

COSMOPOLITAN HOUSING GROUP

Annual Report 2010

*“A celebration of diversity,
strength through unity”*



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CHAIRMAN'S STATEMENT

It is with more than a little sadness that I have to introduce my last statement as Chair, having held the position since the Group's inception in 2004. Prior to the creation of the group structure I had been Chair of Cosmopolitan Housing Association in its various guises since 1974. During that period the organisation has grown from small beginnings into the diverse Group that we see before us today. As I stated last year, during our 40th anniversary celebrations, this progress is a testimony to the many people that have contributed to the success of the organisation over the years and have provided Cosmopolitan much needed and valued support.

Fortunately I am not having to say goodbye to Cosmopolitan completely, as I will be remaining on the Board for the next few years, continuing to make a contribution to the aims and objectives of the Cosmopolitan Group as a whole by providing first class services to our many customers and clients.

My successor as Chair of Cosmopolitan Housing Group is Bill Snell, who has previously been a board member of Cosmopolitan Housing Association prior to joining the parent board in 2008. Bill has recently taken early retirement, having worked for USDAW for many years, and is looking forward to immersing himself in the work of Cosmopolitan.

Despite the wider economic difficulties that are facing the UK, and indeed, the global economy, the Group has continued to go from strength to strength over the past year. I would like to take this opportunity to outline some of the key highlights from the past twelve months.

Sustainable growth based upon financial strength has always been a watchword for the Group, and it is therefore pleasing to witness that despite the difficult conditions that many are facing, the Group has continued to deliver upon its growth aspirations.

Following on from last years report Cosmopolitan Housing Association has nearly spent the £20 million loan facility that was procured through Barclays Bank and is currently in negotiations with Santander for a further £15 million loan facility agreement that will continue to service its continued expansion over the next few years. A tremendous vote of confidence for the organisation in this current economic climate. The Association has continued to develop its relationship with GB Finance, which has facilitated the expansion of the supported housing element of the business. Working in partnership with various care providers the Association is able to provide suitable

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accommodation for clients that cater for their individual needs. During the year Marston Gardens, the Association's first Extra Care Scheme, was officially opened by Ken Dodd and as can be seen all who attended were "tickled pink".

Cosmopolitan Student Homes has also experienced an eventful year, the Bagot Scheme in Birmingham is nearing its "topping out" and the pipeline of schemes are continuing to develop which will provide continued growth and expansion for the organisation. As the organisation matures the financial position is continuing to strengthen and gains more confidence in its position within the student accommodation market.

However, growth is not pursued for the sake of it. It is only pursued where it offers viable and sustainable developments to meet identified needs. During a period of economic uncertainty, prudence will also be exercised to ensure that risks are minimised and the Group's overall health and reputation for excellence is maintained.

Finally I would like to take this opportunity to thank all the staff, Board Members, and partners that have worked with the organisation during the many years that I have been Chair of either Cosmopolitan Housing Association or Cosmopolitan Housing Group. It has been a very interesting journey over the last 35 years during which the world of social housing has changed dramatically and governments, too many to mention, have come and gone. I hope you will enjoy this report and continue to support the work of Cosmopolitan as you have done in the past.



Alan Birley
Chairman



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BOARD OF MANAGEMENT

(As at 31st March 2010)

Mr A B Birley (Chair)

Ms R Cooper

Ms H Summers

Mr T McBride

Mr W Snell

Mr G A Redhead

Mr K S Martin

Mr D Hartley

GROUP STRUCTURE

Cosmopolitan Housing Group Limited is the “Parent” company within the Group. Some key features to note about it are that it:

- Is a company limited by guarantee
- Is non-charitable
- Is a Registered Social Landlord
- Owns no assets
- Employs the staff required by the organisations within the Group

The Parent is responsible for providing leadership and promoting excellence in each of the member organisations. Through the operation of a robust service infrastructure, the Parent is committed to ensuring that the Group has a firm basis from which it can continue its ambitious plans for continued sustainable growth and service improvement.



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VISION

The Group's vision for the future is one where through the combined efforts of its member companies, the cumulative successes of its members will place Cosmopolitan Housing Group Limited as a recognised provider of diverse, innovative, customer focussed, high quality housing related products and services.

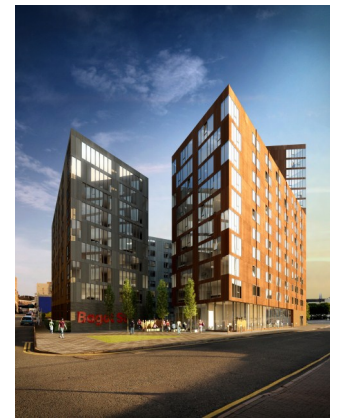
MISSION STATEMENT

In delivering this vision the Group has a mission *'to provide leadership and promote excellence in each member company and maintain an infrastructure for continued growth and financial stability'*.

CORE VALUES

The Group has developed the following values that it expects all member companies to follow:

- Listening to, and communicating with, customers, employees and external stakeholders in a timely, accurate, understandable and respectful manner
- Understanding the value of effective and efficient business processes to bring about positive results
- Fostering an environment that promotes personal and corporate innovation, sharing and maximisation of resources and team-work
- Being open to change and flexible in attitude
- Respect, integrity, trust and fairness are fundamental to personal, customer and inter-agency actions
- Valuing a culture where everyone is involved, accountable, respected and appreciated
- Aim to perform at the highest level of competence and taking pride in accomplishment



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REGULATION

The past year has represented one of regulatory upheaval in the social housing sector, with the Housing Corporation's regulatory functions being transferred to the Tenant Services Authority and the investment arm moving across to the Homes and Communities Agency.

As could be expected, this has resulted in a transitional period over the past year. However, positive relationships have been maintained with the Lead Regulator.

All regulatory returns to the Tenant Services Authority have been made as required, in the appropriate format and within designated timescales. Positive feedback has also been received as a result of the Group's Annual Self-Assessment Compliance Statement which has contributed to the Group's overall regulatory risk status being designated as "low".

GOVERNANCE

Over the past year the Group has endeavoured to strengthen its overall governance arrangements. As a result of its Annual Evaluation and Review exercise, it was identified that the Board needed to recruit additional skills in the areas of Diversity and Human Resources.

As a result of an open recruitment exercise, the Group appointed Bill Snell to the Parent Board of Management. Bill has been involved with the Group for a number of years through his involvement with Cosmopolitan Housing Association. With his considerable and varied strategic level expertise in this area, combined with his knowledge of the Group, Bill will add considerable strength to the organisation over the coming years.

The Group has an annual governance review process in place. This has been conducted again over the past year and includes the following key features:

- Each Board has agreed its preferred balance of skills, qualities and experience of its membership, approved by the Group Membership and Staffing Committee.
- The Chairs took ownership of a Board Member appraisal process.

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- Board Members reviewed their strengths and weaknesses against a skills matrix.
- The findings were reported to the Group Membership and Staffing Committee and influenced the recruitment and succession planning strategies.

The Annual Evaluation and Review process also identified additional training and development needs for the Parent Board, which resulted in sessions being delivered to the Board on the following areas:

- Changing Regulatory Environment
- Short Notice Inspections
- Impact of the “credit crunch”

Further focus on the Group’s governance arrangements will be a key feature over the forthcoming year as it seeks to review the effectiveness of its current structural arrangements to ensure that the organisation is best placed moving forward.

During 2009/10, Cosmopolitan Housing Group, along with all of the subsidiaries, adopted two new codes published by the National Housing Federation in order to maintain the highest levels of probity in all of its dealings. The Code of Conduct and the Excellence in Governance Code have been introduced and the Group is now working towards incorporating the information contained within the codes into all aspects of the Group’s work. The Group, and its subsidiaries, considers themselves to be in full compliance with the Codes.

The Group spent time during the past year working towards the new regulatory framework set out by the Tenant Services Authority, particularly in relation to the standard for Governance and Financial Viability. The Group continues to ensure that effective governance arrangements are in place that deliver our aims, objectives and intended outcomes for tenants and potential tenants in an effective, transparent and accountable manner. The Group also continues to ensure that it adheres to relevant legislation and that it manages resources effectively to ensure viability is maintained.



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GROUP COMMITTEES

A Committee structure is in place within the Group to allow for more detailed scrutiny to be applied to certain critical business areas. They add value to the Group through the application of detailed knowledge and consist of the following:

- Group Audit Committee
- Group Finance Committee
- Group Membership and Staffing Committee

Group Audit Committee

Over the course of the last year, the Audit Committee has overseen the implementation of the Group's Internal Audit programme, as delivered by Mazars LLP.

The completion of the previous year's programme revealed that there was an appropriate level of controls in place for the Committee to provide the Group with the requisite level of assurances required.

This was further underlined with the reporting to the Committee of the Executive's Annual Assurance Statement which reinforced the controls that are in place across the Group combined with a commitment to continuous improvement.

During the period 2009/10, the internal audit function undertook reviews of the following areas of activity:

- Business Planning and Forecasting
- Cosmopolitan Enterprises Limited
- Insurance
- IT Asset and Data Security
- Rent Collection and Rent Adjustments
- Health and Safety
- Procurement
- Scheme Appraisal and Feasibility
- Treasury Management
- Value For Money
- Purchasing and Payments
- Asset Register and Inventories

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- Group Recharges
- Non Rental Income
- Nominal Ledger including Reconciliations
- Rent Accounting and Rent Increases
- Service Charges

The Group performed well in all audits, and have accepted all recommendations for improvement. Following their review of the Group's overall control framework, Mazars reported the following in their Audit Annual Report:

“In respect of the areas of activity which we reviewed, and subject to the weaknesses identified and reported in our internal audit reports, the Group has an adequate, effective and reliable framework of internal controls which provide reasonable assurance regarding the effective and efficient achievement of the Group's objectives.” (Mazars – Annual Audit Report 2010)

Finance Committee

The Finance Committee has experienced a particularly busy year over the past twelve months. One area of activity in particular that has involved the Committee's expertise has been the retendering of the Group's External Auditor function and after a long relationship, lasting many years, working with Duncan Sheard Glass the decision was made to engage the services of PKF.

Following the procurement of the £20million loan facility with Barclays last year has quickly been spent and the organisation is currently in negotiations with Santander for a further £15 million loan facility agreement that will continue to service its continued expansion over the next few years.

Group Membership & Staffing Committee

The Membership and Staffing Committee has been engaged during 2009/10 with the annual review of Board performance and the development and implementation of Board Member recruitment strategies.



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It has reviewed and overseen a series of appointments, which have included the following:

- Appointment of Darren Hartley as Chair of Cosmopolitan Housing Association, who will provide leadership and direction whilst enhancing knowledge and skills in many areas identified by the organisation's skills matrix
- Appointment of Maria O'Brien to the Board of Cosmopolitan Housing Association, enhancing knowledge in Housing generally but specifically in the area of Regeneration and Neighbourhood Management

RISK MANAGEMENT

Risk has continued to be a key focus of the Group over the past twelve months, particularly in light of the potential risks caused by the wider economic downturn and recession.

All proposals made to Board are required to consider and review any associated risks, in addition to an annual review of the Risk Maps for each organisation within the Group in accordance with the methodology set out in the Group's Risk Management Strategy. The process, which includes a separation of gross and residual risks, is a critical element of the Group's annual business planning processes and helps to identify where opportunities may be grasped as well as key risks averted.

EQUALITY AND DIVERSITY

The Group has once again reviewed its Equality and Diversity Strategy over the course of the past year to take into account the continuous changes that have been taking place in this area.

One particular achievement to note in this area has been the establishment of an Equality and Diversity Staff Working Group. This group consists of staff members derived from all departments across the organisation, and is fulfilling an important role in embedding this agenda within the organisation. One area that the group has taken operational control over is overseeing the

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implementation of the Equality and Diversity Action Plan.

Some of the key activities that have stemmed from this work during the year have included the following:

- Tenant profiling activities have been undertaken within the Association. This is to ascertain the diversity needs of all tenants across the diversity strands so that the intelligence derived may be utilised to provide much more tailored and effective services in accordance with the users' needs.
- A staff diversity audit has been undertaken to identify the needs of staff across the organisation.
- The development of a Diversity Handbook for all staff has also been well progressed during the year to provide staff with clear and unequivocal guidance on meeting a broad range of diverse needs. This has received recognition as good practice by Investors In People and by HouseMark.
- A programme of Equality Impact Assessments has been undertaken across all key policy areas in accordance with a new methodology that has been developed throughout the year.
- Continued focus and emphasis is given to the implementation of the Group's Disability and Gender Equality duties



HUMAN RESOURCES

The Group is responsible for employing all staff, who are subsequently deployed according to the business needs of the Subsidiary organisations. The Group's approach to Human Resources is a simple one. Quite simply, they are viewed as our most valued assets. It therefore follows naturally from this that continuous training and development of staff is a given if they are to be able to effectively contribute to the fulfilment of the Group's corporate objectives.



The Group utilises a Performance Management Framework to ensure that it is able to cater for the needs of each individual, whilst also setting targets and

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objectives that are aligned with the annual objectives of each organisation within the Group.

Considerable investment in staff training and development was made over the course of the past year, following an in-depth performance appraisal process being undertaken.

The Group participated in the Best 100 Companies during the year and were pleased to achieve 'One to Watch' status, only narrowly missing being placed.

Overall, performance information relating to employment across the Group has exceeded targets set for 2009/10.

Finally, the Group developed a new Human Resources Strategy during the year which will bring increased clarity and direction to the Group's approach to managing its human assets as part of a coherent and co-ordinated approach. In addition revised Staff and Board member Succession Plans were developed.

INFORMATION TECHNOLOGY

The Group's IT Team has introduced a number of changes during 2009/10 that have resulted in further improvements for staff. This has included further enhancements to the IT Helpdesk function, as well as supporting the implementation of a new Human Resource system and on-line booking and payment systems for Cosmopolitan Student Homes. Considerable investment in hardware and software is also being made to improve efficiency.

Looking forward, the Group also intends to develop a new Information Technology Strategy over the next 12 months.

POLICIES AND PROCEDURES

The Parent takes a lead role on areas that relate to the infrastructure and maintenance of the Group as a whole, developing the overall strategic direction and key approach to a variety of Group-wide issues.

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One method that is used by the Group to maintain corporate synergies is through the creation of Core Values, and the ratification of all Business Plans of each Subsidiary organisation. The Group is also responsible for producing strategies and policies, which over the past twelve months have included the creation and/or review of the following:

- Treasury Policy Statement
- Treasury Management Strategy
- Financial Procedures & Delegated Financial Authorities
- Annual Financial Strategy
- Human Resources Strategy
- Anti Fraud Policy
- CCTV Policy
- Equality and Diversity Strategy
- Information Security Policy
- Internal Controls Assurance Statement
- Telecommunications Policy
- Information Security Policy



THE FUTURE

As the Group moves forward, it has already been witnessed that the instability in the UK economy is creating both challenges for the Group, as well as creating opportunities for continued growth, both within Cosmopolitan Housing Association and Cosmopolitan Student Homes. The prudent and sound financial management of the Group, combined with strong partnerships and innovative and flexible approaches, has placed it on strong foundations to take advantage of opportunities as they arise.

When the originating organisation, Liverpool and District Student Housing Association, was created 40 years ago it may have been difficult to imagine that it would eventually spawn the diverse structure that Cosmopolitan Housing Group represents today. With social housing situated in all local authorities in the Greater Merseyside area, and expanding further year by year, and student schemes now located in Preston, Manchester, Salford, Bradford, and Stratford-upon-Avon as well as Liverpool, the Group has a come a long way from its humble beginnings.



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However, with further growth in the pipeline, the continued expansion seems assured. Where the Group will be in a further 40 years when combined with the ambition of the organisation's founders means that there are endless possibilities. Wherever it may be however, one thing is assured - the Group will remain loyal to its founding objectives. Any growth will only be to complement a primary focus on delivering high quality services that make a real and positive difference. When this spirit is combined with the commitment, enthusiasm and dedication that is given every day by the organisation's staff, Board members, and partners, Cosmopolitan Housing Group becomes a very special place to be.



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INCOME & EXPENDITURE ACCOUNT AS AT 31 MARCH 2010

Income	2010 (£)	2009 (£)
Rents	18,931,507	16,917,085
Service Charges	2,446,008	1,916,542
	21,377,515	18,833,627
Voids	(857,861)	(670,620)
Turnover from Lettings	20,519,654	18,163,007
Other Income	2010 (£)	2009 (£)
Enterprises Limited	185,000	60,517
Development Services	854,642	903,948
Sales of Properties	332,219	933,168
Other	260,014	175,415
Total Other Income	1,631,875	2,073,048
Turnover	22,151,529	20,236,055
Expenditure	2010 (£)	2009 (£)
Services	2,132,994	1,969,216
Management	3,628,132	3,174,896
Routine Maintenance	4,252,488	3,115,405
Major Repair	381,355	319,531
Development Services	819,319	833,909
Sale of Properties	260,587	915,018
Depreciation of Housing Properties	662,564	439,041
Bad Debts	-16,755	69,858
Lease Payments	3,927,446	3,945,095
Lease Interest Payments	2,687,316	2,477,945
Enterprises Operating Costs	70,836	56,081
Other Costs	98,995	22,460
Operating Costs	18,905,277	17,338,455
Operating Surplus	3,246,252	2,897,600
Interest Receivable	179,625	151,262
Interest Payable	(2,422,924)	(2,325,695)
Profit on Sale of Fixed Assets	-	(45,428)
Movement in Fixed Asset Investment	(131,572)	(262,925)
Share of Loss on Joint Venture	(11,013)	(114,562)
Corporation Tax	(6,154)	(106)
Surplus for the Year after Tax	854,214	300,146

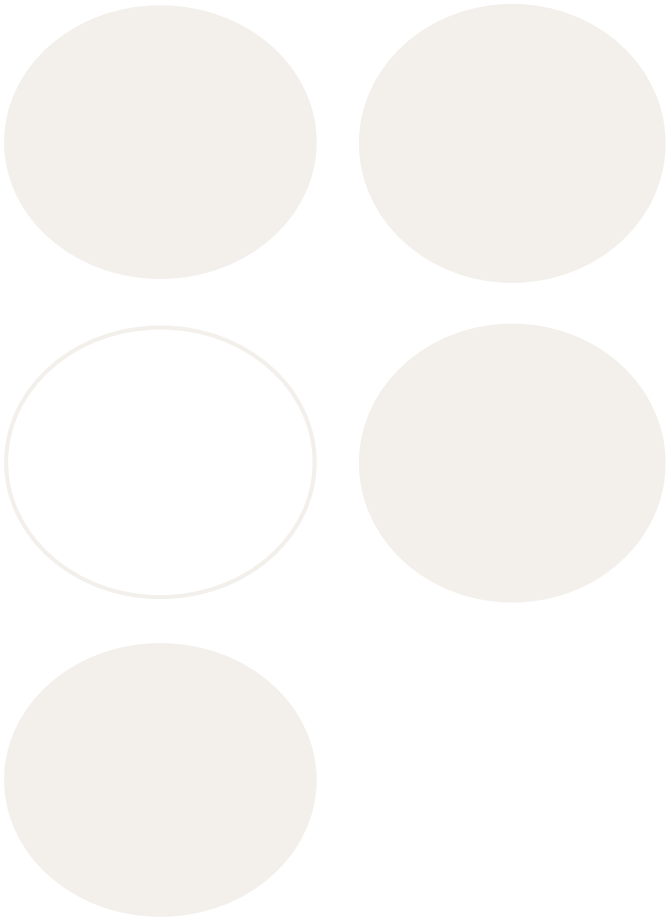


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BALANCE SHEET AS AT 31 MARCH 2010

Fixed Assets	2010 (£)	2009 (£)
Tangible Assets	230,078,829	198,063,300
Less Social Housing Grant	(91,805,338)	(72,862,163)
	138,273,491	125,201,137
Investments	1,570,499	1,702,071
Investments in Joint Ventures	1,448,266	1,070,298
	141,292,256	127,973,506
Current Assets	2010 (£)	2009 (£)
Debtors	5,134,564	6,586,168
Properties for Sale	2,190,514	3,263,079
Cash at Bank & Short Term Investments	3,576,240	1,980,131
	10,901,318	11,829,378
Creditors	2010 (£)	2009 (£)
Amounts falling due within one year	9,167,885	8,116,083
Net Current Assets	1,733,433	3,713,295
Total Assets Less Current Liabilities	143,025,689	131,686,801
Creditors	2010 (£)	2009 (£)
Amounts falling due after more than one year	96,744,125	86,648,431
Pension Scheme Liability	2,548,000	2,563,000
Capital and Reserves	2010 (£)	2009 (£)
Non Equity Share Capital	11	12
General Reserve	1,560,780	1,113,279
Designated Reserve	19,862,789	19,369,581
Revaluation Reserve	22,309,984	21,992,498
	143,025,689	131,686,801





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