
Planned maintenance	11,810	1,958	115	277	52	14,212	17,974
Bad debts	596	234	65	196	108	1,199	1,586
Property lease charges	517	272	-	3,275	25	4,089	6,536
Depreciation of housing properties	8,198	910	7	531	24	9,670	8,921
Impairment of housing properties	(700)	-	-	-	-	(700)	2,337
Operating costs on social housing lettings	**49,373**	**37,615**	**2,290**	**6,645**	**1,858**	**97,781**	**105,839**
Operating surplus/(deficit) on social housing lettings	**35,015**	**2,306**	**4,018**	**(240)**	**(200)**	**40,899**	**28,281**

4b Particulars of income and expenditure from social housing lettings

	Housing Accom	Supported Housing	Shared Ownership Accom	Association Temporary Accom	Residential Care Homes	2011 Total	2010 Total
	£000	£000	£000	£000	£000	£000	£000
Rent receivable	76,194	11,142	3,684	5,755	97	96,872	93,232
Service and Support income	3,923	3,576	517	996	-	9,012	9,350
Gross rental income	80,117	14,718	4,201	6,751	97	105,884	102,582
Voids	(713)	(492)	(14)	(346)	(10)	(1,575)	(1,689)
Net rental income	79,404	14,226	4,187	6,405	87	104,309	100,893
Supporting people income	-	25,695	-	-	-	25,695	24,763
Other revenue grants	-	-	-	-	1,571	1,571	1,836
Turnover from social housing lettings	**79,404**	**39,921**	**4,187**	**6,405**	**1,658**	**131,575**	**127,492**
Support services and recoverable service charges	4,434	24,705	65	291	1,407	30,902	30,078
Management	14,277	7,742	1,615	1,105	225	24,964	23,175
Routine maintenance	8,842	1,794	17	970	17	11,640	13,230
Planned maintenance	10,873	1,958	81	277	52	13,241	17,217
Bad debts	541	234	13	196	108	1,092	1,464
Property lease charges	517	272	-	3,275	25	4,089	6,536
Depreciation of housing properties	7,672	910	7	531	24	9,144	8,455
Impairment of housing properties	(700)	-	-	-	-	(700)	2,337
Operating costs on social housing lettings	**46,456**	**37,615**	**1,798**	**6,645**	**1,858**	**94,372**	**102,492**
Operating surplus/(deficit) on social housing lettings	**32,948**	**2,306**	**2,389**	**(240)**	**(200)**	**37,203**	**25,000**

5 Surplus on property sales

	Group			
	Sales Proceeds £000	Cost of Sales £000	2011 Surplus £000	2010 Surplus £000
Sales of properties	10,396	2,904	7,492	6,999
Sale of properties to other RSLs	707	894	(187)	12,101
Staircasing of shared ownership properties	3,699	1,881	1,818	1,814
Total	**14,802**	**5,679**	**9,123**	**20,914**

	Association			
	Sales Proceeds £000	Cost of Sales £000	2011 Surplus £000	2010 Surplus £000
Sales of properties	10,396	2,904	7,492	6,999
Sale of properties to other RSLs	707	894	(187)	12,097
Staircasing of shared ownership properties	2,511	1,515	996	286
Total	**13,614**	**5,313**	**8,301**	**19,382**

6 Directors emoluments and loans

The remuneration paid to the directors (who for the purposes of this note include the members of the Board and the Management Team) was as follows:

	2011 £000	2010 £000
Total emoluments to directors and former directors (including salaries, fees, expense allowances chargeable to UK tax, and other benefits)	941	1,007
Emoluments (excluding pension contributions) payable to the highest paid director	172	164
Total expenses reimbursed not chargeable to income tax	13	16

No members of the Board (except the Chief Executive) received any emoluments. The Chief Executive is an ordinary member of the SHPS scheme. Contributions to this scheme are made as per the pension costs note.[25]
The highest paid directors' salary represents 10 times the pay of the lowest paid employee.

7 Employee information

Staff numbers

	Group 2011	Group 2010	Association 2011	Association 2010
The average monthly number of employees (including Directors) employed in the year was:	1,730	1,584	1,708	1,562
Full Time Equivalents	1,277	1,206	1,256	1,186

Employee costs

	Group 2011 £000	Group 2010 £000	Association 2011 £000	Association 2010 £000
Wages and salaries	42,004	39,745	41,255	39,072
Social security costs	3,492	3,224	3,427	3,162
Pension costs	951	1,306	923	1,279
Redundancy and compensation for loss of office	830	668	830	668
	47,277	**44,943**	**46,435**	**44,181**

	2011	2010
Average salary per employee	**£32,893**	**£32,956**

Number of staff paid over £60,000 p.a.

Salary Bandings	No. of Staff
£60,000 – £70,000	13
£70,000 – £80,000	4
£80,000 – £90,000	2
£90,000 – £100,000	2
£100,000 plus	4

8 Net interest payable and similar charges

	Group		Association	
	2011 £000	2010 £000	2011 £000	2010 £000
Interest receivable	313	758	1,800	2,194
Interest payable on loans and overdrafts	23,337	25,170	22,956	24,271
Other finance costs of pension scheme	(8)	69	(8)	69
	23,329	25,239	22,948	24,340
Less: capitalised	(4,979)	(5,055)	(4,387)	(4,741)
	18,350	20,184	18,561	19,599
Net interest payable	**18,037**	**19,426**	**16,761**	**17,405**

Interest is capitalised at 5% per annum on the net costs of projects under construction.

9 Surplus on Ordinary activities

	Group		Association	
The surplus is stated after charging:	2011 £000	2010 £000	2011 £000	2010 £000
Depreciation of tangible assets	1,848	1,489	1,839	1,473
Depreciation of housing properties	9,742	8,967	9,215	8,498
Operating lease charges	4,392	6,840	4,392	6,840
Auditors' remuneration:				
Audit of the financial statements	64	68	64	68
Audit of subsidiary financial statements	26	45	-	-
Other services:				
Tax Compliance	9	45	9	45
Tax advice	33	304	33	304
Sundry assurance	29	33	29	35

10 Taxation on ordinary activities

Family Mosaic Housing is an exempt charity and not therefore liable to Corporation Tax on charitable activities. Family Mosaic Home Ownership made an overall surplus of £2,713,000 before tax of which Gift Aid payments totalling £2,934,000 were made to Family Mosaic Housing and Maisie Sheed Housing Trust. Other non charitable subsidiaries in the Group made Gift Aid payments totalling £19,000 to Family Mosaic Housing and Maisie Sheed Housing Trust.

	Group		Association	
	2011 £000	2010 £000	2011 £000	2010 £000
UK Corporation Tax charge	-	-	-	-
Removal of tax provision for 2007/8	(3)	-	-	-
Tax charge/(credit)	(3)	-	-	-

Factors affecting tax charge for the current period

The tax charges for both periods are different to the standard rate of corporation tax of 28% (2010: 28%) The differences are explained below.

	Group 2011	Group 2010	Association 2011	Association 2010
Surplus on activities before tax and after gift aid	33,136	32,839	33,942	33,184
Less surpluses made by Group members with charitable status	(34,457)	(34,016)	(33,942)	(33,184)
(Deficit) on ordinary activities after Gift Aid and before tax	(1,321)	(1,177)	-	-
Tax charge at 28% (2010: 28%)	(370)	(499)	-	-
Disallowed expenses	1	-	-	-
Depreciation in excess of capital allowances	2	3	-	-
Surplus on property sales in excess of chargeable gain	(31)	(113)	-	-
Unutilised charges on income/charges on income in relation to prior periods	95	107	-	-
Losses arising and utilized in the year or carried forward	303	1,679	-	-
Corporation tax charge/(credit)	-	-	-	-

A deferred tax asset is only recognised on losses arising if management believe they will crystallise in the foreseeable future. As the loss arises from a gift aid payment, no deferred asset exists due to the fact that gift aid and losses can only be utilised in the current period.

11 Housing properties

	Group				
	Social housing properties held for letting	Social housing properties under construction	Completed shared ownership housing properties	Shared Ownership under construction	Total
Cost	£000	£000	£000	£000	£000
At 1 April 2010	1,493,839	190,219	142,416	61,517	1,887,991
Schemes completed in the year	81,975	(81,975)	29,694	(29,694)	-
Additions	25,676	83,697	346	37,919	147,638
Disposals	(6,626)	-	(18,586)	-	(25,212)
Reclassification	20,378	(47,925)	19,554	(19,554)	(27,547)
At 31 March 2011	**1,615,242**	**144,016**	**173,424**	**50,188**	**1,982,870**
DEPRECIATION					
At 1 April 2010	51,107	-	86	-	51,193
Charge for the year	9,742	-	-	-	9,742
Disposals	(208)	-	(7)	-	(215)
At 31 March 2011	**60,641**	**-**	**79**	**-**	**60,720**
IMPAIRMENT					
At 1 April 2010	-	3,742	64	2,698	6,504
Schemes completed in the year	-	-	503	(503)	-
Released	-	(1,992)	-	-	(1,992)
At 31 March 2011	**-**	**1,750**	**567**	**2,195**	**4,512**
SOCIAL HOUSING GRANT					
At 1 April 2010	890,465	123,776	72,362	2,849	1,089,452
Schemes completed in the year	47,507	(47,507)	7,360	(7,360)	-
Additions	-	61,672	-	6,292	67,964
Disposals	(3,992)	-	(821)	-	(4,813)
Reclassification	(3,830)	(46,561)	-	22,844	(27,547)
At 31 March 2011	**930,150**	**91,380**	**78,901**	**24,625**	**1,125,056**
NET BOOK VALUE					
At 31 March 2011	**624,451**	**50,886**	**93,877**	**23,368**	**792,582**
At 1 April 2010	552,267	62,701	69,904	55,970	740,842

Interest of £4,979,000 has been capitalised in the year to 31 March 2011 (2010: £5,055,000). The additions to housing properties during the year include £16,320,000 (2010: £26,489,000) in respect of improvement to the existing property stock.

11 Housing properties – *continued*

Cost	Social housing properties held for letting £000	Social housing properties under construction £000	Association Completed shared ownership housing properties £000	Shared Ownership under construction £000	Total £000
At 1 April 2010	1,432,304	196,202	90,979	61,645	1,781,130
Schemes completed in the year	78,721	(78,721)	29,694	(29,694)	-
Transfers to/from group entities	(8,146)	-	51,082	-	42,936
Additions	23,883	82,067	346	36,946	143,242
Disposals	(6,358)	-	(18,232)	-	(24,590)
Reclassification	27,481	(55,028)	19,554	(19,554)	(27,547)
At 31 March 2011	**1,547,885**	**144,520**	**173,423**	**49,343**	**1,915,171**
DEPRECIATION					
At 1 April 2010	48,906	-	86	-	48,992
Transfers to/from group entities	46	-	-	-	46
Charge for the year	9,215	-	-	-	9,215
Disposals	(197)	-	(7)	-	(204)
At 31 March 2011	**57,970**	**-**	**79**	**-**	**58,049**
IMPAIRMENT					
As at 1 April 2010	-	3,742	64	2,698	6,504
Schemes completed in the year	-	-	503	(503)	-
Released in Year	-	(1,992)	-	-	(1992)
At 31 March 2011	**-**	**1,750**	**567**	**2,195**	**4,512**
SOCIAL HOUSING GRANT					
At 1 April 2010	870,769	124,771	44,677	2,849	1,043,066
Schemes completed in the year	47,507	(47,507)	7,360	(7,360)	-
Transfers to/from group entities	(6,456)	-	27,493	-	21,037
Additions	-	61,672	-	6,292	67,964
Disposals	(3,960)	-	(629)	-	(4,589)
Reclassification	(2,834)	(47,557)	-	22,844	(27,547)
At 31 March 2011	**905,026**	**91,379**	**78,901**	**24,625**	**1,099,931**
NET BOOK VALUE					
At 31 March 2011	**584,889**	**51,391**	**93,876**	**22,523**	**752,679**
At 1 April 2010	512,629	67,689	46,152	56,098	682,568

Interest of £4,387,000 has been capitalised in the year to 31 March 2011 (2010: £4,741,000). The additions to housing properties during the year include £14,985,000 (2010: £25,740,000) in respect of improvement to the existing property stock.

12 Accommodation in management

	Group		Association	
	2011	2010	2011	2010
Social housing:				
General needs	16,787	16,565	15,182	14,735
Supported housing	2,750	2,686	2,750	2,686
Shared ownership	2,680	2,113	2,525	1,141
Temporary Accommodation	425	662	425	662
Care Homes providing Nursing Care	109	113	109	113
Total units in management	**22,751**	**22,139**	**20,991**	**19,337**

13 Other tangible fixed assets

	Group			
	Freehold office premises £000	Leasehold office premises £000	Other fixed assets £000	Total £000
COST				
At 1 April 2010	16,055	911	13,619	30,585
Additions	78	-	1,056	1,134
Disposals	-	(690)	(8,757)	(9,447)
Transfers	-	(43)	43	-
At 31 March 2011	**16,133**	**178**	**5,961**	**22,272**
DEPRECIATION				
At 1 April 2010	828	693	10,458	11,979
Charge for year	175	98	1,575	1,848
Disposals	-	(690)	(8,757)	(9,447)
Transfers	(66)	-	66	-
At 31 March 2011	**937**	**101**	**3,342**	**4,380**
NET BOOK VALUE				
At 31 March 2011	**15,196**	**77**	**2,619**	**17,892**
At 1 April 2010	15,227	218	3,161	18,606

13 Other tangible fixed assets – *continued*

	Association			
	Freehold office premises £000	Leasehold office premises £000	Other fixed assets £000	Total £000
COST				
At 1 April 2010	16,055	910	13,255	30,220
Additions	78	-	1,057	1,135
Disposals	-	(690)	(8,757)	(9,447)
Transfers	-	(43)	43	-
At 31 March 2011	**16,133**	**177**	**5,598**	**21,908**
DEPRECIATION				
At 1 April 2010	828	706	10,234	11,768
Charge for year	175	98	1,566	1,839
Disposals	-	(690)	(8,757)	(9,447)
Transfers	(66)	-	66	-
At 31 March 2011	**937**	**114**	**3,109**	**4,160**
NET BOOK VALUE				
At 31 March 2011	**15,196**	**63**	**2,489**	**17,748**
At 1 April 2010	15,227	204	3,021	18,452

14 Properties for sale

	Group		Association	
	2011 £000	2010 £000	2011 £000	2010 £000
First Tranche Shared Ownership completed	-	5,205	-	5,205
First Tranche Shared Ownership under construction	13,267	11,222	12,850	11,222
Open market properties for sale – Cost	56,327	37,134	11,731	6,016
Open market properties for sale – Grant	(19,029)	(18,787)	(187)	(75)
	50,565	**34,774**	**24,394**	**22,368**

15 Debtors

	Group 2011 £000	Group 2010 £000	Association 2011 £000	Association 2010 £000
a) Amounts due within one year				
Rental debtors	8,661	8,124	8,175	7,443
Less: provision for bad debts	(4,084)	(3,394)	(3,885)	(3,004)
	4,577	4,730	4,290	4,439
Trade debtors	2,051	2,301	1,840	1,915
Other debtors	1,653	1,508	1,634	1,467
Prepayments and accrued income	2,525	1,067	2,525	1,018
Grant receivable	12,378	1,094	12,377	1,094
Amount owed by subsidiaries	-	-	28,082	15,930
	23,184	10,700	50,748	25,863
b) Amounts due after more than one year				
Amount owed by subsidiaries	-	-	15,145	12,300
Total Debtors	**23,184**	**10,700**	**65,893**	**38,163**

16 Creditors: Amounts falling due within one year

	Group 2011 £000	Group 2010 £000	Association 2011 £000	Association 2010 £000
Housing loans	803	657	803	596
Recycled Social Housing Grant	-	3,160	-	896
Trade creditors	9,080	9,696	9,080	9,696
Other creditors	12,259	10,790	11,574	10,364
Accruals and deferred income	25,114	20,028	24,016	19,436
Disposal Proceeds Fund	444	3,370	309	3,323
Amount owed to subsidiary undertaking	-	-	205	-
	47,700	**47,701**	**45,987**	**44,311**

Housing loans are secured by fixed charges on the Association's housing properties.

17 **Creditors:** Amounts falling due after more than one year

	Group		Association	
	2011 £000	2010 £000	2011 £000	2010 £000
Housing loans	585,494	568,727	585,494	551,988
Less: deferred loan issue costs	(4,441)	(4,433)	(4,441)	(4,218)
	581,053	**564,294**	**581,053**	**547,770**
Recycled Social Housing Grant	4,271	4,159	4,271	3,103
Disposals Proceeds Fund	3,939	1,413	3,492	1,172
	589,263	**569,866**	**588,816**	**552,045**
Housing loans repayable by instalments:				
Between one and two years	958	931	958	786
Between two and five years	12,661	8,584	12,661	7,660
In five years or more	528,548	515,809	528,548	500,139
Housing loans repayable other than by instalments	43,327	43,403	43,327	43,403

Housing loans are secured by fixed charges on the Association's housing properties. Interest is payable at rates ranging from 1.30% to 12.84%. As at 31 March 2011 the Group had loan facilities of £797m.

During the year the Group entered into two £10m notional standalone interest rate swaps with terms of 4 and 29 years, which form part of the Group's overall strategy to manage exposure to interest rates through the use of interest rate swaps and embedded fixed rate loans. The Group's total hedging at 31 March 2011 represented 63% of Group borrowings.

18 Recycled Grant Fund

	Group		Association	
	2011	2010	2011	2010
	£000	£000	£000	£000
Opening Balance	7,319	9,146	3,999	5,298
Inputs to Reserve:				
Grants Recycled	2,360	1,844	2,360	1,055
Interest Accrued	37	41	37	29
New Build	(5,146)	(3,652)	(5,146)	(3,689)
Major Repairs and works to existing stock	(299)	(60)	(299)	(60)
Transfer from other Group companies	-	-	3,320	1,366
Closing Balance	**4,271**	**7,319**	**4,271**	**3,999**

All of the fund is now due after more than one year.
Disclosure of the prior year balance is shown in both notes 16 and 17.

19 Disposal Proceeds Fund

	Group		Association	
	2011 £000	2010 £000	2011 £000	2010 £000
Opening Balance	4,783	4,974	4,495	4,747
Inputs to Reserve:				
Grants Recycled	3,298	803	2,957	743
Interest Accrued	28	26	28	25
Works to existing stock	(544)	-	(544)	-
Purchase of properties for letting	(3,182)	(1,020)	(3,182)	(1,020)
Transfers from other Group Company	-	-	47	-
Closing balance	**4,383**	**4,783**	**3,801**	**4,495**

Part of the fund is repayable within one year and part is due after more than one year.
Disclosure of the balance is shown in both notes 16 and 17.

20 Provisions for liabilities and charges

	Group and Association Pension Liability 25 £000
At 1 April 2010	2,309
Movement in year	(2,237)
At 31 March 2011	**72**

21 Non equity share capital

	Group and Association Shares £
At 1 April 2010 and at 31 March 2011	**85**

The shares are all issued and fully paid shares of £1 each.
Each member of the Board is entitled to hold one share of £1 in the Association. The shares have limited rights. They carry no entitlement to dividend, they are not repayable and do not participate in a winding up. They carry a entitlement to vote at the Association's Annual General Meeting and Special General Meetings.

22 Reserves

The Association plans its financial affairs to ensure that each year revenue income exceeds revenue expenditure. This policy ensures that the Association has a margin of safety to manage unexpected expenditure or shortfalls in income. The annual surpluses ensure that Family Mosaic is able to meet its commitment to providers of private finance and to continue to provide social housing. Unlike commercial organisations, the Association's rules prevent the distribution of reserves. Instead, these are applied to furthering our aims and objectives. In particular they are invested in improvements to our housing stock.

As at 31 March 2011 the Association's reserves were as follows:

	Group £000	Association £000
Revenue Reserves		
At 1 April 2010	219,054	196,073
Surplus for year	33,139	33,942
Actuarial gain on pension scheme liability	1,631	1,631
At 31 March 2011	**253,824**	**231,646**

23 Lease commitments

The total rental due under operating leases in the next 12 months is as follows:

	Group		Association	
	2011 £000	2010 £000	2011 £000	2010 £000
Leases which expire:				
Within one year	1,812	2,907	1,812	2,907
Between two and five years	616	513	616	513
Over five years	844	1,008	844	1,008
Total	**3,272**	**4,428**	**3,272**	**4,428**

24 Capital commitments

	Group		Association	
	2011 £000	2010 £000	2011 £000	2010 £000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	285,387	274,958	222,170	274,227
Capital expenditure that has been authorised by the Board but has not yet been contracted for	5,170	115,141	5,170	115,141

The commitments will be met out of existing and new loan facilities, grants, and sales proceeds. The Group has grants of £74m (2010 £159m) to offset against these commitments, while the Association has £69m (2010 £156m).

25 Pensions

Social Housing Pension Scheme

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

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

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

25 Pensions – *continued*

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

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

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

Pensions Trust – Growth Plan

Family Mosaic Housing also participates in the Pensions Trust's Growth Plan (the Plan). The Plan is funded and is not contracted out of the state scheme. The Plan is a multi-employer pension plan.

Contributions paid into the Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Plan or by the purchase of an annuity.

The rules of the Plan allow for the declaration of bonuses and/or investment credits if this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses/investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

The Trustee commissions an actuarial valuation of the Plan every three years. The purpose of the actuarial valuation is to determine the funding position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The rules of the Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.

If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

The rules of the Plan state that the proportion of obligatory contributions to be borne by the Member and the Member's Employer shall be determined by agreement between them. Such agreement shall require the Employer to pay part of

25 Pensions – *continued*

such contributions and may provide that the Employer shall pay the whole of them.

Family Mosaic paid contributions at the rate of nil% during the accounting period. Members paid contributions at a rate they determine under additional voluntary conditions.

As at the balance sheet date there were 2 active members of the Plan employed by Family Mosaic. Family Mosaic continues to offer membership of the plan to its employees.

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

The valuation results at 30 September 2008 have now been completed and have been formalised. The valuation of the scheme was performed by a professionally qualified actuary using the Projected Unit Method. The market value of the Plan assets at the valuation date was £742 million and the Plan's Technical Provisions (i.e past service liabilities) were £771 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £29 million, equivalent to a funding level of 96%.

The financial assumptions underlying the valuation as at 30 September 2008 were as follows:

	% p.a.
• Investment return pre retirement	7.6
• Investment return post retirement	
Active/Deferred	5.1
Pensioners	5.6
• Bonuses on accrued benefits	0.0
• Rate of price inflation	3.2

In determining the investment return assumptions the Trustee considered advice from the Scheme Actuary relating to the probability of achieving particular levels of investment return. The Trustee has incorporated an element of prudence into the pre and post retirement investment return assumptions such that there is a 60% expectation that the return will be in excess of that assumed and a 40% chance that the return will be lower than that assumed over the next 10 years.

The scheme actuary has proposed a funding position update as at 30 September 2010. The market value of the Plan's assets at that date was £780m and the Plan's technical provision (i.e. past service liabilities) was £825 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £45m, equivalent to a funding level of 95%.

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

25 Pensions – *continued*

In view of the small funding deficit and the level of prudence implicit in the assumptions used to calculate the Plan liabilities the Trustee has prepared a recovery plan on the basis that no additional contributions from participating employers are required at this point in time. In reaching this decision the Trustee has taken actuarial advice and has been advised that the shortfall of £29 million (as at 30 September 2008) will be cleared within 10 years if the investment returns from assets are in line with the *'best estimate' assumptions. 'Best estimate'* means that there is a 50% expectation that the return will be in excess of that assumed and a 50% expectation that the return will be lower than that assumed over the next 10 years. These *'best estimate'* assumptions are 8.4% per annum pre retirement, 5.1% per annum post retirement (actives and deferreds) and 5.6% per annum post retirement (pensioners).

A copy of the recovery plan must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Plan (which would effectively amend the terms of the recovery plan). A copy of the recovery in respect of the September 2008 valuation was forwarded to the Pensions Regulator on 18 December 2009.

The next full actuarial valuation will be carried out as at 30 September 2011.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan. The Trustee's current policy is that it only applies to employers with pre October 2001 liabilities in the Plan. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Plan. If the liabilities exceed assets there is a buy-out debt.

25 Pensions – *continued*

The leaving employer's share of the buy-out debt is the proportion of the Plan's pre October 2001 liability attributable to employment with the leaving employer compared to the total amount of the Plan's pre October 2001 liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any *'orphan'* liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Plan liabilities, Plan investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

Family Mosaic Housing has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2010. As of this date the estimated employer debt for Family Mosaic Housing was £0.2m.

Local Government Pension Scheme

Family Mosaic Housing is also is one of a number of employers that participates in the Local Government Pension Scheme. There are 39 active members, 15 deferred members and 8 pensioners in the main scheme plus 5 active members in a separate Supporting People Scheme. The Local Government Pension Scheme is a defined benefit scheme based on final pensionable salary.

This scheme is closed to new members of staff. Family Mosaic Housing's contribution rate over the accounting period was 24.4% of Pensionable Pay.

The fund is valued every three years and the most recent actuarial valuation was carried out as at 31 March 2007. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value.

The principal assumption used by the actuaries for FRS17 purposes were:

	31 March 2011		31 March 2010		31 March 2009	
	% p.a.	Real%	% p.a.	Real%	% p.a.	Real%
Price Increases	3.5	-	3.9	-	3.0	-
Salary Increases	5.0	1.5	5.4	1.5	4.5	1.5
Pension Increase	2.7	-0.8	3.9	-	3.0	-
Discount Rate	5.5	1.9	5.5	1.5	6.7	3.6

25 Pensions – *continued*

Assets

The return on the Fund on a bid value basis for the year to 31 March 2011 is estimated to be 5% for the main scheme and 5% for the supporting people scheme. The estimated asset allocation for Family Mosaic Housing as at 31 March 2011 is as follows:

Employer Asset Share – Bid Value – Main Scheme

	31 March 2011		31 March 2010	
	£000	%	£000	%
Equities	2,738	55	2,386	57
Gilts	647	13	586	14
Cash	100	2	42	1
Other	1,494	28	1,172	28
Total	**4,979**	**100**	**4,186**	**100**

Employer Asset share – Bid Value – Supporting People Scheme

	31 March 2011		31 March 2010	
	£000	%	£000	%
Equities	173	55	155	57
Gilts	41	13	38	14
Cash	6	2	3	1
Other	94	30	76	28
Total	**314**	**100**	**272**	**100**

25 Pensions – *continued*

The expected return on assets was as follows.

Asset Class	1 April 2011 % p.a	1 April 2010 % p.a.	1 April 2009 % p.a.
Equities	7.4	7.5	7.0
Gilts	4.4	4.5	4.0
Cash	3.0	3.0	3.0
Other	7.4	7.5	7.0

Assets and liabilities on the balance sheet of Family Mosaic Housing are analysed as follows for the Main Scheme:

Net Pension Asset as at	31 March 2011 £000	31 March 2010 £000	31 March 2009 £000
Present Value of Funded Obligation	5,060	6,446	3,277
Fair Value of Scheme Assets (bid value)	4,979	4,186	2,456
Net liability	**81**	**2,260**	**821**
Present value of unfunded obligation	13	16	12
Net Liability in Balance Sheet	**94**	**2,276**	**833**

The balance sheet amounts for the previous four years were as follows:

Amounts for the current and previous four periods	31 March 2011 £000	31 March 2010 £000	31 March 2009 £000	31 March 2008 £000	31 March 2007 £000
Defined Benefit Obligation	(5,073)	(6,462)	(3,289)	(3,340)	(3,581)
Scheme Assets	4,979	4,186	2,456	2,619	2,108
(Deficit)	**(94)**	**(2,276)**	**(833)**	**(721)**	**(1,473)**
Experience adjustments on scheme liabilities	786	-	-	(311)	-
Experience adjustments on scheme assets	152	736	(441)	329	-

25 Pensions – *continued*

Assets and liabilities on the balance sheet of Family Mosaic in respect of the Supporting People Scheme are as follows:

Net Pension Asset as at	31 March 2011 £000	31 March 2010 £000
Present Value of Funded obligation	292	305
Fair Value of scheme assets (bid value)	314	272
Net (asset)/liability in Balance Sheet	**(22)**	**33**

The balance sheet amounts for the current and previous year were as follows

Net Pension Asset as at	31 March 2011 £000	31 March 2010 £000
Defined Benefit Obligation	(292)	(305)
Scheme Assets	314	272
Surplus/(Deficit)	22	(33)
Experience adjustments on Scheme assets	(5)	43

25 Pensions – *continued*

Amounts recognised in Income and Expenditure in respect of the Main Scheme are:

	Year to 31 March 2011 £000	Year to 31 March 2010 £000
Current Service Cost	153	91
Interest on obligation	313	245
Expected return on Scheme assets	(322)	(175)
Past service cost	(580)	-
Total	**(436)**	**161**
Actual Return on scheme assets	**238**	**912**
The actuarial losses/gains recognised are as follows:		
Actual return less expected return on pension scheme assets	(83)	736
Experience gain	1,021	-
Changes in assumptions underlying the present value of the Scheme liabilities	651	(2,166)
Actuarial gain/(loss) recognised	**1,589**	**(1,430)**

25 Pensions – *continued*

Amounts recognised in Income and Expenditure in respect of Supporting People Scheme:

	Year to 31 March 2011 £000	Year to 31 March 2010 £000
Current Service Cost	29	14
Interest on obligation	21	11
Expected return on Scheme assets	(20)	(12)
Past service cost	(24)	-
Total	**6**	**13**
Actual Return on scheme assets	**288**	**55**

The actuarial losses/gains recognised are as follows:

Actual return less expected return on pension scheme assets	(5)	43
Changes in assumptions underlying the present value of the Scheme liabilities	47	(82)
Actuarial gain/(loss) recognised	**42**	**(39)**

NHS Pension

We have 56 staff who are members of the NHS Pension Scheme.
Staff pay between 5% and 6.5% in contributions and we as the Employer pay 14%.

The NHS Pension Scheme does not have a real pension fund, but as a statutory scheme, benefits are fully guaranteed by the Government. Contributions from both members and Employers are paid to the Exchequer which meets the cost of scheme benefits. The Exchequer also pays for the cost of increasing benefits each year by the rate of inflation. This extra cost is not met by contributions from scheme members and Employers.

26 Contingent liabilities

At 31 March 2011 there were £nil of contingent liabilities in respect of claims arising in the ordinary course of business (2010: £nil).

27 Related party transactions

One member of the Board is an employee of the London Borough of Hackney, a local authority having nomination rights over tenancies for certain Group properties. All transactions with the council are on normal commercial terms and no advantage is provided by this position. Tenants who are members of the Board have tenancies which are on normal commercial terms and as such their position does not afford them any additional benefits compared with other tenants.

28 Subsidiary undertakings

	Group		Association	
	2011 £000	2010 £000	2011 £000	2010 £000
Investment in shares	-	-	11	11
	-	-	11	11

Family Mosaic Housing exerts dominant influence over the affairs of:

Charlton Triangle Homes
This is a company registered under the Companies Act and also with the Charity Commission and the Tenant Services Authority. The Association took the transfer of 1,246 properties from the London Borough of Greenwich on 29th March 1999 and has undertaken a substantial programme of repairs, improvement and upgrade of the properties transferred. At the current date over 1,000 properties have been refurbished and 173 new homes have been built. Family Mosaic Housing exercises control through nominees on the Board.

Old Oak Housing Association
This is a company registered under the Companies Act, the Charity Commission and the Tenant Services Authority. The Association was established initially to manage 669 properties transferred to Family Housing Association on the 17th March 1999. The properties which were transferred were subject to refurbishment over a five year period. The original programme of works has now been completed and the properties are to remain in the ownership of Family Mosaic, though further works will be done on properties where tenants declined to have work done under the original programme. Family Mosaic Housing exercises control through nominees on the Board.

Family Mosaic Home Ownership
This is a not-for-profit Registered Provider formed in 1989 under the Industrial and Provident Societies Act, specialising in the development and sale of shared ownership and key worker housing. The appointment and dismissal of all Board Members is controlled by Family Mosaic Housing.

28 Subsidiary undertakings – *continued*

Service Charge Management Companies

Family Mosaic Housing has a majority shareholding in three small companies which exist to administer service charges on three estates where there are owner-occupiers in addition to Family Mosaic tenants.

- Harris Lodge Residents Company Ltd (Private Company limited by share guarantee with no share capital)
- Oxley Close (Number Two) Residents Company Ltd (Family Mosaic Housing own 91% of the share capital)
- Maple Lodge Residents Company Ltd (Family Mosaic Housing own 94% of the share capital)

Family Mosaic Housing Development Company Ltd

A development trading company limited by shares (£10,000 share capital).

Family Mosaic Thurrock Limited

A development company limited by guarantee (no shares).

Family Mosaic Housing Services Limited

A trading company limited by shares (£1,000 share capital).

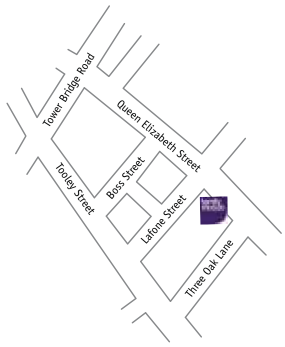
29 Incorporation

The Association is registered with the Tenant Services Authority and prepares its financial statements under the Accounting Requirements for Registered Social Landlords General Determination 2006. It is incorporated under the Industrial and Provident Societies Act 1965 and registered in England.

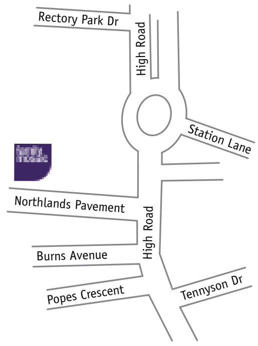
Where to find us

www.familymosaic.co.uk
Telephone: 020 7089 1000

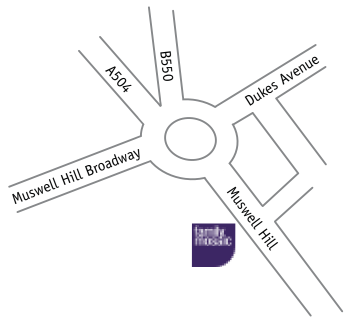
Head Office
Albion House
20 Queen Elizabeth Street
London
SE1 2RJ



Pitsea
Pembroke House
11 Northlands Pavement
Pitsea
Essex
SS13 3DX



Muswell Hill
77 Muswell Hill
London
N10 3PJ



Charlton Triangle Homes
9-10 Cedar Court
Fairlawn
Cherry Orchard Estate
London
SE7 7EH

Old Oak HA
Old Oak House
43-45 Erconwald St
London
W12 0BP

About the images

The images in this year’s financial report are original artworks by Chris Corr.

They depict some of the activities Family Mosaic has undertaken during the year, including:

- our IT Training team winning Customer Service Training Team of the Year;
- apprentices working on our regeneration scheme at Heathside and Lethbridge;
- young residents attending fashion workshops, and running their first youth radio show;
- various community initiatives we’ve developed, including pan-generational IT training, cooking classes and interview technique workshops;
- care and support tenants taking control of their lives thanks to our Let Me Choose pilots, which included them having their hair braided, visiting a caf for the first time and playing ball in the park;
- our first youth conference at the O2;
- residents from our Isledon Village estate in Islington winning first prize in Capital Growth’s Edible Estates competition;
- our Customer Care Line achieving a top 50 place in the National Customer Service Awards;
- our redevelopment project at Millbrook Road, Brixton, which won an award for the *‘Most innovative redevelopment of an existing property’* at the First Time Buyer Readers’ Awards;
- and three of our senior managers visiting some of our schemes, on their bikes.

Concept and design by Matthew Grenier & Andrew Kingham