



Financial Statements

For the Year Ended 31 March 2011



Front cover image (top left):
Westfield Memorial Village

Front cover image (top right):
Montgomery Fields, Wath-on-Dearne

Financial Statements

For the Year Ended 31 March 2011

Front cover image (bottom left):
Beswick Community Fun Day

Front cover image (bottom right):
**European Neighbours Week at
Charlesworth Court**

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Overview of the business

Principal Activities

Guinness Northern Counties is one of the leading providers of affordable housing in the North of England, managing more than 25,000 homes for over 50,000 people. Our vision is to provide excellent services in vibrant neighbourhoods and be a great place to work.

The principal activity is the provision of good quality homes, supported by excellent services, to people on lower incomes. In addition to providing homes for rent, we also assist people into home ownership through the provision of low cost home ownership products, predominantly shared ownership, but also through equity loan products. We provide supported housing and care for people who need additional housing related support or additional care.

We provide services to:

	2011	2010	2009
Homes Owned			
Housing Accommodation	12,707	12,348	12,305
Shared Ownership	1,983	2,255	2,324
Supported Housing	3,331	3,076	3,082
	<u>18,021</u>	<u>17,679</u>	<u>17,711</u>
Homes Managed			
Housing Accommodation	6,706	6,763	6,812
Supported Housing	679	645	649
Shared Ownership	97	87	65
	<u>7,482</u>	<u>7,495</u>	<u>7,526</u>
Homes Owned & Managed			
Housing Accommodation	19,413	19,111	19,117
Supported Housing	4,010	2,900	2,973
Shared Ownership	2,080	3,163	3,147
	<u>25,503</u>	<u>25,174</u>	<u>25,237</u>

Regulation

The Association is registered with and regulated by the Tenant Services Authority (TSA). Performance is assessed at Partnership and Association Level by means of annual assessments and is also subject to inspection by the Audit Commission to make judgement on the quality of the services provided.

Vision and Public benefit

The Guinness Partnership's vision has been developed in consultation with Board members, staff, and customers:

Great service, great homes and a great place to work

The Guinness Partnership – together really making a difference

The vision is based on taking a long-term approach to providing good quality housing, and creating and supporting sustainable communities.

The Partnership strives to put customers at the heart of shaping the business and therefore a key objective is to deliver **excellence in customer service**.

The Partnership also knows that to meet the significant unmet need across the country it needs to **increase the number of homes it owns and the range of services offered**.

Sustainable communities are important for the health of the country and the Partnership knows that they are more than just a collection of homes. The Partnership works with others to **create neighbourhoods of which everyone can be proud**.

The Partnership also believes that by creating a workplace that is supportive, efficient and committed to excellence, existing and potential employees will know that the Guinness Partnership is a **great place to work**.

Both qualitative and quantitative measures are used to track progress against these key objectives.

Most of the entities within the Guinness Partnership are Charitable and are committed to demonstrating that their aims are for the public benefit. The Board is satisfied that through the provision of affordable housing, the delivery of community regeneration activities and the provision of care and support services, the Partnership actively creates social and financial opportunities to the benefit of the Partnership's residents and other customers.

The **Guinness Northern Counties Vision** sits within this and the business objectives, the 2010-11 Business Plan was shaped around seven key themes -

- Increasing our financial strength
- Improving the customer experience – listening and acting to get it right
- Improving our performance by getting the best out of what we've got
- Safety first – our customers, our staff, our contractors
- Building new homes and investing in our neighbourhoods
- Improving the productivity of our people – measures and performance
- Being an enthusiastic member of the Guinness Partnership – delivering on key projects.

The Guinness Partnership Board approved the Strategic Plan for the period 2007/08 – 2012/13 in April 2007. This sets the overall strategic direction of the Partnership. It is supported by GNC's detailed company business plan which is reviewed and approved annually by the board to ensure that it is up to date and focused.

The deterioration in the economy continued to have a significant impact on the housing sector. In 2010/11 the outcomes from the general election added uncertainty to the operating context, and our ability to anticipate and plan for potential changes in the policy and regulation framework.

The slow recovery of the housing and credit markets has continued to put pressure on the delivery of new homes. The Partnership has responded by reducing its output of new low cost home ownership properties and increasing its supply of Rent to Homebuy properties which allow customers to rent with a view to future purchase.

This economic context also presents challenges for our customers, who are experiencing increases in their cost of living and increased levels of unemployment and uncertainty.

Great Services

We are committed to working in partnership with our customers. By involving them in shaping and developing service delivery, policy reviews and neighbourhood plans and activities we are ensuring that our business remains customer focussed and driven by our customers' priorities.

We have recognised that customer satisfaction with the level of service we provide is directly driven by our ability to keep our customers informed of progress with issues they have raised with us. Our work this year has been underpinned by a focus on identifying the barriers to effective communication between our staff and customers.

A major step forward this year was the development of our Scrutiny council who undertook their first test case in relation to aspects of our repairs service. Their findings revealed a number of strengths and areas they identified as requiring significant improvement which have been included in both operational plans & our change programmes, specifically our Asset Management Service Delivery project and our Right First Time programme.

Based on these findings and our own from various investigations into our current processes we have made some progress in establishing and starting to migrate those administrative activities away from local teams to limit the distraction from customer service, and have already created a central function where economies of scale and reduced duplication around the ordering of goods and services will both reduce the burden within local teams & deliver some efficiencies. A phased migration of work will ensure that as capacity is created across local teams, customer facing activities will be prioritised and measured. This work links across every customer service line and will continue to form the foundation of our change programme throughout 2011/12.

In July 2010, we delivered on our commitment to improve our service availability & extended our Customer Service Centre opening hours to 24 x 7, bringing the out of hours emergency repair service in-house from a previous external supplier, and enhancing the service to provide increased support for customers both via the telephone & electronically. We were able to provide services right across the Christmas period, including Christmas, Boxing & New Year Days and our repairs engineers continued to work throughout the period. Customer satisfaction with our Customer Service Centre continues to be high, with the performance against agreed customer service levels consistently delivered, contributing to our 6th place in the Top 50 call centres for Customer Service across the country and a wide range of sectors, (GNC obtaining 2nd place in the public sector category).

Our 2011 interim status survey stated that 88% of our customers were satisfied with GNC overall, 86% satisfied that they see VfM for the rent paid, and 84% satisfied with repairs and maintenance. All significant improvements on the 2010 status results. Two areas where particular improvement is still required however is our responsiveness and case handling with respect to Anti Social behaviour cases and how we deal with complaints. Customer satisfaction levels with both have been below our targets.

In line with our approach within the Right First Time programme, we have put in place a number of measures to improve these results and ensure we provide a timely and quality driven response.

An operational Complaints Review Group has been created, specifically targeted with reviewing the quality of the management of complaints and hold individuals and teams accountable for performance. This group is also conducting root cause analysis work to establish the underlying reasons for complaints, feeding the results into service improvement forums and providing progress reports across the business & to Corporate Management Team.

In order to rise to the challenge our customers have set us we will maintain our focus on improving the repairs and maintenance service with specific attention to 3 areas –

- Keeping customers better informed of progress on repairs
- Increasing the volume of repairs completed first time
- Improving on the time taken to arrange and complete repairs

Void management was highlighted as an area of challenge in our plan for 2010/11 and our Regional teams supported by Project Alliance have substantially increased their focus and resources here. We are pleased that the unavailable to let performance has significantly improved through demolition, sales or returning stock to our management portfolio moving from 288 homes 2009/10 to 197 homes 2010/11. We still have more to do with available to let homes where terminations over the last quarter has really impacted, but void turnaround time continues to improve from 39 days to 35 by year end whilst rent lost from void homes reduced by £200k versus budget.

Finally the introduction of the Allpay payment method which increases the range of payment outlets to customers has been very successful with over £12m received in the first year. Together with extended opening hours by our Customer Service Centre we continue to make it easier for customers to pay us on time. Meanwhile, a focus on financial inclusion supports preventative measures to minimise arrears, with a drive on benefit take up delivering £300k over the year to our customers.

Great Homes

We are committed to improving our existing homes and to providing new homes in areas where people want to live. We also aim to provide a range of tenure types that offer our customers choice.

During 2010/11 we invested £3.1m in major works programmes and £15.57m in repairs overall. All our homes met Decent Homes Standard by September 2010 and agreed waivers for West Gorton (144 units) and Clayton (34units). Over the year we undertook external painting of over 1,000 homes, 750 heating upgrades, 230 homes had new windows and doors, 200 homes benefitted from new roofs and 150 new kitchens installed. Our drive under energy efficiency is to improve the thermal efficiency of our homes in order to improve the energy costs to our customers and to cut carbon emissions. Through our actions – particularly new boilers and insulation improvements - the average SAP rating in our homes has increased from 63.5 to 66.7. (We have maintained the SAP rating target at 70 into the plan for 2011-12.)

The Investment & Regeneration team have had a successful and challenging year exceeding both start on site and practical completion targets within the HCA funded and privately funded elements of the programme. 231 new homes have been handed over into management during 2010/11 compared to the original target of 175. It is estimated that by March 2012 another 280 homes will be handed over.

Notable successes have been 43 new family homes for economically active households at Victory Works, Heywood, Rochdale and the 8 homes within the final phase of the Brandyhouse Brow redevelopment in Blackburn where we've over a decade transformed this estate from a problem to one we can rightly be proud of. The handover of Fitzwilliam Court, our first extra care scheme for 48 residents in Barnsley, also marks our partnership with Guinness Care and Support Ltd who have been commissioned to provide integrated care packages to residents.

The team has also been successful in supporting estate regeneration and asset management activity. The stock transfer of 144 council homes from Manchester City on the West Gorton estate was completed in September 2010 with a £6.7m improvement programme now underway, linking with the start of works on 29 new GNC rented homes as part of a major regeneration programme. Works have commenced on the second phase of the Walsden St, Manchester stock improvement programme which will bring 44 long term voids back into use. Individual families have been supported through 62 equity loans and 7 mortgage rescue cases.

We are particularly proud that the management agreement at Westfield Memorial Village, Lancaster has been signed, contracting us and the memorial village trustees in a Partnership for next 70 years and significant planned maintenance was completed in Q4 of 10/11.

Despite a difficult economic environment we have sold 20 homes and achieved 7 Rent to Buy deals, as well as 34 staircasing agreements with customers in shared ownership.

In order to fund regeneration work we successfully claimed £11m in grants from HCA for 178 homes and self funded the remainder of new homes supported by our planned loan portfolio.

Great Neighbourhoods

We launched our Estate Services Standards in 2010/11 so customers can be clear about expectations. During this year 4,194 scheme inspections completed of which 78% on time. 1,578 formal walkabouts were completed, 87% on time. This was in relation to a 90% first year target in both cases.

Customers also took part in many of the estate walkabouts providing them with an opportunity to directly influence service, performance and investment plans. The introduction of new and embedding of recently created Property Care Teams (established under Project Enterprise in 2009) contributed significantly to the increased levels of customer satisfaction on those estates. These teams not only improve service delivery on a local basis, they also contribute to the VfM agenda, particularly in terms of service quality but also in financial terms as well as reducing our third party costs.

Meanwhile the Community Investment Managers have had another successful year generating grants work over £50k for GNC and supported bids work of over £100k for our customers and their local communities with over 2000 customers participating in community events they and their colleagues also organised.

A great place to work

Guinness Northern Counties employs over 700 people in offices spread across the north of England. We are committed to being an employer of choice, being able to recruit and retain high quality high performing staff delivering excellent services to our customers and residents. We make substantial investment in developing staff and are committed to ensuring that all members of our teams have the relevant skills to deliver on their responsibilities and our services.

We fully involve staff through the staff council where representatives from all sections of the organisation can discuss and feed back their views. There are a variety of communication channels for staff to be informed and engaged in the organisation's performance and direction as well as to feedback comments and suggestions.

Improving our productivity has been targeted across 3 areas:-

Attendance - We increased our attendance target this year and delivered 97.1% performance target which was a slight improvement on 2009/10. Managers supported by the HR advisory team have focussed on managing absence employing the new Attendance Management Policy which was launched across the Partnership in 2010/11.

Performance Management - We continued to roll out our internal Management and Leadership Development Programme which equips our line managers with skills to effectively manage performance and motivate their teams. Since its introduction in 2008 staff feedback measured as part of our formal employee survey (Talk Back) has indicated that we are improving our capability in this area, but we have yet to hit the target we have set ourselves. We were delighted that our approach to Management Leadership Development was recognised externally through us receiving a National Training Award in October 2010. We also won an award for our NVQ programme for our work with apprenticeships awarded by the national awarding body FDQ.

Corporate targets – The 2010/11 business plan saw us introduce four corporate targets (Value For Money, Health and Safety, Improving the Customer Experience and Being a Great Place to Work) that were to be embedded into individuals work SMART targets. Our staff survey stated that the majority of staff were able to link their own targets to these four corporate targets. This alongside the results for job chats and appraisals demonstrates we have more to do to drive a performance and development culture across the whole business. However, there is still room for improvement in 2011/12 and the corporate objectives will be supplemented with a focus on Health and Safety to make sure that a culture of 'Safety First' becomes relevant for all staff whatever their role.

Other Developments

On 12 April 2010 GNC received FSA approval for its conversion to a charitable company under the Industrial and Provident Societies Acts.

Performance

Performance is measured regularly against some key criteria, which help assess our movement towards achieving our Business Plan objectives. Targets are agreed with the Board of Management which allows the measurement of continuous improvement and the push towards delivering service excellence in our local areas. The targets are generally consistent across registered providers within and outside the Partnership to aid benchmarking and the drive for Value for Money.

Objective	Indicators	
Financial	<ul style="list-style-type: none"> ▪ performance against loan covenants net operating margin % and gearing 	<ul style="list-style-type: none"> ▪ net capital expenditure
Housing Management	<ul style="list-style-type: none"> ▪ current arrears as % of annual rent debit ▪ rent collection rate ▪ voids loss as % annual rent debit 	<ul style="list-style-type: none"> ▪ voids available / unavailable to let ▪ average re-let times
Development	<ul style="list-style-type: none"> ▪ new units into management by stock type ▪ take up of grant allocation ▪ timeliness/lateness of units into management & budgeted cost 	<ul style="list-style-type: none"> ▪ sales units
Asset Management	<ul style="list-style-type: none"> ▪ proportion of units meeting Decent Homes Standard and SAP rating ▪ maintenance expenditure 	<ul style="list-style-type: none"> ▪ disposals ▪ Regeneration & Improvement projects
Customer Service	<ul style="list-style-type: none"> ▪ repair response times ▪ repair appointments made and kept ▪ repairs fixed first time 	<ul style="list-style-type: none"> ▪ tenant satisfaction with service including complaints ▪ tenant satisfaction with repairs and service

On a monthly basis, Board monitor our performance against voids, arrears, bad debts and repairs response time. Our performance is shown below for GNC but Board also monitors performance for Guinness Partnership assets in the North, (i.e. Guinness Trust homes)

	2011	2010	2009
Voids			
Rent loss	1.1%	1.3%	1.4%
Number of homes available to let at 31 March	1.1%	0.6%	1.3%
Number of homes unavailable to let at 31 March	0.9%	1.3%	1.1%
Arrears			
Current tenant arrears	4.8%	4.8%	5.1%
Former tenant arrears	0.9%	1.0%	1.1%
Bad Debts (excluding movements in provisions) written off (£'000)	415	971	652
Repairs Response Times			
Emergency	98.2%	98.0%	98.9%
Urgent	95.9%	95.9%	96.7%
Normal	97.5%	98.4%	98.4%

GNC performance overall against targets in 2010/11 was good particularly in the area of voids where letting time and rent loss performance has improved compared with last year despite some difficult conditions in the general environment.

Service delivery performance at a local level is also monitored through our Regional Committees, another opportunity for our customers to influence our service and performance.

Regulation

The Guinness Partnership operates within a number of different regulatory environments. Details of the Partnership's principle regulators are given below.

The Partnership is regulated by the Tenant Services Authority. The housing entities within the Partnership are registered with the TSA and complied with the regulatory code in force during the financial year 2010/11 and were assessed by the TSA as achieving the highest possible rating for viability. The TSA's new framework for regulation came into force in April 2010, to ensure compliance with the new standards for reporting, we report to our residents on an annual basis. The regulatory context for social housing continues to evolve, and the Partnership will continue to ensure regulatory compliance in this changing environment.

The Homes and Communities Agency regulates the Partnership's development of new homes where these are funded by that body.

The care and support companies within the Partnership are registered with the Care Quality Commission (CQC) and comply with its regulatory code.

Governance

Report of the Board

The Board has pleasure in presenting its report and audited financial statements for Guinness Northern Counties Limited for the year ended 31 March 2011.

Membership of the Guinness Partnership

Guinness Northern Counties Limited is a member of the Guinness Partnership along with Guinness Trust, Guinness Hermitage, Guinness South, Guinness Care & Support and Gloucestershire Housing Association.

Legal Structure and Principal Activities for the year ended 31st March 2011

Guinness Northern Counties Limited was registered in 1966 under the Industrial and Provident Societies Act 1965. The Association is a Registered Provider (L0407) and its principal activity continues to be meeting the housing needs of those in necessitous circumstances and unable to buy homes or to pay market rents. It achieves this objective through the provision of housing at affordable rents and through low cost home ownership.

In April 2010, the Association obtained charitable industrial and provident society status aligning with the other Registered Providers in the Partnership.

The Association is the Holding Company for the following companies. Their principal activities are listed below:

- Bower Homes Limited (Registered No L4247) – Charitable Association, Housing for rent and care homes – collapsed into Guinness Northern Counties by way of a Transfer of Engagements at midnight on 31 March 2011.

- City Response Limited – Domestic Building Maintenance Services
- Encore Homes Limited – Managing Agents for Private Developers
- Guinness Northern Counties Charitable Trust – (Registered charity no 328179) –provision of essential items of household furniture to new residents. Ceased to exist when it was collapsed into Guinness Northern Counties from midnight on 31 March 2011.

The ultimate parent of Guinness Northern Counties group is the Guinness Trust.

Governance

The Board and Corporate Management Team of Guinness Northern Counties Limited are listed on page 43 of these Financial Statements.

The Board consists of ten Non-Executive Directors, including the GP parent representative. As at 31 March 2011 there was one vacancy. Appointments are normally for a term of three years, up to a maximum of nine years.

Within the Partnership's governance structure, the ultimate authority lies with the Guinness Partnership Board, which acts as a proxy for the parent and consists of non-executive members from across the Partnership and independent members. The parent appoints the Chair of the company Board and one member onto the Guinness Northern Counties Board. The parent representative is currently Peter Cotton who joined from June 2010.

Responsibilities of the Board

The Board is responsible for:

- Determining the vision, values and strategic direction of the organisation within the framework of The Partnership's agreed overarching strategy.
- Reviewing the overall corporate governance arrangements and ensuring they are fit for purpose and aligned to The Partnership's Group governance arrangements.
- Recommending to Partnership Board approval of Guinness Northern Counties' annual operating and capital expenditure budgets and any material changes to them.
- Monitoring performance against approved budgets and ensuring action is taken to ensure that income and expenditure are in accordance with, or an improvement on, approved budgets.
- Ensuring that effective systems are in place to establish customer satisfaction with the quality of services and the ability to influence decision making.
- Ensuring maintenance of and reviewing the effectiveness of systems for internal control and risk management including health and safety.

The Remuneration & Governance Committee and the Board consider planning for succession to Board and senior management positions, ensuring that appropriate board appraisal and management development measures are in place.

Board Remuneration

The Board of Directors adopted a Scheme of Remuneration for the Chairman and Board members which came into effect on 1 April 2005. The Partnership's Group Governance Committee makes recommendations to the Partnership Board on the levels of non-executive pay. This fits within the framework developed by the Partnership Board to ensure comparability of remuneration across the constituent members of the Partnership. Remuneration also complies with the limits currently set by the Tenant Services Authority (TSA).

Guinness Northern Counties Board members are required to comply with the Partnership Code of Conduct for Board members. All members of the Board have a responsibility not to use their position to their advantage and this is particularly relevant where Board Members are residents or related to residents.

Board Attendance

The Board meets ten times a year (six business meetings, two strategy meetings, one collective appraisal and one post AGM). Attendance records of the Members who were on the Board as at 31 March 2011 were as follows:

Members as at 31/03/11	% Attended	Max No of Meetings
Anthony Bell	90	10
Lloyd Clarke, QPM	90	10
Peter Cotton	75	8
Pauline Davis	70	10
Margaret May	80	10
Peter Munday	80	10
Les Styles (co-opted)	100	10
Malcolm Rogers	70	10
John Thomson	90	10
Dr Sharif Salim (until December 2010)	85	7

Finance and Internal Controls

Responsibilities of the Board

The following statement which should be read in conjunction with the Independent Auditor's Report on page 18 is made with a view to distinguishing the respective responsibilities of the Board and of the Auditors in relation to the financial statements.

Industrial and Provident law requires the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the income and expenditure of the Association for that period. In preparing these financial statements, the Board is required to:

- (i) Select suitable accounting policies and then apply them consistently.
- (ii) Make judgements and estimates that are reasonable and prudent.
- (iii) State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- (iv) Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts.

There are comprehensive financial reporting procedures in place including detailed budgets for the year ahead and a 30 year financial model. These are reviewed and approved by the Board.

Statement of Internal Controls

The Board has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. This applies for all companies and subsidiaries within the Group.

The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. The Board has a risk map which is regularly reviewed by the Risk Review Group, the Audit & Risk Committee and the Board, in order to manage key business risks and consider appropriate mitigating actions.

The Board has adopted the Partnership Risk Strategy and Risk management framework. The Audit and Risk Committee reviews reports received from the company Risk Review Group and internal and external auditors; it makes regular reports, through its minutes to the Board on the extent to which internal controls continue to take account of the major risks facing the Group. A formal process exists for the reporting and correction of significant control weaknesses. The Audit and Risk Committee submits an annual report, summarising all this work, to the Board.

The company Risk Review Group is made up of executives from the corporate management team and key service area leads from asset management, health & safety, internal audit and governance. The group meets five times a year to review the risk plan, oversee the management of any serious incident cases and review service delivery performance in the high risk areas of gas safety & servicing, asbestos management, legionella and lift safety.

There is a clear policy, concerning fraud, approved by Guinness Partnership Board and distributed to everyone. The policy requires a register to be maintained of all actual attempted fraud. All these cases are reported to the Audit and Risk Committee and the Board. Although there is no longer a requirement to report cases of fraud in excess of £5,000 to the TSA, the Association is continuing with this policy. In 2010/11 there were three reported frauds. Two cases resulted in no financial loss and one resulted in a significant loss in the region of £10k.

Board Statement

In so far as the Board is aware:

- There is no relevant audit information of which the auditors are unaware; and

The Board Members have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Risk

The main risks faced by the Association are assessed annually by the senior management team with the Board of Management as part of the business planning process. The latest annual risk review was presented to the Board of Management on 3 May 2011. The five key areas were:

- Impact of accounting changes – component accounting and International Financial Reporting Standards
- Growth – securing funding for investment in new homes
- Fraud – non-prevention or detection of fraud, corruption or money laundering
- H&S (as below)
- Systems – adequate & robust information systems to support the business

External Environment

The environment in which we operate creates a number of challenges for us. These include

- Competition for capital grants
- Welfare Benefit reforms
- Increasing customer expectations e.g. dealing effectively with anti-social behaviour
- Pressures due to maintenance and construction cost inflation
- Compliance with health and safety legislation
- Uncertainties relating to the availability of external finance given the current volatility in the economy plus increased margin on interest rates
- Difficulties in potential shared owners obtaining mortgages
- The removal of the ring fenced Supporting People funding restricting the levels of grant available and other funding streams
- Increasing pressures on incomes of tenants due to rising unemployment
- Falling land and property values
- Sustainability in the built environment
- The introduction of carbon tax

These factors are regularly reviewed by the executive and boards.

Customer engagement

The Partnership vision of customer involvement is to keep our customers at the heart of everything we do. We do this by offering customers opportunities to improve their homes, communities and services. We listen, respond and take action to really make a difference.

We offer customers a wide range of ways to be involved, to allow for their different priorities and interests, the time they have available, and their preferred way of working with us. Ways to take part range from completing occasional surveys on specific issues to becoming a member of a Board or Resident Scrutiny Panel or our Partnership Customer Strategy Group.

Other examples of opportunities we offer to customers to become involved include joining Focus Groups, attending Estate Walkabouts, joining or setting up a Tenants and Residents Association, or becoming Resident Inspectors.

We communicate regularly with our customers, in media of their choice, and offer translation and interpretation services.

We feed back to customers on how their involvement has made a difference.

Equality and Diversity

Guinness Northern Counties is committed to providing equality of opportunity and diversity for all employees, customers and all external partners. This is achieved through the development of an organisational culture that values all people and the different contributions that each individual can make. Our own delivery plan fits within the Partnership Equality and Diversity Policy, which will help deliver consistent excellence in this area across the partnership.

Through the work of the Equality and Diversity Committee we ensure that our vision becomes a reality by embedding and mainstreaming it into all aspects of our business and work.

As a learning organisation we are keen to develop and share best practice on equality and diversity and employees are encouraged to identify new ways of working to improve and contribute to our overall success in providing equitable services for all.

Health & Safety

We have worked hard this year to continue to raise the profile of health and safety, rebranding it as "Safety First" in the organisation, reinforce the responsibilities of all within the Association, from the Board down and reviewed how we ensure the people who we contract with to deliver services, operate in a way that maintains the safety of our people and our customers.

As part of this review we have increased the size and experience of the team given the complexity of our business and the scale of our operation resulting in the appointment of a new Head of Health and Safety who was appointed early in 2010/11. Board have supported these changes, acknowledging their responsibility in this important area and ensuring that the Association has the appropriate resources to meet its commitments.

Operating and Financial Review

Basis of Preparation and Statement of Compliance

The operating and Financial Review has been prepared in accordance with the guidelines set out in Reporting Standard 1: Operating and Financial Review. The Association's legal structure and principal activities are detailed on page 2 of the Board of Management and Corporate Governance Report. The financial statements and results for the year are set out on pages 19 to 42 of these statements.

In preparing this Operating and Financial Review, the Board of Management has followed the principles set out in Part 2 of the Statement of Recommended practice (SORP) 'Accounting by Registered Social Landlords 2008'.

Financial Performance

The financial performance and position of GNC are set out on pages 19 to 42 and have been prepared, as relevant, in accordance with the requirements of the Housing Regeneration Act 2008 and the Industrial and Provident Societies Acts 1965 to 2002, as well as relevant accounting standards including the Statement of Recommended Practice 2008.

Performance during 2010/11

GNC generated a surplus of £3.89m after taxation (2010 £4.2m deficit) achieving an improved net margin of 23% (i.e. £16.9m) which GNC intends to continue to improve on into the future. This was driven by improved operating margin as a result of our focus on savings across our front and back office operations. In particular our focus on Value for Money where across front and back office overheads, business process efficiencies, procurement and grants for community based activities we generated over £1m of savings versus budget. Meanwhile, assets were impaired by £1.9m against the operating surplus reflecting prevailing economic conditions. GNC also benefitted from surpluses of £1.3m from asset sales, which helped to absorb the impairment of assets charge against the operating surplus. The interest cover continues to improve and in 2011 achieved 1.26%.

GNC Balance Sheet remains robust with gross housing loans of £243.6m (excluding premiums and arrangement fees) and a stable gearing position of 55%. As at 31st March 2011, 73.6% of the Association's properties were charged as loan security and £15m of loans were drawn down from our facilities in year leaving unused facilities of £65m.

	2011	2010	2009
	£m	£m	£m
Income and Expenditure Account			
Turnover	73.8	72.9	72.2
Income from lettings	64.3	63.3	62.8
Operating Surplus	16.9	16.3	15.7
Net Interest	15.3	14.8	15.9
Surplus on disposal of fixed assets	1.3	0.4	4.4
Gift Aid	(0.6)	6.2	4.5
Impairment (charge)/reinstatement	(1.8)	(0.9)	(0.9)
Taxation			
Deferred Tax charge/(credit)	(0.3)	-	-
Repayment of Prior Years	(0.1)	-	(0.6)
Corporation Tax charge/(credit)	0.1	-	(0.4)
Net Surplus/(Deficit)	3.9	(4.2)	-

	2011	2010	2009
	£m	£m	£m
Balance Sheet			
Assets			
Housing and other fixed assets	700.3	668.5	662.3
Fixed Asset Investment	2.6	8.9	8.7
Net Current Assets/(Liabilities)	2.3	(2.3)	(1.8)
	<u>705.2</u>	<u>675.1</u>	<u>699.2</u>
Finance by			
Social Housing Grant	425.9	409.9	402.1
Loans and other long term creditors	248.3	238.5	235.9
Reserves	31.0	26.7	31.2
	<u>705.2</u>	<u>675.1</u>	<u>699.2</u>

	2011	2010	2009
	%	%	%
Key Financial Ratios			
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) as % of interest payable (excluding loan redemption penalties)	129%	132%	116%
Operating margin	23%	22%	22%
Net Margin	5%	-	-
Interest cover (operating profit + depreciation)/ net interest	1.26	1.24	1.10
Gearing (total borrowing/ total net worth)	55%	54%	53%

We monitor financial covenants with our lenders on a quarterly basis and GNC continues to comply with their requirements.

	2011	2010	2009
	£m	£m	£m
Santander (Abbey)			
Min Net Income to interest > 1:1	1.26	1.26	1.13
Total Borrowing <60% Net Worth	55%	54%	53%
Bond			
Total Assets – (1.5 x Borrowing) > 3.0	4.67	4.5	4.5
Total Income/Interest Payable > 2.0	4.77	4.9	4.6
Total Borrowing/Total Assets <50%	33%	33%	32%
Co-op/Britannia			
Total Income to Total Interest > 1:1	4.77	4.9	4.6
Total Borrowing <60% Net Worth	55%	54%	53%
Barclays			
Min Net Income to Interest > 1:1	1.26	1.26	1.13
Total Borrowing <60% Net Worth	55%	54%	53%
Yorkshire Building Society			
Total Income to Total Interest > 1:1	1.26	1.26	-
Total Borrowing <60% Net Worth	55%	54%	-

Treasury management is undertaken centrally by the Partnership reporting back to the GNC Board and monthly cash flow forecasts are submitted and reviewed across the Finance function.

The reserves of GNC at 31st March 2011 totalled £31.0m (2010: £26.7m).

Charitable Donations and Political Contributions

During this year, Guinness Northern Counties made no political contributions (2010: Nil). Guinness Northern Counties Housing Association made no gift aid payments having obtained charitable I&P status in April 2010 (2010: £6.2m) and continues to make donations to the GNC Charitable trust £25k (2010: £32k) and other donations to various charities amounted to £7k (2010: £6k).

Corporate Social Responsibility

Guinness Northern Counties is committed to reducing its impact on the environment though improving its use of energy and utilising sustainable materials wherever possible. An approach to the environmental concerns is being adopted to reduce Guinness Northern Counties' carbon footprint. Our "Green Team" has been undertaking a series of initiatives to raise awareness and change behaviours across the business ranging from recycling, Fairtrade products through to energy usage.

We are also building into our investment programmes energy efficiency measures as well as providing advice and information to customers on ways of reducing their energy costs. These activities complement our approach to financial inclusion.

Guinness Northern Counties and its staff invest time and effort to support local Charities in the areas in which their offices are based. These are also an opportunity to improve our team working skills as well as make a real difference for those whom we are supporting.

As part of our Financial Inclusion Strategy we are fostering the development of our customers' skills to make it easier for them to find suitable employment. This is through encouraging our contractors to offer positions and training to local residents. Similarly we are working with the intermediate labour market and supporting the Princes Trust by giving young people the opportunity of a two week placement within Guinness Northern Counties.

Vote of Thanks

The Board would like to express its gratitude to the staff of Guinness Northern Counties Limited and all Group companies and to its Advisors for their continued dedication and support.

Annual General Meeting

The annual general meeting will be held on 27th September 2011 at Bower House,

Approved by the Board of Management on:	21 June 2011
Signed on its behalf by:	Lloyd Clarke

We have audited the financial statements of Guinness Northern Counties Limited for the year ended 31 March 2011 which comprise the Income and Expenditure Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective Responsibilities of the Board and Auditors

As explained more fully in the Statement of Board's Responsibilities set out on page 11, the 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 of the state of the Association's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- Have been properly prepared in accordance with the Industrial and Provident Societies Acts, 1965 to 2002, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts, 1965 to 2002 requires 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

Nexia Smith & Williamson
Statutory Auditor

Imperial House
18 – 21 Kings Road
Southampton
Hampshire, SO15 2AT

Dated: 9 August 2011

Income and Expenditure Account

	Note	2011 £'000	2010 £'000
Turnover	2	73,838	72,860
Less: Cost of Sales	2	(255)	(2,239)
Operating costs	2	(56,676)	(54,330)
Operating Surplus		16,907	16,291
Surplus on sale of properties not developed for outright sale	8	1,340	441
Profit on sale of other fixed asset		-	2
Interest receivable and similar income	9	638	244
Interest payable and similar charges	10	(15,899)	(15,048)
Gift Aid received (paid)		566	(6,170)
Surplus/(Deficit) on Ordinary Activities Before Taxation	11	3,552	(4,240)
Tax credit on deficit on ordinary activities	12	347	25
Surplus/(Deficit) After Taxation		3,899	(4,215)

The notes on pages 22-42 form an integral part of these financial statements.

All amounts relate to continuing activities.

Statement of Total Recognised Surpluses and Deficits

	2011	2010
	£'000	£'000
Reported Surplus/(Deficit) for the Year	3,899	(4,215)
Unrealised surplus/(deficit) on revaluation of properties	347	(240)
	<hr/>	<hr/>
Total Surplus/(Deficit) Recognised Since Last Reporting Period	4,246	(4,455)
	<hr/>	<hr/>

The notes on pages 22-42 form an integral part of these financial statements.

Balance Sheet

	Note	2011 £'000	2010 £'000
Fixed Assets			
Housing properties at cost less depreciation	14	684,159	652,965
Less: Social Housing Grant	14	(425,894)	(409,931)
		<u>258,265</u>	<u>243,034</u>
Investments	15	2,575	8,957
Other fixed assets	16	16,125	15,520
		<u>276,965</u>	<u>267,511</u>
Current Assets			
Work in progress/stocks	17	783	1,588
Debtors	18	21,089	18,803
Investments	19	5	5
Cash at bank and in hand		12,551	7,631
		<u>34,428</u>	<u>28,027</u>
Creditors: Amounts falling due within one year	20	<u>(25,444)</u>	<u>(30,345)</u>
Net Current Assets/ (Liabilities)		<u>8,984</u>	<u>(2,318)</u>
Total Assets Less Current Liabilities		<u>285,949</u>	<u>265,193</u>
Creditors: Amounts falling due after more than one year	21	248,300	238,132
Provision for liabilities	22	6,665	323
Capital and Reserves			
Called up share capital	23	-	-
Revaluation reserve	24	1,170	823
Revenue Reserve	25	29,814	25,915
		<u>30,984</u>	<u>26,738</u>
		<u>285,949</u>	<u>265,193</u>

The financial statements were approved by the Board on 21 June 2011 and were signed on its behalf by:

Lloyd Clarke
Chair

Peter Munday
Vice Chair

Elaine Repton
Secretary

The notes on pages 22 to 42 form an integral part of these financial statements

1. Accounting Policies

(a) Introduction and Basis of Financial Statements

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom, the Statement of Recommended Practice for Housing Associations 2008 (SORP), The Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination 2006 and all other relevant legislation. A summary of the more significant accounting policies is set out below. The financial statements have been prepared under the historical cost convention, as adjusted for the revaluation of certain fixed assets.

The Association has not prepared consolidated accounts and therefore the accounts show information about the Association as an individual entity. The Association and its subsidiaries are included in the consolidated accounts of the Guinness Trust.

(b) Cash flow

Under the SORP there is no requirement for social landlords who are part of a group to prepare a cash flow statement where a consolidated cash flow statement is prepared. Cash flow details are presented in the Guinness Partnership Accounts.

(c) Turnover

Turnover represents rental and service charge income receivable and grants from local authorities and the Homes & Communities Agency (HCA) in respect of the year and sale proceeds from properties built for outright sale, where contracts were completed in the year, and first tranche sales proceeds from properties developed for shared ownership where contracts were completed in the year. In prior years the Association has recognised rental income for full weeks ending on Sunday irrespective of the day on which the 31 March fell. For the 2010/11 year end and subsequent years the measurement of rental income will be cut-off at the 31 March, which ever day this falls on.

(d) Fixed Assets and Depreciation (Other than housing properties)

Tangible fixed assets are stated at cost or valuation less accumulated depreciation. Depreciation is charged over the expected economic useful lives of the assets using the following annual rates and basis:

- Office premises - 2% on valuation
- Motor Vehicles - 25% reducing balance
- Computer Equipment and software - 33.33% on costs
- Office fittings and equipment - 15% reducing balance

(e) Housing Properties

The Association has reviewed the economic useful lives of its housing properties and depreciates the property costs less freehold land, grants and residual value over 100 years.

Housing properties excluding properties developed for shared ownership are analysed by class of properties, and are stated at cost, comprising purchase price and building costs together with directly attributable incidental and administrative costs where they are incremental to the development process, less accumulated depreciation and capital grants. Interest on borrowings used to finance housing developments and regeneration projects is capitalised only when development activity is in progress and up to the date of practical completion or the end of the regeneration period.

Housing properties, excluding first tranche of properties developed for shared ownership, in the course of construction are stated at cost and not depreciated.

Housing properties are transferred to completed properties when they are ready for letting.

Improvements to existing properties which result in an increase in net rental income are capitalised.

Leasehold properties are stated at cost less depreciation.

Impairment

All properties are annually reviewed for impairment. Given the present housing market downturn, additional reviews have been carried out to include properties developed for shared ownership sales, shared ownership properties earmarked for change in use, and properties developed for outright sale which remain unsold at the financial year-end.

The Association examines void levels, EUV-SH, and the effect on the internal rate of return (IRR) of transferring properties developed for shared ownership sales to general needs rent and intermediate rent.

Impairment provisions are made for schemes showing EUV-SH values significantly lower than carrying value, properties showing a deterioration of the IRR after tenure change, and rental schemes with void levels above accepted tolerance levels.

When housing properties are acquired or developed for another association, the net costs, after SHG, are dealt with in current assets.

(f) Social Housing Grant

Where developments have been financed wholly or partly by Social Housing Grant (SHG) and other grants, the cost of these developments is reduced by the amount of the grant receivable. For properties developed for shared ownership, social housing grant receivable is set against the fixed asset element unless any element of the grant was provided specifically for items of revenue expenditure.

SHG receivable for items of cost written off in the Income and Expenditure Account is matched against those as part of turnover. The net SHG received and not spent is included in current liabilities, taking into account all properties under construction.

SHG can be recycled under certain conditions, if a property is sold, or if another relevant event takes place and is credited to Recycled Capital Grant Fund (RCGF) or Disposal Proceeds Fund (DPF). The difference between the net sale proceeds and the original cost of the property is also credited to DPF. In these cases, the funds can be used for projects approved by the HCA. In certain circumstances, SHG may be repayable, and in that event, is considered to be a subordinated unsecured repayable debt.

(g) Investments

Unlisted fixed asset investments are stated at cost less provision for any impairment in value.

Under the equity loans scheme, the Association grants a loan to a qualifying purchaser in consideration for an equity share in the property acquired. The Association does not have a freehold interest in the property and consequently does not have the option for disposal and realisation of the investment. Equity loans investments are therefore recorded at historical cost.

(h) Retentions

The Association includes retentions due on capital and planned maintenance work within capital and trade creditors respectively.

(i) Stocks

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

(j) VAT

The company is VAT registered but a large proportion of the Association's income, rents, is exempt for VAT purposes and therefore gives rise to a partial exemption calculation. Expenditure is therefore shown inclusive of VAT and the input VAT recovered is credited to turnover in the income and expenditure account.

(k) Pension Costs

The Association participates in two multi employer pension schemes: a defined benefit pension scheme, and a money purchase scheme for estate based staff. Both are valued every three years by a professionally qualified independent actuary, the rates of contribution being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rate.

It is not possible, in the normal course of events, to identify the share of the underlying assets and liabilities belonging to the company. Therefore the scheme has been accounted as if it were a defined contribution scheme in accordance with FRS17.

(l) Loan Issue Costs

The costs directly associated with the raising of finance through a bond issue including a premium paid to safeguard the Association's credit rating are being amortised over the life of the bond, by being initially charged against the loan. The effective rate of interest is charged on an annual basis to income and expenditure.

(m) Support Charges and Costs Including Supporting People Income and Costs

Supporting People contract income received from Administering Authorities is accounted for in the turnover note 2. The related support costs are matched against this income in the same note.

Support charges included in the rent are included in the income and expenditure from lettings note 3 and matched against the relevant costs.

(n) Properties Managed by Agents

The Association records income and expenditure in the financial statements where the financial risk is the Company's responsibility.

(o) Service Charge Sinking Fund

Service charge sinking funds are disclosed as creditors.

(p) Properties for Sale

Properties developed for shared ownership sale are divided into first tranche sales and other sales.

Proceeds from the first tranche shared ownership sales are accounted for in the income and expenditure account, proceeds in turnover and cost, in cost of sales, in line with the SORP 2008. Costs relating to second and subsequent tranches are recognised as fixed assets at the lower of cost and net realisable value based on Existing use Value Social Housing (EUV-SH). Any profit or loss on disposal of second and subsequent tranches is included after operating profit as fixed asset disposals. However, where shared ownership sales form part of a mixed tenure scheme, if the surplus produced as a result of the disposal of the first tranche is greater than the overall surplus, the surplus on disposal of the first tranche is limited to the overall surplus by adjusting the costs allocated to current assets or fixed assets. The overall surplus is the difference between the net present value of cash flows and the costs.

Costs for shared ownership properties in the course of construction, and completed schemes are split between current assets and fixed assets. The split is determined by the percentage of the property to be sold under a first tranche sale. The proportion of costs attributable to the first tranche portion of shared ownership properties is recognised in Current Assets until they are sold, and the remainder classified as a fixed asset.

All other sales of fixed asset properties are dealt with as a separate item after the operating surplus in the Income and Expenditure Account.

Properties developed for outright sale are included in current assets as they are intended to be sold.

(q) Taxation

The charge or credit for corporation tax is based on the surplus/(deficit) for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of 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 FRS19.

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

(r) Financial Instruments

Financial assets and liabilities are recognised on the balance sheet when the Association becomes a party to the contractual provisions of the instrument. Trade and other receivables and payables are measured at initial recognition at fair value. A provision is established where there is objective evidence that the Association will not be able to collect all receivables due, the amount of any provision being recognised in the income and expenditure account. Cash and cash equivalents comprise cash held and short-term bank deposits. Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Financial liabilities are classified in accordance with the substance of the contractual arrangements entered into. Interest bearing bank loans, overdrafts and other loans are initially recorded at fair value. Finance costs are accounted for on an accruals basis in the income and expenditure account using the effective interest method.

Notes to the financial statements for the year ended 31 March 2011

2. Particulars of Turnover, Cost of Sales, Operating Costs & Operating Surplus/(Deficit)	2011		2010		Operating Surplus (Deficit) £'000
	Turnover £'000	Cost of Sales £'000	Operating Costs £'000	Operating Surplus (Deficit) £'000	
Lettings					
Social Housing Lettings	64,341	-	(46,080)	63,325	18,261
				(44,530)	18,795
Other Social Housing Activities					
Shared Ownership sales	108	(157)	-	1,609	(49)
Management Services	4,211	-	(5,338)	4,292	(1,127)
Development for Sale	154	(98)	-	160	56
Development Administration	1,111	-	(2,114)	1,064	(1,003)
Other	3,913	-	(3,144)	2,410	769
	73,838	(255)	(56,676)	72,860	16,907
				(54,330)	16,291
				(2,239)	18,795

3. Particulars of Income and Expenditure from Social Housing Lettings

	General Needs Housing 2011 £'000	Shared Owner- ship 2011 £'000	Supported Housing 2011 £'000	Total 2011 £'000	Total 2010 £'000
Income from lettings					
Rent receivable net of identifiable service charges:	44,243	2,463	11,085	57,791	56,966
Service charges receivable	3,449	85	1,868	5,402	5,192
Charge for Support Services	1,148	-	-	1,148	1,167
Net Rents Receivable	48,840	2,548	12,953	64,341	63,325
<hr/>					
Total Income from Lettings	48,840	2,548	12,953	64,341	63,325
<hr/>					
Expenditure on Letting Activities					
Charge for Support Services	1,414	-	-	1,414	1,426
Services	3,906	32	1,939	5,877	5,554
Management	9,086	6	4,034	13,126	12,877
Routine Maintenance	9,651	8	2,838	12,497	12,015
Planned Maintenance	580	-	81	661	759
Major repairs expenditure	7,940	-	-	7,940	7,935
Rent losses from bad debts	356	-	59	415	1,281
Depreciation and Impairment	3,088	773	289	4,150	2,683
Total Expenditure on Lettings	36,021	819	9,240	46,080	44,530
<hr/>					
Operating Surplus on Lettings Activities	12,819	1,729	3,713	18,261	18,795
<hr/>					
Rent Loss from Voids	448	-	172	620	750

4. Association Units/Bed Spaces	2011	2010
	No	No
Under Management at end of Year:		
Housing Accommodation	12,707	12,348
Shared Ownership	1,983	2,255
Supported Housing	3,331	3,076
	<u>18,021</u>	<u>17,679</u>
Accommodation managed on behalf of others	<u>7,482</u>	<u>7,495</u>
5. Accommodation Managed by Others	2011	2010
	No	No
Units/Bed spaces managed by agents	<u>472</u>	<u>385</u>
6. Directors' Emoluments	2011	2010
	£	£
The emoluments paid to the Directors of the Association (the Board of Management and the Corporate Management Team) were as follows:		
Emoluments (including benefits in kind) paid to Corporate Management Team:		
For services as directors	<u>837,029</u>	<u>990,825</u>
	<u>837,029</u>	<u>990,825</u>
Pension contributions for Corporate Management Team	<u>64,861</u>	<u>123,411</u>
Emoluments (excluding pensions contributions and social Security costs) paid to:		
The highest paid Director, 'the Chief Executive'	<u>145,764</u>	<u>145,938</u>
The Chief Executive is an ordinary member of the Social Housing Pension Scheme administered by the Pensions Trust. No special or enhanced terms apply.		
Contribution paid on behalf of the Chief Executive	<u>15,454</u>	<u>23,667</u>
Emoluments to the Board of Management	<u>84,110</u>	<u>76,799</u>
The figures include emoluments paid by Guinness Trust to GNC Board Members in their capacity as Partnership Board Members.		

7. Employee Information		2011	2010
		No	No
The average weekly number of persons (including the Chief Executive) employed during the year was		746	745
		2011	2010
		£'000	£'000
Staff Costs			
Wages and salaries		16,662	16,779
Social security costs		1,437	1,356
Other pension costs		1,549	1,303
		19,648	19,438
8. Sale of Properties Not Developed for Outright Sale			
	Shared		
	Ownership		
	Further	Total	Total
	Tranches	2011	2010
		£'000	£'000
	Others		
	£'000	£'000	£'000
Proceeds of sales	1,548	971	2,519
Less: cost of sales	(827)	(352)	(1,179)
Surplus on sale	721	619	1,340
9. Association Interest Receivable and Similar Income		2011	2010
		£'000	£'000
Bank Deposit Interest		52	44
Intercompany loan interest		586	200
		638	244
10. Interest Payable and Similar Charges		2011	2010
		£'000	£'000
On bank loans and other loans:			
Payable on bank loans		6,404	5,200
Payable on other loans		9,785	9,793
Non Utilisation Fee		281	462
		16,470	15,455
Less: capitalised		(238)	(66)
Amortisation of loan issue premiums		(333)	(341)
		15,899	15,048
The weighted average interest on borrowings is 6.2% (2010: 6.5%)			

11. Surplus/Deficit on Ordinary Activities Before Taxation	2011	2010
	£'000	£'000
This is stated after charging:		
Depreciation on Housing Properties	2,428	2,280
Impairment on Housing Properties	1,722	403
Impairment on investments and stock	178	-
Depreciation on tangible owned fixed assets (Other)	1,166	1,028
Remuneration received by the company's auditors for the auditing of the accounts.	63	60
Remuneration to auditors for other services	7	25
Bad debts	415	1,281
Gift Aid payments to Bower Homes, a charitable subsidiary.	-	5,870
Gift Aid payment to Guinness Care & Support	-	300
Gift Aid receipt from City Response Limited	542	-
Gift Aid receipt from Encore Homes Limited	24	-
	2011	2010
12. Taxation on Deficit on Ordinary Activities		
(i) Analysis of the charge in the period	2011	2010
	£'000	£'000
The tax charge on the deficit on ordinary activities for the year was as follows:		
Current Tax		
Current Year charge	66	195
Adjustment for prior years	(90)	(220)
Deferred Tax:		
Current Year provision	-	-
Adjustment for prior years	(323)	-
Tax on surplus/deficit on ordinary activities	(347)	(25)
(ii) Factors affecting tax charge for the period	2011	2010
	£'000	£'000
Profit/(Loss) on ordinary activities before tax	3,552	(4,240)
Deficit on ordinary activities multiplied by standard		
Rate of corporation tax in the UK of 28% (2010: 28%)	995	(1,187)
Effects of:		
Expenses not deductible for tax purposes (primarily property depreciation)	46	1,046
Net income from charitable activities	(970)	
Capital allowances in advance of depreciation	(9)	(18)
Capitalised interest	(2)	(17)
Rollover relief/indexation on properties	(2)	(38)
Transfer pricing adjustments	8	217
Charge on income carried back to previous year	-	244
Losses utilised	-	(52)
Current Year Charge	66	195

13. Social Housing Grant

	2011	2010
	£'000	£'000
The total accumulated SHG received or receivable at the Balance Sheet date from both Capital and Revenue sources.	435,903	417,222

14. Fixed Assets (Housing Properties)

	Housing Properties Held For:		Properties Under Construction Held For:		Total £'000
	Letting £'000	Shared Ownership £'000	Letting £'000	Shared Ownership £'000	
Cost					
At 1 April 2010	593,457	65,600	11,776	2,896	673,729
Schemes completed in the year	17,022	1,955	(17,022)	(1,955)	-
Additions	10,082	135	24,203	2,620	37,040
Disposals	(599)	(990)	(152)	-	(1,741)
At 31 March 2011	619,962	66,700	18,805	3,561	709,028
Depreciation and Impairment					
At 1 April 2010	18,058	2,475	-	231	20,764
Charge for year	2,154	274	-	-	2,428
Impairment charge	919	499	304	-	1,722
Disposals	(28)	(17)	-	-	(45)
At 31 March 2011	21,103	3,231	304	231	24,869
Social Housing Grant					
At 1 April 2010	363,724	35,731	10,102	374	409,931
Schemes completed in the year	11,337	171	(11,337)	(171)	-
Received during the year	-	(19)	15,534	1,228	16,743
Disposals	(271)	(509)	-	-	(780)
At 31 March 2011	374,790	35,374	14,299	1,431	425,894
Net Book Value at 31 March 2010	211,675	27,394	1,674	2,291	243,034
Net Book Value at 31 March 2011	224,069	28,095	4,202	1,899	258,265
				2011	2010
				£'000	£'000
Cost of Housing properties comprise:					
Freeholds				684,510	649,211
Long leaseholds				24,518	24,518
				709,028	673,729

The administration costs capitalised in the year amounted to £1,111k (2010: £1,064k).
Interest capitalised during the year amounted to £227k (2010: £66k).

15. Fixed Assets Investments

	Investment in Subsidiaries	Equity Loans	Total
	£'000	£'000	£'000
Cost			
At 1 April 2010	6,274	2,683	8,957
Additions	-	1,359	1,359
Disposals	(6,274)	(1,467)	(7,741)
At 31 March 2011	<u>-</u>	<u>2,575</u>	<u>2,575</u>

16. Fixed Assets (Other)

	Motor Vehicles	Computer Installation	Office Fitting & Equipment	Freehold Land & Buildings	Long Lease- holds	Short Lease- holds	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1 April 2010	621	3,769	4,350	12,573	534	352	22,199
Additions	133	1,021	71	87	45	4	1,361
Disposals	(91)	-	-	-	-	-	(91)
Increased on revaluation	-	-	-	215	-	-	215
At 31 March 2011	<u>663</u>	<u>4,790</u>	<u>4,421</u>	<u>12,875</u>	<u>579</u>	<u>356</u>	<u>23,684</u>
Depreciation							
At 1 April 2010	351	3,283	2,851	-	45	149	6,679
Charge for year	73	602	242	221	5	23	1,166
Impairment	-	-	-	(89)	-	-	(89)
Eliminated on Disposal	(65)	-	-	-	-	-	(65)
Eliminated on revaluation	-	-	-	(132)	-	-	(132)
At 31 March 2011	<u>359</u>	<u>3,885</u>	<u>3,093</u>	<u>-</u>	<u>50</u>	<u>172</u>	<u>7,559</u>
Net Book Value							
At 31 March 2010	<u>270</u>	<u>486</u>	<u>1,499</u>	<u>12,573</u>	<u>489</u>	<u>203</u>	<u>15,520</u>
Net Book Value							
At 31 March 2011	<u>304</u>	<u>905</u>	<u>1,328</u>	<u>12,875</u>	<u>529</u>	<u>184</u>	<u>16,125</u>

A full external valuation of office premises was performed by Stevens Scanlan LLP chartered surveyors in March 2006. A further external full valuation was obtained at 31 March 2011, resulting in a net reversal of an impairment provision of £89k. Historic cost of the revalued assets (Freehold Land and Buildings) is £14,633k. The carrying amount of Freehold Land and Buildings that would have been included in the Financial Statements had they been carried at historic cost less depreciation is £11,706k.

17. Stocks and Work in Progress	2011	2010
	£'000	£'000
Stock of housing held for disposal – completed properties	783	1,588
Interest capitalised during the year amounted to £11k (2010: £8k)		
	<hr/>	<hr/>
18. Debtors	2011	2010
	£'000	£'000
Rental Debtors	3,690	3,609
Less provision for doubtful debts	(1,632)	(1,824)
	<hr/>	<hr/>
	2,058	1,785
Trade debtors	1,072	1,044
Less provision for doubtful debts	(202)	(330)
	<hr/>	<hr/>
	870	714
Social Housing Grant receivable	2,003	1,535
Accrued income	41	554
Agency development	441	459
Other debtors and prepayments	3,891	3,069
Amounts owed by group undertakings	11,785	10,687
	<hr/>	<hr/>
	21,089	18,803
	<hr/>	<hr/>
19. Investment:	2011	2010
	£'000	£'000
Unlisted: monies held on term deposit	5	5
	<hr/>	<hr/>
20. Creditors: Amounts falling due within one year	2011	2010
	£'000	£'000
Housing loans	1,106	1,032
Trade creditors	567	348
Other creditors	519	1,220
Other taxation and social security costs	495	474
Corporation Tax	66	195
Accruals and deferred income	11,360	10,586
Rents received in advance	2,621	1,688
Leaseholders' funds	5,627	5,410
Amounts owing to Group undertakings	3,083	9,392
	<hr/>	<hr/>
	25,444	30,345
	<hr/>	<hr/>

21. Creditors: Amounts falling due after more than one year	2011	2010
	£'000	£'000
Gross Housing Loans	243,617	232,052
Loan Issue Premiums	8,203	9,960
Loan issue Costs	(4,127)	(4,393)
Net housing Loans	247,693	237,619
Recycled Capital Grant Fund (Note 26)	273	393
Disposal Proceeds Funds (Note 26)	334	120
	248,300	238,132

Housing loans from Fresh Plc, Local Authorities, banks and building societies are secured by specific and floating charges on the Association's housing properties and assets and are repayable at varying rates of interest and are due as follows:

Loans Repayable By Instalments

	2011	2010
	£'000	£'000
Less than one year	1,106	1,032
Between one and two years	1,186	1,106
Between two and five years	4,099	3,821
In five years or more	108,333	98,297
	114,724	104,256

Loans Not Repayable By Instalments

	2011	2010
	£'000	£'000
Less than one year	-	-
Between one and two years	-	-
Between two and five years	-	-
In five years or more	138,202	138,788
	138,202	138,788

Loans not repayable by instalments relates to a £110 million bond. In January 1995 the Association raised £50 million through guaranteed secured stock known as the bond. Two further supplemental issues of £30 million were made in October 1996 and June 1998. These were consolidated, and form a single series with the original stock totalling £110 million. The term of the bond is 30 years. Interest is payable on the bond at a fixed rate of 9.125%.

22. Provision for Liabilities

	Deferred Tax	West Gorton	Total
Balance at 1 April 2010	(323)	-	(323)
Current year provision credited to I&E account	323	-	323
Current year provision	-	(6,665)	(6,665)
Balance at 31 st March 2011	-	(6,665)	(6,665)

The West Gorton provision relates to the improvement programme on the 144 units which transferred in September 2010. The provision disclosed has not been discounted, as the timescale for the liability means the adjustment was not significant.

23. Share Capital – non equity

	2011	2010
	No	No
Allotted, issued and fully paid shares brought forward	7	23
Shares Issued during year	2	2
Shares surrendered during year	(1)	(18)
Allotted, issued and fully paid £1 shares carried forward	8	7

The shares do not have a right to any dividend or distribution in a winding-up and are not redeemable.

Each share is of £1 value and has full voting rights. All shares are held in trust for the parent.

24. Revaluation Reserve

	£'000
At 1 April 2010	823
Revaluation	347
At 31 March 2011	1,170

25. Revenue Reserve

	£'000
At 1 April 2010	25,915
Surplus for the year	3,899
At 31 March 2011	29,814

26. Capital Commitments

	2011	2010
	£'000	£'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements.	28,794	13,228
Capital expenditure that has been authorised by the Board of Management but has not been contracted for.	42,377	24,477

The Association expects to finance the above by the receipt of Social Housing Grant of £19m (2010: £16.2m), further SHG applications, and the balance with a mixture of loans, finance and reserves.

27. Recycled Capital Grant Fund and Disposal Proceeds Fund

	RCGF	DPF
	£'000	£'000
At 1 April 2010	393	120
Additions for the year:		
Grants Recycled	622	295
Interest Accrued	1	1
Extractions for the Year:		
Transferred to Balance Sheet SHG	(743)	(82)
At 31 March 2011	273	334

28. Pension Scheme

Social Housing Pension Scheme

Guinness Northern Counties Limited participates in the Social Housing Pension Scheme (SHPS). The Scheme is funded and is contracted out of the State Pension scheme.

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

The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate, to 31st March 2007. From 1st April 2007 there are three benefit structures available, namely:

Final salary with a 1/60th accrual rate

Final salary with a 1/70th accrual rate

Career average revalued earnings (CARE) with a 1/60th accrual rate

From April 2010 there are a further two benefit structures available, namely:

Final salary with a 1/80th accrual rate

Career average revalued earnings (CARE) with a 1/80th accrual rate

A defined contribution benefit structure will be made available from 1 October 2010

An employer can elect to operate different benefit structures for their active members and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

The Association has elected to operate the final salary with a 1/60th benefit structure for active members as at 1st April 2007 and the career average revalued earnings with a 1/60th accrual rate benefit structure for new entrants from 1st April 2007. This does not reflect any benefit structure changes made from April 2010.

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 determine the level of future contributions required, in respect of each benefit structure, so that the Scheme can meet its pension obligations as they fall due. From April 2007 the split of the total contribution rate between member and employer is set at individual employer level, subject to the employer paying no less than 50% of the total contribution rate. From 1 April 2010 the requirement for employers to pay at least 50% of the total contribution rate no longer applies.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period, the Association paid contributions at the rate of 13.8%. Member contributions varied between 4.0% and 11.9%.

As at the balance sheet date there were 348 active members of the Scheme employed by the Association. The annual pensionable payroll in respect of these members was £10,084,578. The Association continues to offer membership of the Scheme to its employees.

28. Pension Scheme (Continued)

Social Housing Pension Scheme (continued)

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 last formal valuation of the Scheme was performed as at 30 September 2008 by a professionally qualified actuary using 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 financial assumptions underlying the valuation as at 30 September 2008 were as follows:

	% pa
Valuation Discount Rates:	
Pre retirement	7.8
Non Pensioner Post Retirement	6.2
Pensioner Post Retirement	5.6
Pensionable Earnings Growth	4.7
Price Inflation	3.2
Pension Increases:	
Pre 88 GMP	0.0
Post 88 GMP	2.8
Excess over GMP	3.0

Expenses for Death-In-service insurance, administration and Pension Protection Fund (PPF) levy are included in the contribution rate.

The long-term joint contribution rates that will apply from April 2010 required from employers and members to meet the cost of future benefit accrual were assessed at:

Benefit Structure	Long-term Joint Contribution Rate (% of pensionable salaries)
Final salary with a 1/60 accrual rate	17.8
Final salary with a 1/70 accrual rate	15.4
Career average revalued earnings (CARE) with a 1/60 accrual rate	14.9
Final salary with a 1/80 accrual rate	13.5
Career average revalued earnings (CARE) with a 1/80 accrual rate	11.9

28. Pension Scheme (Continued)

Social Housing Pension Scheme (continued)

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. Following consideration of the results of the actuarial valuation it was agreed that the shortfall of £663 million would be dealt with by the payment of deficit contributions of 7.5% of pensionable salaries, increasing each year in line with salary growth assumptions, from 1 April 2010 to 30 September 2020, dropping to 3.1% from 1 October 2020 to 30 September 2023. Pensionable earnings at 30 September 2008 are used as the reference point for calculating these deficit contributions. These deficit contributions are in addition to the long-term joint contribution rates set out in the table above.

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

As a result of pension scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out 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 Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's 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 debt therefore depends on many factors including total Scheme liabilities, Scheme 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.

Guinness Northern Counties has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme based on the financial position of the Scheme as at 30 September 2010. As of this date the estimated employer debt for Guinness Northern Counties was £49,265,000.

Other Pension Schemes

Growth Plan

Guinness Northern Counties Limited participates in the Pensions Trust's Growth Plan. The Plan is funded and is not contracted out of the state scheme. The Growth Plan is a multi-employer pension plan where the share of the assets and liabilities to each employer is not identified. Guinness Northern Counties therefore account for its pension costs on a defined contribution basis as required by FRS 17 "Retirement Benefits".

28. Pension Scheme (Continued)

Other Pension Schemes (Continued)

Growth Plan (continued)

The Association offers the Growth Plan as an AVC investment option for members of the Social Housing Pension Scheme. The members pay contributions at a rate of their choice. The Association does not pay contributions to the Growth Plan.

Contributions paid into the Growth 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 Growth Plan or by the purchase of an annuity.

The rules of the Growth 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 rules of the Growth 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. This is that the plan should have sufficient assets to meet its past service liabilities, known as Technical Provisions. As a result there is a potential debt on the employer that could be levied by the Trustee of the Plan. The 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.

Standard Life Plan

The Association operates a defined contributions scheme in respect of estate staff provided by Standard life. The costs are charged to the Income and Expenditure Account on an annual basis. The total employer costs in respect of this scheme were £1,666 (2010: £1,540) for 3 employees (2010: 3 employees).

29. Legislative Provision

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

30. Subsidiaries

The following managed undertakings are subsidiaries by virtue of the ability of the Association to control the composition of its Board.

Name of Undertaking	Country of Incorporation	Principal Activity
Bower Homes Limited	England	Housing for rent and the care and support of residents with learning disabilities. A charitable Registered Social Landlord.

In addition, the following two undertakings are subsidiaries by virtue of holding 100% of their share capital:

City Response Limited	England	Repairs
Encore Homes Limited	England	Managing agents

31. Related Parties

There are no related party transactions which necessitate additional disclosure. The Association has taken advantage of the exemptions under Financial Reporting Standard 8 – Related Party Transactions not to disclose intro-group transactions.

As at 31 March 2011, one board member was a tenant of Guinness Northern Counties. He is charged normal policy rents for his dwelling and receives no favourable treatment in any other respect for being a member.

32. Ultimate Parent Undertaking and Controlling Party

The ultimate parent company of Guinness Northern Counties Limited is the Guinness Trust. The largest and smallest entity for which consolidated accounts are prepared is The Guinness Trust. Copies of these consolidated accounts can be obtained from 17, Mendy Street, High Wycombe, Buckinghamshire, HP11 2NZ

33. Post Balance Sheet Event

During 2010/11 a special resolution was passed by the members of Bower Homes Limited to transfer the whole of the stock, property, assets, liabilities and all engagements of the Association to Guinness Northern Counties Limited.

Registration of the special resolution was acknowledged by The Financial Services Authority with effect from midnight on the 31st March 2011. All assets, liabilities and trade were transferred on the 1st April 2011.

No consolidation of the Bower Homes Limited balances has been made within the 2010/11 accounts of Guinness Northern Counties Limited.

Board of Management

Lloyd Clarke, QPM (appointed Chair 28 th September 2010)	(Chair)
Peter Munday	(Vice Chair)
Anthony Bell	
Peter Cotton (appointed 29 th June 2010)	
Pauline Davis	
Margaret May	
Malcolm Rogers	
Dr M Sharif Salim, MBE (retired 14 th December 2010)	
Les Styles (co-opted)	
John Thomson (retired as Chair 28 th September 2010)	

Executive Officers

Chief Executive	Carol Matthews
Director of Financial Services	Paul Roberts
Director of Investment and Regeneration	Allan Ramsay
Director of Neighbourhood Services	John Cockerham
Director of Customer Services	Penny Bayley
Director of Asset Management and City Response Ltd	Andy Plant
Assistant Director Human Resources and Organisational Development.	Emma Walker-Cotton
Company Secretary	Elaine Repton

Advisors

Principal Bankers:	Barclays Bank PLC Level 27, 1 Churchill Place, London, E14 5HP
Statutory Auditors:	Nexia Smith and Williamson, Imperial House, 18-21 Kings Road, Southampton, Hampshire, SO15 2AT
Corporate Financial Advisors:	Tribal Treasury Services Limited, London
Funders:	Santander, Co-operative Bank, Orchardbrook, Barclays, Yorkshire Building Society
Bond Assurers:	Assured Guaranty (Europe) Limited
Registered Office:	Bower House, 1 Stable Street, Hollinwood, Oldham, OL9 7LH
Website:	www.guinnessnortherncounties.co.uk
Registered Numbers:	Tenant Services Authority Registered Number: L0407 Industrial and Provident Society Registered Number: I9203R

