housing21

Financial statements 2008/09

Board, management team and advisers

Board
Mr David Grayson, CBE (Chair)
Mrs Sandra Robinson, (Vice Chair)
Mr Matthew Harker
Ms Heléna Herklots
Mr Peter A Letley
Ms Melinda Phillips, Chief Executive
Ms Pushpa Raguvaran, Deputy Chief Executive and Commercial Director
Mr James Robinson
Mr Michael Stansfield
Mr Brian Ward-Jones

Management team
Melinda Phillips, Chief Executive
Pushpa Raguvaran, Deputy Chief Executive and Commercial Director
Tayo Bilewu, Director of New Business and Development
Les Clarke, Director of Older People's Services
Paul Richards, Director of Property and Customer Support

Secretary and registered office
Mr Jim Farmer
The Triangle
Baring Road
Beaconsfield
Bucks HP9 2NA

Auditors
BDO Stoy Hayward LLP
Emerald House
East Street
Epsom
Surrey KT17 1HS

Bankers
Barclays Bank plc
Corporate Banking
Level 28, 1 Churchill Place
Canary Wharf
London E14 5HP

Principal solicitors
Devonshires
Salisbury House
London Wall
London
EC2M 5QY

Registration of the Association
The Association is incorporated under the Industrial and Provident Societies Act 1965 (Registered number 16791R) and under the Housing Act 1996 (Number L0055).

Housing 21 is an exempt charity.

Contents

Report of the Board

Housing 21's Group of active companies (the Group)

Housing 21 (the association), a registered provider of social housing.

War Memorial Village Derby (WMVD) is a charitable member of the Group. It is a company limited by guarantee which does not have share capital. Housing 21 acts as managing agent for WMVD.

Housing 21 Guernsey Limited by Guarantee is registered in Guernsey and limited by guarantee. It is a subsidiary working solely in Guernsey.

Oldham Retirement Housing Partnership Limited (ORHP) is an industrial and provident society with charitable status set up to refurbish and manage stock in Oldham on behalf of Oldham Metropolitan Borough Council (OMBC).

Kent Community Partnership Limited (KCP) is an industrial and provident society with charitable status set up to build and manage stock in Kent.

Housing 21 Property Services Limited (PSL) is a company limited by shares set up to manage the Group's development programme in Walsall.

Principal activities and review of the business

Details of the Group's activities, a review of activity for the year ended 31 March 2009 and its prospects are set out in the Chairman's statement.

Creditor payment policy

The Group agrees payment terms with its suppliers when it enters into binding contracts. It seeks to abide by these terms when it is satisfied that the supplier has provided the goods or services in accordance with agreed terms and conditions.

Advancement of disabled persons

Applications for employment from disabled persons are given full and fair consideration for all vacancies having regard to their particular aptitude and abilities. In the event of employees becoming disabled, every effort is made to retain them in order that their employment within the Group may continue.

It is Group policy that training, career development and promotion be available to all employees.

Employee involvement

The Group continued its policy on consultation and communication with employees on matters affecting them and on the progress of the Group. Through the staff council, staff are consulted on various issues. Additionally, there are cascade briefings from the management team, departmental and team meetings and other forms of communication such as newsletters, email bulletins and the intranet.

Health and Safety and Audit

There is a health and safety policy which is regularly reviewed by the staff council and the property services forum.

The Risk Management and Audit Committee oversees compliance with health and safety legislation and policies. It regularly reviews the strategy for ensuring a positive health and safety culture is promoted within the Group, gaining the commitment of staff and providing sufficient and clear information about the benefits to the business.

Insurance of directors and officers

Directors of all group companies are covered under the an annually reviewed Directors and Officers Liability insurance policy to an indemnity limit of £5m in respect of their duties as directors of the group.

Governance

The Group is committed to exhibiting best practice in aspects of corporate governance. Throughout the year ended 31 March 2009 Housing 21 and its subsidiaries were in full compliance with all provisions of the Tenant Services' Authority (TSA) Regulatory Code and the Group's governance handbook which includes financial regulations, standing orders and respective roles and responsibilities. The governance handbook fully reflects the requirements laid down by the TSA Regulatory Code and advised by the National Housing Federation and has continued to be updated and revised throughout the year.

Each member of the Board brings varying experiences and skills to the operation of the Board and its subcommittees. The Board composition is kept under review and when a new appointment is to be made, consideration is given to the kind of experience that a potential new member could add to the existing mix.

The governance structure is the subject of ongoing review and the performance of the Board Members individually and collectively is regularly appraised.

The Board is remunerated in line with regulatory guidance and best practice and only where there is a sufficient business case to do so.

Statement of Board's responsibilities

The Board is required to prepare the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice, for each financial year, which give a true and fair view of the state of affairs of the Group and the surplus or deficit of the Group for that period. In preparing those financial statements the Board is required to:

- Select appropriate accounting policies and then apply them consistently;
- Make judgements and estimates which are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material disclosures, disclosed and explained in the financial statements; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Board is responsible for keeping proper accounting records which disclose the financial position of the Group and to enable it to ensure that the financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom, the Industrial and Provident Societies Acts 1965 to 2002, the Industrial and Provident Societies (Group Accounts)

Regulations 1969, Schedule 1 to the Housing Act 1996 and with the Accounting Requirements for Registered Provider of Social Housing General Determination 2006. The Board is responsible for instituting adequate systems of internal control and safeguarding the assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directing the business

The Board as a whole is collectively responsible for ensuring the success of the Group and ensuring its compliance with all legal and regulatory obligations by directing and supervising the Group's affairs. The Board:

- Provides entrepreneurial leadership of the Group within a framework of prudent and effective controls which enable risk to be assessed and managed;
- Sets the Group's strategic aims, ensures that the necessary financial and human resources are in place for the Group to meet its objectives, and reviews management performance; and
- Sets the Group's values and standards and ensures that its legal and regulatory obligations are understood and met.

The work of the Board has the following key elements:

- Members constructively challenge and contribute to the development of the strategy of the Group;
- Scrutinise the performance of management of the Group in meeting agreed goals and objectives and monitoring the reporting of performance;
- Ensure financial information is fair and reasonable and that financial controls and systems of risk management are robust; and
- Determine appropriate levels of remuneration of executive members of the Board and the senior management team and have a prime role in appointing, and where necessary removing, senior management and in succession planning.

Board members:

- Comply with the Group's policies, procedures and standing orders as set and amended from time to time by the Board, and with the Rule book of Housing 21 as amended by shareholders at the general meeting on 27th July 2007 (the Rules);
- Act within the Rules;
- Uphold and promote the core policies, purpose, values and objectives of the Group reviewed and updated during the year;
- Contribute towards and share the responsibility for decisions of the Board and/or any Committee of the Board of which they are from time to time a member; and
- Uphold the Group's code of conduct.

The role of the Board is to exercise effective control over the Housing 21 Group and formulate the strategy both directly and through its committees.

Audit and Risk Management Committee

Peter Letley – Chair
Matthew Harker
Heléna Herklots
James Robinson

Performance Committee

Peter Letley – Chair
Melinda Phillips
Pushpa Raguvaran
James Robinson
Sandra Robinson
Michael Stansfield

Personnel, Selection and Remuneration Committee

David Grayson – Chair
Peter Letley
Sandra Robinson

Housing Services Committee

Brian Ward-Jones – Chair (tenant Board member)
Sandra Robinson – Vice Chair
(Non Board members)
Rob Barclay (non tenant member)
Alan Bird
Martin Dean (non tenant member)
John Dodd
Harry Hirst
Maureen Hooley
Brian Horsman (leasehold resident member)
George Lambert
William Moore
Maureen Savage
George Spry
Vernon Tattersall
Derek Thorogood
Denis Wise

Recruitment of Board members

The Board is elected by shareholding members. One third of the Board is elected at each Annual General Meeting. The Board has the capacity to co-opt members. There is an open recruitment policy, with applications sought from candidates with a defined range of skills and experience, including those directly concerned with our client base. The maximum term that any Board member can serve is three consecutive terms of three years (nine years in total).

The Chief Executive and Deputy Chief Executive/Commercial Director serve on the Board as representatives of the executive management team. Their term of office is commensurate with their term of employment.

Policy for admitting shareholding members

We have an open membership policy, whilst seeking to achieve a broad and balanced membership including tenants and non tenants and corporate and individual members.

Group internal controls assurance

The Board has overall responsibility for the Group's systems of internal control which are designed to reduce the risk of failing against agreed business objectives. Management is responsible for implementing Board policy. The resultant systems of control cannot eliminate loss but can provide reasonable assurance to mitigate it.

Report of the Board

Through the Audit and Risk Management Committee, the Board has ensured that an ongoing appraisal of the Group's internal control systems and risk management processes has continued throughout the year ended 31 March 2009.

The Group employs a professional internal audit team, independent of business management, to review objectively the policies of the Board and operations of the Group and to consider the adequacy of internal controls used to effectively manage the risks. Audit reviews are planned on a risk-assessed basis and agreed actions that are fundamental are followed up with management to completion.

Where issues have come to light, effective action has been taken to close control weaknesses as they have arisen. Progress against action plans designed to close any control gaps has been reviewed as a matter of course by the Audit and Risk Management Committee.

In addition to the annual internal audit plan, management in conjunction with the internal audit function, separately review the effectiveness of the internal control system the outcome of which is considered by the Board.

There have been no significant control weaknesses reported during the year under review which have not been effectively actioned and closed.

Combating fraud

As part of its system of internal control, the Audit and Risk Management Committee has approved a clear and well-communicated anti-fraud strategy and policy. The policy defines fraud and the strategy covers prevention and detection within the association together with how it is reported both internally and externally, and its expectations on the recovery of assets. A clearly established whistle blowing policy is included in the arrangements.

The group maintains a register of all incidents of fraud and attempted fraud detected. The Audit and Risk Management Committee receives a report at each meeting of all cases of fraud and attempted fraud, detailing the nature and extent of the fraud and any implications for the association's internal control system.

Risk Management

Housing 21 recognises that the achievement of its objectives will almost always involve the taking of a certain amount of risk. Hence a strategy based purely on risk avoidance could seriously inhibit the Group's performance. The Board therefore accepts the need for a process of management of risk that is as effective as possible. It sees such a process as a fundamental requirement.

There are many stakeholders in the Group – both internal and external parties. Their investment, financial or otherwise, is considerable. They need assurance that the governance activities of the Group are of a high standard. Good risk management is an important part of those activities.

The Group's Chief Executive, the Commercial Director and the Head of Audit, Risk and Regulation (ARR) have responsibility for implementation of the risk management strategy. The Group's risk management officer reports to the Head of ARR and has responsibility for ensuring that the necessary activity is undertaken by management.

During the year a framework has operated which seeks to identify and manage down those risks which would prevent the Group from achieving its key objectives as specified in the Corporate Plan. The framework includes a regular review of the Board's appetite for risk and an ongoing assessment for each business area of the main risks affecting strategy and operations. Action plans have been developed for each area of the business and as a whole for the Group to manage down those risks considered to be outside the level of acceptability as determined by the Board. In particular, the framework includes:

- An integrated risk management strategy;
- A risk management policy including roles and responsibilities;
- Risk management workshops to identify risks associated with key objectives;
- An alignment of risk assessment and planning processes; and
- A project risk management policy.

Financial, operational and governance reporting

The Audit and Risk Management Committee receives regular risk reports covering all areas of the business which specify:

- The progress made with managing recognised risks;
- New risks and those previously assessed as acceptable but which have moved above the line; and
- Internal audit progress.

The reports also contain details of Business Learning Incidents, those material events that have caused risks to crystallise within the Group, together with the action taken by management to ensure that recurrence does not happen. Integrated risk reports are consolidated and presented regularly to Audit and Risk Management Committee throughout the year and summarised annually for the Board.

The Board is satisfied that the Group's systems of control are operating effectively and that where weaknesses have been found, effective and timely remedial action is being taken to close control gaps.

Auditors

All of the current Board members have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Group's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Board members are not aware of any relevant information of which the auditors are unaware.

A resolution to reappoint BDO Stoy Hayward LLP as auditors will be proposed at the next Annual General Meeting.

By order of the Board

J. Farmer.

Mr J Farmer

Secretary
26th June 2009

Operating and financial review

Despite the challenges of the credit crunch and economic recession, it has been another successful year for the Group in terms of business growth and organisational development.

The housing development programme saw an increase overall of 122 units for rent and shared ownership during the year. The Group ensured a healthy pipeline of new units by securing a record level of grant funding from the Homes & Communities Agency. In the light of poor housing market conditions, we took the opportunity, during the year, to re-profile the programme and lower the number of units developed for sale. The Group intends to take full advantage of further opportunities available in the current market to expand its asset base.

The Group's care activities increased by over 30% during the year. A significant number of new contracts were secured to deliver care to service users in the community as well as in extra care schemes. Of particular significance is the increase in the provision of dementia services as well the development of some specialist health related services as part of home care contracts.

During the year, the Group continued to deliver successfully on its PFI/PPP contracts. The Group's first PFI project in Oldham, in operation since January 2007, continues to proceed according to the plan to refurbish, redevelop and manage 1,647 homes for OMBC. A significant number of scheme completions during the year have meant that residents returning to their homes are now living in very good quality accommodation with excellent housing and support services. Building on the presence in Oldham, through the PFI contract, Housing 21 has also established a care service and is regularly commissioned by OMBC to provide home care for older people in Oldham.

The PFI project in Kent remains on schedule and is being delivered through a special purpose vehicle, KCP, to build and manage 340 new units for older people and for people with learning disabilities and mental health needs.

The PPP project contract in Walsall was signed on 9th April 2008 and is a ground breaking project which will re-provide outdated residential care into extra care housing with supportive care services including the development of a state of the art dementia centre. The construction programme and the management of the service are both progressing well.

Investment in existing properties continued with the focus on achieving decent homes and the delivery of a programme of kitchen replacements. The Group continues to review its asset management strategy with a view to ensuring good quality and viability of the housing stock.

During the year, the Group continued the restructuring and development of its infrastructure to support increased growth, complexity of the business and achieve cost efficiencies. Given the likelihood of future public spending cuts, operating costs reductions are a key focus for the Group. The continued implementation of the Information and Communications Technology strategy is a key part of the plans to reduce overall operating costs.

Financial Performance Review

In the year ended 31 March 2009, group turnover increased by £18m to £113m. The main focus of the Group is the provision of social housing lettings, which contributed £65m or 57% of the turnover and the provision of care services, which contributed £29m, or 26%, of the total turnover.

The total income from social housing lettings is generated from three core areas: rental income, service charges receivable and charges for support services.

The Group is subject to regulation on rental income on its sheltered housing courts and can only increase rents annually by a maximum of RPI+0.5%, plus a further £2 per week, where current rents are below target rent levels established by a Government formula linking rents to local property values and wage levels. Service charges are the recharge to tenants of relevant expenditure such as cleaning and court manager costs. The Group does not generate a surplus on this income. The income from charges for support services is derived from local government administering authorities for preventative support for older people.

Care service income represents the income generated from the care contracts in place for the care services offered to older people around the country.

Operating surplus has increased from £8m in the year ended 31 March 2008 to £8.6m in the year ended 31 March 2009. Changes to the operating surplus can be attributed to three factors: the increase in turnover, offset by increases across the whole operating cost matrix; a conservative approach adopted to the accounting for major repairs; and the consolidation at a group level of our two PFI companies, ORHP and KCP.

Of particular relevance in the operating cost matrix is the continued major repairs and stock improvement expenditure of £11.9m (2008: £12.7m), which reflects our determination to bring all our courts up to Decent Homes standards. Non urgent routine maintenance activities are now scheduled to take place alongside major repairs expenditure to reduce disruption to tenants and increase efficiencies.

Capital structure

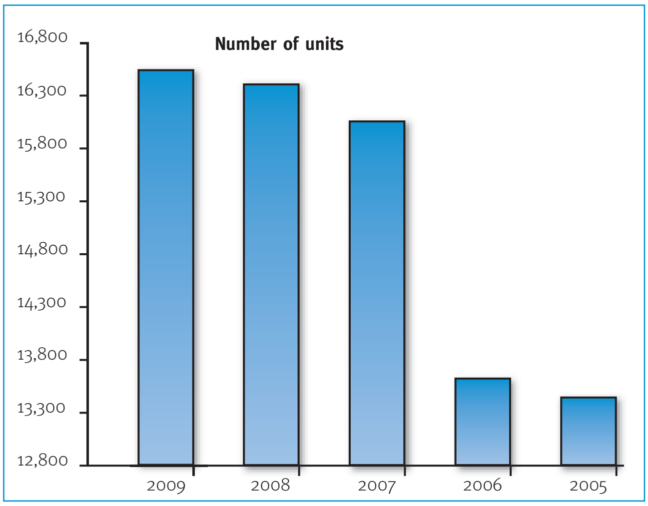
The Group relies on its strong balance sheet and growing asset base to support further growth.

The Group finances its operations by a combination of government grants, housing loans from commercial banks and retained surpluses.

Key to the balance sheet is the value of the housing properties. The Group records the housing properties at valuation, based on forecasted rental income streams. The number of units and the valuation of the housing properties have grown over the past five years.

Operating and financial review

The graph below sets out the number of units owned and managed and managed for others over the last five years.



The investment programme is scheduled to continue with £66.8m included on the balance sheet at 31 March 2009 as housing properties under construction up from £17.9m (as restated) in 2008. There are 1,797 new units in the pipeline, under development predominantly for rental but also for shared ownership and outright sale. Funding for this programme continues to be obtained from the Homes and Communities Agency in the form of Social Housing Grant and Department of Health grants.

The Group is focused on achieving Decent Homes standard by 2010, resulting in more spend allocated to existing housing properties. During the year the group spent £24m on major repairs and maintenance, of which £7m has been capitalised.

Going concern

After making enquiries, the directors of Housing 21 have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the going concern basis has been adopted in these financial statements.

Key business risks for Housing 21

Housing 21 continues to experience major changes in the operating environment. These have a significant influence over the business, particularly in the speed and direction of public policy. In turn, this has led to significant developments in assessing the risks for the Group to consider.

The tendency for lenders to tighten access to facilities following the US Sub Prime Loans crisis, and the problems of Northern Rock in the UK, otherwise known as the credit crunch, has been affecting the Housing Association sector in the UK in various ways. New deals have been pulled just prior to expected signing dates, loan pricing is more expensive, and loan portfolios are being consolidated. Despite these difficulties extensive new loan facilities for the Group have been finalised with both Barclays and Dexia banks.

A further effect of the credit crunch is that the property sales market has slowed down, and as Housing 21 has a number of outright sale and shared ownership schemes in the pipeline, there is a risk of delays to sales receipts on these schemes. We are actively seeking to mitigate and manage these risks by including these units in our rental portfolio. As the percentage of sales units is relatively small, the effect on our financial plan and covenants is not expected to be significant.

Income is constrained by rent restructuring. Operational costs are running ahead of RPI and there remains a competitive environment for staff recruitment and retention. There are financial pressures in terms of interest rate rises and building cost inflation and concerns about pension provision.

The care business is most vulnerable, still largely commissioned on the basis of short term three to five year contracts, and faces pressure from the need to pay higher wages to carers at the same time as local council financial settlements are leading to squeezes in contract prices and a focus on those in acute need. Growing concern about the funding of social care continues.

The pace of technological change continues. There are many opportunities available to harness these developments to modernise our Group to enable provision of more efficient, cost effective, customer focused services.

Significant changes in the field of public policy mean that the markets in which the Group operates in health, social care and housing, are all reshaping rapidly. Understanding the impact of these changes is crucial to the Group's future plans.

Government continues to see the reform of public services as a key priority and the agenda has intensified given the new demands from an increasingly ageing population with rising expectations. A Comprehensive Spending Review (CSR) in 2007 committed the Government to step up reform of public services to deliver:

- Better outcomes for people
- Better value for money
- Excellent personal experiences for all with people able to shape services.

The Darzi review of health care, which is about improving patient care, focuses on providing more convenient accessible integrated care in the most appropriate settings including care at home and in new community clinics. The health agenda continues to develop integration at local level with a greater focus on prevention and on joint health and social care commissioning, and with PCTs as significant local commissioners.

Social care funding remains a significant problem for older people and providers alike with many independent reports highlighting shortfalls in provision and lack of funding. A Government led debate on the future of social care has now begun and social care is already changing substantively through the Government's transformation agenda which aims to put people in control of their care and develop self-directed support through personal budgets.

Operating and financial review

With the development of the new Homes and Communities Agency and the new regulatory regime in the form of the TSA established in 2008, changes to the social housing sector will be accelerated with expectations that housing associations will have a greater role as community agencies and further streamlining of delivery. Larger associations have been welcomed for their efficiencies and mergers will continue apace, fuelled by maximising the production of social housing, but there is also a call for, and expectation of, greater local accountability to customers and communities. Competition has also intensified especially with the private sector playing a growing role in the delivery of social housing.

Treasury policy and objectives

The Group has identified the following treasury risks:

- Interest rate sensitivity;
- Investment;
- Inflation and deflation;
- Liquidity and funding;
- Counterparty credit risk;
- Fraud and error; and
- System failure.

The Group has a centralised treasury function, charged with managing these risks within the parameters of the treasury policy. In formulating the policy to address these risks reference is made to the Chartered Institute of Public Finance and Accountancy Code of Practice for Treasury Managers, National Housing Federation – Financial Risk Management: Focus on Treasury, the Housing Corporation – circular R2-01/07 Treasury Management Regulatory Policy and the Financial Services Authority Handbook.

The objectives of the treasury policy have the following key principles:

- Effective and efficient use of financial resources;
- Security of financial assets;
- Provision of adequate liquidity to meet financial obligations;
- Compliance with statute, regulation covenants and best practice; and
- Control and accountability in treasury management procedures.

Treasury policy is subject to Board approval.

The treasury operation is not a profit centre and speculative transactions are not allowed.

Cash flow

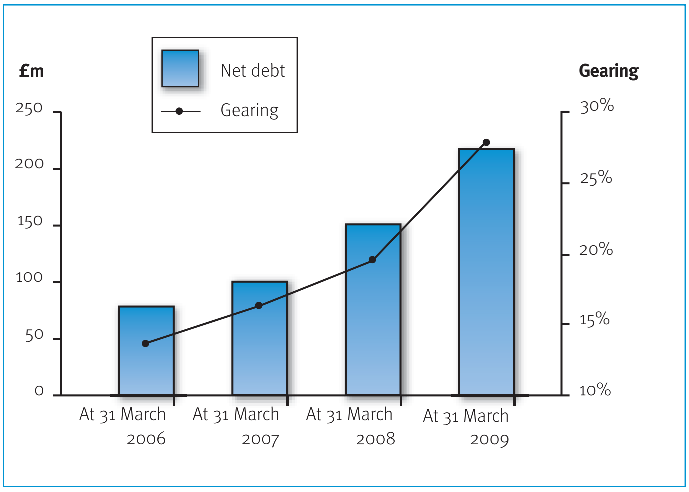
The net cash requirement for the year ended 31 March 2009 was £70.0m (2008: £41.5m). This change reflects an increase in capital spend funded by a reduction in cash and additional loans received. In the year ended 31 March 2009 £99.0m was spent on housing properties under construction, offset by Social Housing Grant received of £40.5m.

The operating cash flow was (£3.8m) in 2009 compared to (£2.7m) in year ended 31 March 2008, mainly reflecting the ORHP finance debtor.

Net debt at 31 March 2009 stood at £213.6m compared to £143.6m at 31 March 2008. Broadly in line with this increase in net debt over the year, interest paid increased to £13.5m compared to the year ended 31 March 2008 of £9.4m.

Balance sheet debt and liquidity

The Group's financial investments comprise cash, short-term deposits and bank and other borrowings. As a result of its strong and growing asset base Housing 21 is able to increase its levels of net debt in order to invest in growth. The focus of the Group is primarily medium to long term and the profile of net debt reflects this, with £178m (82%) falling due after more than five years. Housing 21 has committed, but undrawn, facilities of £147.6m at 31 March 2009, sufficient for the projected development programme for the next 12 months. The equivalent figures for ORHP are £46.6m and KCP £58.9m, and are also expected to be sufficient to complete the PFI projects for those subsidiaries.



A key measure of the financial health of Housing 21 is the gearing ratio. This is defined as net debt (gross debt less cash and short-term investments) to net assets (reserves plus Social Housing Grant plus accumulated depreciation). Whilst gearing for the year ended 31 March 2009 at 27.8% has increased compared to the prior year it is still relatively low for the sector, illustrating the strong balance sheet.

Of the total Group net debt of £213.6m just £93.6m of gross loans are secured on the Association's housing properties.

The Group seeks to reduce its exposure to volatility in interest rates by balancing its loan book over fixed rate, floating rate and inflation linked interest rate. The opportunity of low long term interest rates have been taken to fix new borrowings and refinance existing borrowings, reducing our weighted average rate from 7.68% at 31 March 2008 to 6.37% at 31 March 2009.

Interest cover is a key banking covenant for the Group and the association. For the association it is calculated as net interest to operating surplus with depreciation added back. For the year ended 31 March 2009 the interest cover ratio was 2.18 times operating surplus.

Operating and financial review

Accounting policies and prior year adjustments

The Statement of Recommended Practice Accounting by registered provider of social housing update 2005 (SORP) classified all Low Cost Home Ownership (LCHO) properties as fixed assets. Proceeds from first tranche sales were credited against the cost of LCHO properties in the balance sheet. The surplus or deficit on the sale of fixed assets, including second or subsequent tranches of LCHO properties, were accounted for in the income and expenditure account of the period in which the sale occurs as the difference between the net sale proceeds and the net carrying value. The revised SORP 2008 has changed the accounting treatment of first tranche LCHO sales. The cost of LCHO properties are now split between current and fixed assets, treating the first tranche proportion as a current asset. The related sales proceeds from the sale of the first tranche are now included in turnover. The remaining element of LCHO property is treated as a fixed asset and any subsequent tranche sales treated as a part disposal of a fixed asset. This accounting policy change has been adopted for the first time in these financial statements. As a consequence of adopting this changed policy the Group's operating surplus has increased in the year by £0.3m (the comparable increase figure for 2008 is £0.1m). Revenue Reserves at the end of March 2007 have also been restated to include accumulated first tranche surpluses prior to the year ended 2008.

Apart from the treatment of first tranche LCHO sales mentioned above, there are no other changes to accounting policies in the year, and no prior year adjustments.

Statement of compliance

The Group has adopted ASB Reporting Standard 1: Operating and Financial Review and has fully complied with requirements of that standard.

Report of the independent auditors to the members of Housing 21

We have audited the financial statements of Housing 21 for the year ended 31 March 2009 which comprise the Income and Expenditure Accounts and the Balance Sheets for the Group and Association, the Consolidated Cash Flow Statement, the Statement of Total Recognised Surpluses and Deficits, Note of Historical Cost Surpluses and Deficits and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the Board and auditors

As described in the Statement of Board Responsibilities the Board is responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Industrial & Provident Societies (Group Accounts) Regulations 1969, the Housing Act 1996 and the Accounting Requirements for Registered Provider of Social Housing's General Determination 2006. We also report to you if, in our opinion, the Report of the Board is not consistent with the financial statements, a satisfactory system of control over transactions has not been maintained, if the Group has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read other information contained in the Report of the Board and consider whether it is consistent with the audited financial statements. This other information comprises of only the Operating and Financial Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of Schedule 1 paragraph 16 to the Housing Act 1996 and Section 9 of the Friendly and Industrial and Provident Societies Act 1968 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the above statutes or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Board in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- The financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group and Association's affairs as at 31 March 2009 and of the results for the year then ended; and
- The financial statements have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Industrial & Provident Societies (Group Accounts) Regulations 1969, the Housing Act 1996 and the Accounting Requirements for Registered Provider of Social Housing General Determination 2006.

BDO Stoy Hayward LLP

BDO Stoy Hayward LLP
Chartered Accountants and Registered Auditors
Epsom, Surrey
1st July 2009

Income and expenditure account for the year ended 31 March 2009

	Notes	Group		Association	
		2009	2008	**2009**	2008
			As restated		As restated
		£000	£000	**£000**	£000
Turnover	2	**112,898**	95,371	**113,351**	93,794
Cost of sales	2	**(2,762)**	(2,754)	**(2,762)**	(2,754)
Operating costs	2	**(101,520)**	(84,627)	**(100,000)**	(82,704)
Operating surplus	2	**8,616**	7,990	**10,589**	8,336
(Deficit)/surplus on sale of housing properties	4	**(128)**	4,730	**(128)**	4,730
Surplus on disposal of other assets	5	**–**	–	**–**	–
Interest receivable and similar income		**2,136**	852	**123**	147
Interest payable and similar charges	8	**(9,622)**	(8,086)	**(7,510)**	(7,448)
Other finance income	9	**95**	77	**95**	77
Surplus on ordinary activities before tax	10	**1,097**	5,563	**3,169**	**5,842**
Taxation on surplus on ordinary activities	12	**(20)**	(27)	**–**	–
Surplus on ordinary activities after tax	21	**1,077**	5,536	**3,169**	5,842

All amounts relate to continuing activities.

Statement of total recognised surpluses and deficits for the year ended 31 March 2009

	Group		Association	
	2009	2008	**2009**	2008
		As restated		As restated
	£000	£000	**£000**	£000
Surplus on ordinary activities after tax	**1,077**	5,536	**3,169**	5,842
Actuarial gain on pension scheme	**(912)**	572	**(912)**	572
Unrealised surplus on revaluation of housing properties	**29,471**	29,171	**31,208**	28,866
Total surpluses and deficits for the year	**29,636**	35,279	**33,465**	35,280
Prior year adjustment	**254**		**5**	
Total surpluses and deficits recognised since the last annual report	**29,890**		**33,470**	

The comparative figures have been restated to reflect the change in accounting policy to recognise:

- First tranche sales on LCHO properties through the income and expenditure statement. The effect of the restatement is a reduction to housing properties fixed assets as at 1st April 2008 of £3.7m and an increase to current assets of £3.7m, an increase in the surplus in the year ended 31st March 2008 of £0.1 m and a decrease to reserves of £0.1m as at 1st April 2008 being accumulated first tranche losses prior to that date.
- To reflect the decision to capitalise interest on an appropriate portion of total borrowings during the period that housing is under construction in KCP. The effect of the restatement is to increase housing properties fixed assets as at 1 April 2008 by £0.2m and to reduce the deficit for the 11 months ended 31 March 2008 by the same amount.

Note of historical cost surpluses and deficits for the year ended 31 March 2009

	Group		Association	
	2009	2008	**2009**	2008
		As restated		As restated
	£000	£000	**£000**	£000
Reported surplus on ordinary activities before tax	**1,097**	5,563	**3,169**	5,842
Revaluation surplus released on disposal of housing properties	**593**	–	**593**	–
Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	**2,130**	2,007	**2,094**	1,972
Historical cost surplus for the year on ordinary activities before tax	**3,820**	7,570	**5,856**	7,814
Taxation	**(20)**	(27)	**–**	–
Historical cost surplus for the year on ordinary activities after tax	**3,800**	7,543	**5,856**	7,814

Reconciliation of movement in capital and reserves

	Group		Association	
	2009	2008	**2009**	2008
		As restated		As restated
	£000	£000	**£000**	£000
Reported surplus for the year	**1,077**	5,536	**3,169**	5,842
Actuarial gain recognised in statement of realised surpluses and deficits	**(912)**	572	**(912)**	572
Other recognised surpluses and deficits relating to the year (net)	**29,471**	29,171	**31,208**	28,866
Net addition to reserves	**29,636**	35,279	**33,465**	35,280
Opening capital and reserves as previously stated	**378,131**	343,205	**374,748**	339,572
Prior year adjustment	**254**	(99)	**5**	(99)
Opening capital and reserves as restated	**378,385**	343,106	**374,753**	339,473
Closing capital and reserves	**408,021**	378,385	**408,218**	374,753

Balance sheets at 31 March 2009

	Notes	Group		Association	
		2009	2008	**2009**	2008
			As restated		As restated
		£000	£000	**£000**	£000
Intangible assets					
Goodwill	33	**2,853**	3,092	**2,853**	3,092
Tangible fixed assets					
Housing properties at valuation	13	**600,031**	501,672	**545,040**	484,761
Other fixed assets	14	**4,947**	5,517	**4,941**	5,510
		607,831	510,281	**552,834**	493,363
Current assets					
Housing properties and stock for sale	15	**3,548**	3,689	**3,548**	3,689
Debtors: amounts falling due after one year	16	**65,575**	38,506	**705**	–
Debtors: amounts falling due within one year	17	**16,973**	10,932	**15,625**	8,204
Cash on short-term deposit		**2,761**	3,986	**2,761**	3,986
Cash at bank and in hand		**1,808**	2,031	**8**	7
		90,665	59,144	**22,647**	15,886
Creditors: amounts falling due within one year	18	**(81,627)**	(45,044)	**(57,541)**	(35,467)
Net current assets/(liabilities)		**9,038**	14,100	**(34,894)**	(19,581)
Pension asset	29	**–**	170	**–**	170
Total assets less current liabilities		**616,869**	524,551	**517,940**	473,952
Creditors: amounts falling due after more than one year	19	**208,130**	146,087	**109,004**	99,120
Pension liability	29	**718**	79	**718**	79
Capital and reserves					
Called up share capital	20	**–**	–	**–**	–
Revaluation reserve	21	**291,966**	265,218	**290,097**	261,576
Revenue reserve	21	**116,055**	113,167	**118,121**	113,177
		408,021	378,385	**408,218**	374,753
		616,869	524,551	**517,940**	473,952

In accordance with the rules of the Association, all shareholdings relate to non-equity interests as referred to in Note 20.

These financial statements were approved and authorised for issue by the Board on 26th June 2009 and are signed on behalf of the Board by:

Mr David Grayson, CBE
Chairman of the Board

Mrs Sandra Robinson
Vice Chair of the Board

Mr Jim Farmer
Secretary

The notes of pages 14 to 42 form part of the financial statements

Consolidated cash flow statement for the year ended 31 March 2009

	Notes	Group 2009		Group 2008	
		£000	**£000**	£000	£000
Net cash outflow from operating activities	22		**(3,792)**		(2,694)
Return on investments and servicing of finance					
Interest received		**2,136**		852	
Interest paid		**(13,545)**		(9,449)	
Interest element of finance lease payments		**(87)**		(89)	
Net cash outflow for return on investments and servicing of finance			**(11,496)**		(8,686)
Tax			**(20)**		(27)
Capital expenditure and financial investment					
Housing properties under construction (including improvement to completed properties and property acquisitions)		**(96,304)**		(54,428)	
Social Housing Grants received		**40,519**		20,943	
Purchase of other fixed assets		**(614)**		(1,357)	
Acquisitions		**–**		(592)	
Sale of housing properties		**1,683**		5,329	
Net cash outflow for capital expenditure			**(54,716)**		(30,105)
Cash outflow before use of liquid resources and financing			**(70,024)**		(41,512)
Management of liquid resources	23		**1,225**		(1,223)
Financing					
Loans received		**87,685**		52,626	
Loans repaid		**(18,688)**		(9,500)	
Capital element of finance lease repaid		**(22)**		(18)	
Net cash inflow from financing			**68,975**		43,108
Increase in cash	24		**176**		373

The notes of pages 14 to 42 form part of the financial statements

1. Principal accounting policies

The accounts have been prepared in accordance with applicable Accounting Standards in the United Kingdom and comply with the Statement of Recommended Practice Accounting by Registered Provider of Social Housing 2008 issued by the National Housing Federation, the Industrial and Provident Societies Acts 1965 to 2002, the Industrial and Provident Societies (Group Accounts) Regulations 1969, Schedule 1 to the Housing Act 1996 and with the Accounting Requirements for Registered Provider of Social Housing General Determination 2006.

A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting
The accounts are prepared on the historical cost basis of accounting as modified to include housing properties at existing use value for social housing.

Consolidation
The consolidated income and expenditure account and balance sheet include the results of the Group and its subsidiaries, as listed in note 31, from the date of their acquisition. Intra-group transactions are eliminated on consolidation.

Turnover
Turnover represents rental and service charge income, management fees, income from provision of care services, revenue based grants received from local authorities and TSA, income from first tranche sales of shared ownership and outright sale property and other income.

Housing properties
Housing properties have been revalued as at the balance sheet date.

At the point of revaluation, the aggregate surplus or deficit arising, calculated as the difference between the cost of properties less Social Housing Grant and the revalued amount, is transferred to a revaluation reserve. The basis of the valuation is explained in note 13.

Housing properties in the course of construction are stated at cost and are transferred to housing stock on completion. At the balance sheet date, properties under construction include a provision for all costs certified to date including the amount of the sum retained by the Group under the construction contract.

Capitalisation of interest
Interest on an appropriate proportion of total borrowings is capitalised during the period of development.

Capitalisation of development costs
Development costs are capitalised where they are directly attributable to bringing the properties into working condition for their intended use. Directly attributable costs are the labour costs of our employees arising directly from the construction or acquisition of the property and incremental costs that would have been avoided only if individual properties had not been constructed or acquired.

Goodwill
Goodwill arising on the purchase of 17 leasehold schemes from James Butcher Housing Association represents the difference between the consideration paid and the fair value of the net assets acquired. It is released to the income and expenditure account on a straight line basis over 20 years.

Goodwill arising on the purchase of JBK Social Care Limited, a specialist care company operating in Westminster represents the difference between the consideration paid and the fair value of the net assets. It is released to the income and expenditure account on a straight line basis over five years.

Depreciation – housing properties
Freehold land is not depreciated.

Housing under construction is not depreciated.

Completed freehold buildings are depreciated on a straight line basis over their remaining expected useful economic lives at the following rates:
- sheltered housing, 100 years
- general purpose housing, 90 years

from development completion or acquisition date.

Properties held on long leases and under finance leases are depreciated over the remaining period of the lease.

The land value element (to separate land from buildings) of each property valuation is determined using guidance issued by the National Housing Federation.

A transfer is made from the revaluation reserve to the income and expenditure account of an amount equal to the difference between depreciation for the year calculated on the basis of the historical cost and the actual depreciation charge which is calculated using the revalued amounts.

Depreciation – other tangible fixed assets
Depreciation is charged on a straight line basis over the expected useful economic lives at the following rates:
- leasehold office improvements, over the remaining period of the lease
- freehold office buildings, 50 years
- office furniture and equipment, 10 years
- motor vehicles, 4 years
- computer software, 5 years
- computer hardware, 3 years.

Impairment
Housing properties are subject to impairment reviews on an annual basis.

Other assets are reviewed for impairment if there is an indication that impairment may have occurred.

LCHO and staircasing
Under LCHO arrangements, the Group disposes of a long lease on low cost home ownership units to persons who occupy them at a share equal to between 25% and 75% of value (the ‘first tranche’). The occupier has the right to purchase further proportions at the then current valuation up to 100% (‘staircasing’).

A shared ownership property comprises two assets: that to be disposed of in the first tranche sale, which is recorded as a current asset; and that retained by the Group, which is recorded as a fixed asset in the same manner as for general needs housing properties.

Proceeds of sale of first tranches are accounted for as turnover in the income and expenditure account, with the apportioned cost being shown within the operating results as a cost of sale.

Subsequent tranches sold ('staircasing sales') are disclosed in the income and expenditure account after operating results as a surplus for deficit on sale of fixed assets. Such staircasing sales may result in capital grant being deferred or abated and this is credited in the sale account in arriving at the surplus or deficit.

Social Housing Grant in respect of LCHO properties is allocated against the fixed asset element of the property and is treated as a deduction from fixed assets.

The fixed asset element of low cost home ownership properties is included in housing properties as cost less provisions needed for impairment.

Properties developed for sale

Completed properties and properties under construction for sale, either as first tranche LCHO sales or outright sale, are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales prices after allowing for all further costs of completion and disposal.

Until sold these properties are held as current assets.

Social housing grant (SHG) and other grants

Where housing developments have been financed wholly or partly by grants, the cost has been reduced by the amount of the grant received.

SHG due from the TSA or received in advance is included as a current asset or liability.

Where grant is received on items treated as revenue expenditure, it is treated as a revenue grant and credited to the income and expenditure account.

Grants may be repayable in certain circumstances, even where it has been treated as a revenue grant for accounting purposes.

Works to existing properties

Expenditure on day to day and cyclical repairs and maintenance, together with health and safety work and service contract maintenance expenditure, is charged as incurred to the income and expenditure account. Also charged are the apportioned administration costs associated with this work.

Renewals of communal equipment, furniture and furnishings, and the replacement of refrigerators and cookers provided for tenants, are charged to the income and expenditure account on purchase and recovered through service charges.

The Group is undertaking a major stock improvement programme to bring stock to decent home standard. Where the works result in an increase in the net rental income from the property and enhance the performance beyond the assessed level when the asset was first acquired or constructed, these amounts are capitalised.

Work in progress

Costs incurred in the construction and refurbishment of the sheltered housing properties in respect of the Oldham PFI contract have been accounted for under Financial Reporting Standard 5, 'Reporting the Substance of Transactions' and are carried in the balance sheet as recoverable work in progress in debtors under the terms of the agreement with OMBC. Work in progress comprises direct payments to the contractor, attributable initial project costs and interest costs incurred over the construction period on borrowings to fund construction.

Finance debtor

Under Financial Reporting Standard 5, 'Reporting the Substance of Transactions', when a property has been completed or refurbished, the work in progress balance is converted to a finance debtor representing an appropriate proportion of costs incurred. The debt is recovered via the unitary charge contract income. Therefore the finance debtor is amortised over the remaining life of the contract. Until the debtor is fully amortised, an interest charge is released to the income and expenditure account which is based upon the value of the financial debt outstanding. This interest is included within interest receivable.

Revaluation reserve

The revaluation reserve records all appreciation in value of housing stock.

Housing loans and other financial instruments

Loans and other financial instruments are stated in the balance sheet at the amount of the net proceeds.

Finance costs, including incremental issue costs, are deducted from the loan and amortised over the first five years of the loan at a constant rate on the carrying value.

Where loans and other financial instruments are redeemed during the year, any redemption penalty is recognised in the income and expenditure account in the year in which redemption takes place.

Leased assets

Rentals paid under operating leases are charged to the income and expenditure account on the accruals basis.

The cost of assets held under finance leases is included under tangible assets and depreciation provided in accordance with the policy for the class of asset concerned. The corresponding obligations under these leases are shown as creditors. The finance charge element of rentals is charged to the income and expenditure account to produce, or approximate to, a constant periodic charge on the remaining balance of the outstanding obligations.

Notes to the financial statements

Pensions

The difference between the fair value of the assets held in the defined benefit pension schemes and the schemes' liabilities measured on an actuarial basis using the projected unit method are recognised in the Group's balance sheet as a pension scheme asset or liability as appropriate.

The carrying value of any resulting pension scheme asset is restricted to the extent that the Group is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme. The pension scheme balance is recognised net of any related deferred tax balance.

Changes in the defined benefit pension scheme asset or liability arising from factors other than cash contribution by the Group are charged to the income and expenditure account or the statement of total recognised surpluses and deficits in accordance with FRS17 'Retirement Benefits'.

The annual costs of defined contribution, stakeholder and savings plan pension schemes are charged to the income and expenditure account on an accrual basis.

Management services to leaseholders and other bodies

In addition to managing housing for rent, the Group also provides management services to leaseholders and other bodies.

The Group provides management services to leaseholders on a cost basis.

Charges which are made to leaseholders for decorations and major works within their schemes are held in sinking funds. These sinking funds are recorded within other creditors as part of note 18 amounts falling due within one year.

The Group also provides property management services to other bodies for which a management fee is charged. Such services are provided primarily on an agency basis.

All transactions relating to owned leasehold properties have been brought into the accounts.

Value Added Tax

The majority of services supplied by the Group are exempt from VAT. However, management contracts and unitary charge income is chargeable to VAT which enables some recovery of input VAT under a basis of calculation agreed by H.M Customs & Excise.

Expenditure is shown inclusive of VAT and input tax recovered is recorded within non-social housing activities, other, as part of turnover; see note 2.

Related parties

The Group has taken advantage of the exemption allowed by FRS8, Related Party Disclosures, from disclosing transactions with its wholly owned subsidiaries.

Taxation

The Group is exempt from corporation tax on income and gains to the extent that these are applied to the Group's charitable objectives. The new business activity related to developing properties for outright sale will be subject to Corporation Tax. The tax charge in the year relates to Housing 21 Guernsey which is subject to UK Corporation Tax.

2. Turnover, operating costs and operating surplus

Group

	2009 Turnover	**Cost of sales**	**Operating costs**	**Operating surplus/ (deficit)**	2008 Turnover as restated	Cost of sales	Operating costs	Operating surplus/ (deficit) as restated
	£000	**£000**	**£000**	**£000**	£000	£000	£000	£000
Social housing lettings (note 3)	**64,803**	**–**	**(55,211)**	**9,592**	60,358	–	(52,758)	7,600
Other social housing activities								
Supporting people	**2,572**	**–**	**(2,768)**	**(196)**	2,374	–	(2,442)	(68)
LCHO first tranche sales	**2,691**	**(2,307)**	**–**	**384**	2,858	(2,754)	–	104
Non-social housing activities								
Outright sales	**508**	**(455)**	**–**	**53**	–	–	–	–
Management services	**12,363**	**–**	**(11,712)**	**651**	3,968	–	(4,048)	(80)
Care services	**29,318**	**–**	**(31,059)**	**(1,741)**	25,146	–	(24,509)	637
Business development	**–**	**–**	**(722)**	**(722)**	–	–	(661)	(661)
Other	**643**	**–**	**(48)**	**595**	667	–	(209)	458
Total	**112,898**	**(2,762)**	**(101,520)**	**8,616**	95,371	(2,754)	(84,627)	7,990

Association

	2009 Turnover	**Cost of sales**	**Operating costs**	**Operating surplus/ (deficit)**	2008 Turnover as restated	Cost of sales	Operating costs	Operating surplus/ (deficit) as restated
	£000	**£000**	**£000**	**£000**	£000	£000	£000	£000
Social housing lettings (note 3)	**64,269**	**–**	**(54,690)**	**9,579**	59,906	–	(52,406)	7,500
Other social housing activities								
Supporting people	**2,572**	**–**	**(2,769)**	**(197)**	2,374	–	(2,442)	(68)
LCHO first tranche sales	**2,691**	**(2,307)**	**–**	**384**	2,858	(2,754)	–	104
Non-social housing activities								
Outright sales	**508**	**(455)**	**–**	**53**	–	–	–	–
Management services	**12,564**	**–**	**(11,435)**	**1,129**	3,466	–	(3,341)	125
Care services	**28,924**	**–**	**(30,772)**	**(1,848)**	24,484	–	(24,102)	382
Business development	**–**	**–**	**(289)**	**(289)**	–	–	(204)	(204)
Other	**1,823**	**–**	**(45)**	**1,778**	706	–	(209)	497
Total	**113,351**	**(2,762)**	**(100,000)**	**10,589**	93,794	(2,754)	(82,704)	8,336

3. Turnover, operating costs and operating surplus from social housing lettings

Group

	Housing for older people £000	General needs £000	Total 2009 £000	Total 2008 £000
Rent receivable net of identifiable service charges	42,536	2,880	45,416	43,738
Service charges receivable	19,302	85	19,387	16,620
Net rental income and turnover from social housing lettings	61,838	2,965	64,803	60,358
Services	18,968	266	19,234	17,677
Management	10,896	642	11,538	11,657
Routine maintenance	4,092	293	4,385	4,180
Planned maintenance	2,180	96	2,276	2,017
Major repairs expenditure	11,090	833	11,923	12,691
Leasehold and other contributions	800	141	941	–
Bad debts	113	44	157	262
Depreciation on housing properties	4,444	313	4,757	4,274
Operating costs on social housing lettings	52,583	2,628	55,211	52,758
Operating surplus on social housing lettings	9,255	337	9,592	7,600
Rent losses from voids	(2,660)	(82)	(2,742)	(1,961)

Association

	Housing for older people £000	General needs £000	Total 2009 £000	Total 2008 £000
Rent receivable net of identifiable service charges	42,255	2,739	44,994	43,405
Service charges receivable	19,190	85	19,275	16,501
Net rental income and turnover from social housing lettings	61,445	2,824	64,269	59,906
Services	18,825	130	18,955	17,529
Management	10,777	672	11,449	11,552
Routine maintenance	4,065	293	4,358	4,178
Planned maintenance	2,158	109	2,267	2,017
Major repairs expenditure	11,048	832	11,880	12,652
Leasehold and other contributions	800	141	941	–
Bad debts	99	44	143	260
Depreciation on housing properties	4,405	292	4,697	4,218
Operating costs on social housing lettings	52,177	2,513	54,690	52,406
Operating surplus on social housing lettings	9,268	311	9,579	7,500
Rent losses from voids	(2,646)	(82)	(2,728)	(1,893)

4. Surplus on sale of existing rental housing properties and undeveloped land

	Group and Association	
	2009	2008
	£000	£000
Proceeds of sale	**1,688**	5,329
Less costs of sale at carrying value	**(1,816)**	(599)
(Loss)/Gain on disposal	**(128)**	4,730

The above sales are in respect of subsequent tranche sales of LCHO properties and other disposals of properties that are not viable for long term retention or investment.

5. Disposal of other assets

	Group and Association	
	2009	2008
	£000	£000
Proceeds of sale	**–**	–
Less cost	**(41)**	(10)
Add accumulated depreciation	**41**	10
Loss on disposal	**–**	–

6. Directors' emoluments

The directors of Housing 21 are defined as the Board and the management team. There were 14 directors during the year. Both the Board and management team received emoluments during the year.

	2009	2008
	£000	£000
Non-executive directors emoluments	**78**	82
Executive directors emoluments	**932**	764
Expenses reimbursed to non-executive directors not chargeable to United Kingdom taxation.	**3**	8

Emoluments payable to the highest paid director excluding pension costs were £165k (2008: £163k).

One of the directors, Mr Brian Ward-Jones, was a tenant of the Association during the year. His tenancy was on the same terms and conditions as other tenants. He is unable to use his position as Board member to any advantage in his relationship with the Association as a tenant.

7. Employee information

The average number of people employed (including management team) (full time equivalent) was:

	Group		Association	
	2009	2008	**2009**	2008
Management and administration	**560**	358	**560**	358
Court managers	**434**	446	**433**	444
Care and ancillary	**1,515**	1,263	**1,498**	1,241
	2,509	2,067	**2,491**	2,043

Staff costs (for the above persons)

	Group		Association	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
Wages and salaries	**42,731**	34,461	**42,420**	34,168
Social security costs	**3,172**	2,762	**3,151**	2,744
Pension costs (see note 29)	**2,139**	1,639	**2,139**	1,639
	48,042	38,862	**47,710**	38,551

8. Interest payable and similar charges

	Group		Association	
	2009	2008	**2009**	2008
		As restated		
	£000	£000	**£000**	£000
On loans from local authorities:				
Repayable wholly or partly in more than five years	**29**	29	**29**	29
On loans from other lenders:				
Interest payable on loans	**11,892**	8,991	**7,411**	7,539
Less capitalised interest	**(3,530)**	(1,296)	**(574)**	(483)
Interest payable on finance leases	**87**	88	**87**	88
Other interest payable	**1,144**	274	**557**	275
	9,622	8,086	**7,510**	7,448

9. Other finance costs

	Group		Association	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
On pension liability, income	**95**	77	**95**	77

10. Surplus on ordinary activities before tax

	Group		Association	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
Surplus on ordinary activities before tax is after charging:				
Depreciation	**5,940**	5,603	**5,880**	5,545
Amortisation of goodwill	**239**	260	**239**	260
Interest element of finance lease payments	**87**	89	**87**	89
Auditors' remuneration (including VAT and expenses):				
• In their capacity as auditors	**89**	96	**74**	84
• In respect of other services	**–**	–	**–**	–

11. Prior year adjustment

a) The Statement of Recommended Practice (SORP) for registered provider of social housing has been updated for periods commencing on or after 1 April 2008.

The previous SORP recommends that first tranche sale proceeds are credited to fixed asset housing property costs. The new SORP requires the cost of development in respect of first tranches to be reclassified as current assets and for a surplus or deficit on first tranche sales to be reflected in the income and expenditure account.

b) An element of cost relating to Fixed Assets Housing under construction is interest capitalised on it's debit and credit balances. One of it's subsidiaries (KCP) changed it's accounting policies during the year to bring them into line with the Group policy on capitalised interest.

The effect of the prior year adjustments on revenue reserves, shared ownership and outright sales housing properties in fixed assets and current assets is as follows:

	Group		Association	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
Balance sheet fixed asset freehold housing properties				
Completed fixed assets properties at beginning of year as previously stated	**434,985**	396,412	**430,112**	391,951
Less: accumulated first tranche losses from prior years	**(48)**	(160)	**(48)**	(160)
Less: transfer to current assets representing first tranche cost of shared ownership and outright sale properties to be sold	**(1,616)**	–	**(1,616)**	–
Completed fixed asset properties at beginning of year as restated (note 13)	**433,321**	396,252	**428,448**	391,791
Balance sheet fixed asset leasehold housing properties				
Completed fixed assets leasehold properties at beginning of year as previously stated	**48,959**	45,656	**48,959**	45,656
Add: accumulated first tranche surpluses from prior years	**61**	61	**61**	61
Completed fixed asset properties at beginning of year as restated (note 13)	**49,020**	45,717	**49,020**	45,717

	Group		Association	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
Balance sheet fixed asset freehold housing properties				
Completed fixed assets properties under construction at beginning of year as previously stated	**19,771**	4,116	**7,984**	4,116
Add: capitalised interest	**250**	–	**–**	–
Less: transfer to current assets representing first tranche cost of shared ownership and outright sale properties to be sold	**(2,080)**	–	**(2,080)**	–
Completed fixed asset properties at beginning of year as restated (note 13)	**17,941**	4,116	**5,904**	4,116

	Group		Association	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
Balance sheet revenue reserves				
Surplus from shared ownership first tranche sales representing:				
Accumulated first tranche proceeds	**6,105**	3,247	**6,105**	3,247
Accumulated cost of sales	**(6,109)**	(3,346)	**(6,110)**	(3,346)
	4	(99)	**5**	(99)
Interest capitalised	**250**	–	**–**	–
Total prior year adjustment	**254**	(99)	**5**	(99)

	Group 2008 £000	Association 2008 £000
Income and expenditure restatement year ended 31 March 2008		
Turnover as previously stated	**92,513**	**90,936**
Add: Proceeds from first tranche sales	**2,858**	**2,858**
Turnover as restated (note 2)	**95,371**	**93,794**
Cost of sales as previously stated	**–**	**–**
Add: cost of sales of first tranche	**2,754**	**2,754**
Cost of sales as restated (note 2)	**2,754**	**2,754**

12. Taxation

War Memorial Village Derby (see note 31) is a registered charity and is therefore exempt from Corporation Tax on their income and gains to the extent that these are applied to their charitable objectives.

The Association, Kent Community Partnership Limited and Oldham Retirement Housing Partnership Limited have charitable status, therefore are exempt from Corporation Tax on their income and gains to the extent that these are applied to their charitable objectives.

Housing 21 Guernsey Limited by Guarantee - the Administrator of Income Tax in Guernsey has agreed that the company's profits will not be subject to tax. The Administrator has decided to treat the company as exempt from Guernsey tax due to its charitable activities. The company will be managed in such a way that it will be treated as having UK tax residency and therefore it will be subject to UK tax.

Housing 21 Property Services Limited commenced trading on 9th April 2008 and is subject to UK Corporation Tax at the prevailing rate.

Housing 21 Group Limited, Housing 21 Care Options Ltd, Dementia Voice Ltd and JBK Social Care Ltd are dormant and therefore have no taxable income or gains.

The UK taxation charge for the year is analysed as follows:

	2009 £000	2008 £000
Current taxation		
UK Corporation Tax	**12**	27
Adjustments in respect of prior years	**8**	–
Current taxation	**20**	27

Current tax reconciliation

The tax charge differs from the standard rate of Corporation Tax in the UK. A reconciliation is shown below:

	2009 £000	2008 £000
Surplus on ordinary activities before taxation	**994**	5,563
Tax at the standard rate of tax of 28% (2008 – 30%)	**278**	1,669
Effects of:		
Depreciation on non-qualifying assets	**6**	7
Capital allowances in excess of depreciation	**–**	–
(Decrease)/increase in tax losses	**–**	(15)
Exemption for charitable activities	**(272)**	(1,634)
Total current tax charge	**12**	27

13. Housing properties at valuation

Group	Freehold land and buildings £000 (Valuation)	Leasehold buildings £000 (Valuation)	Finance lease buildings £000 (Valuation)	Housing under construction £000 (Cost)	Total £000
Cost or Valuation					
At 1 April 2008 (as previously stated)	434,985	48,959	1,390	19,771	**505,105**
Prior year adjustment	(1,664)	61	–	(1,830)	**(3,433)**
At 1 April 2008 (as restated)	433,321	49,020	1,390	17,941	**501,672**
Disposals	(1,816)	–	–	–	**(1,816)**
Additions: works to existing properties	6,477	507	–	–	**6,984**
Additions: new properties	–	–	–	92,850	**92,850**
Completed projects cost	34,306	2,868	–	(37,174)	**–**
Completed projects SHG etc	(17,635)	–	–	17,635	**–**
SHG etc received in the year	–	–	–	(24,718)	**(24,718)**
SHG transferred to SHG in advance	–	–	–	343	**343**
Surplus on revaluation	25,962	(1,001)	(245)	–	**24,716**
At 31 March 2009	**480,615**	**51,394**	**1,145**	**66,877**	**600,031**
Depreciation					
At 1 April 2008	–	–	–	–	**–**
Charge for the year on revalued amounts	4,306	418	32	–	**4,756**
Eliminated on revaluation	(4,306)	(418)	(32)	–	**(4,756)**
At 31 March 2009	–	–	–	–	**–**
Net book value at 31 March 2009	**480,615**	**51,394**	**1,145**	**66,877**	**600,031**
Net book value at 31 March 2008 (restated)	433,321	49,020	1,390	17,941	501,672
Net book value at 31 March 2009 is represented by:					
Gross cost	504,592	69,267	2,460	92,097	**668,416**
Less: SHG and other grants	(282,232)	(35,229)	(97)	(25,220)	**(342,778)**
Less: Accumulated depreciation	(15,479)	(1,812)	(281)	–	**(17,572)**
Add: Accumulated surplus/(deficit) on revaluation	273,734	19,168	(937)	–	**291,965**
Total	480,615	51,394	1,145	66,877	**600,031**

13. Housing properties at valuation continued

Association	Freehold land and buildings £000 (Valuation)	Leasehold buildings £000 (Valuation)	Finance lease buildings £000 (Valuation)	Housing under construction £000 (Cost)	Total £000
Cost or Valuation					
At 1 April 2008 (as previously stated)	430,112	48,958	1,390	7,984	**488,444**
Prior year adjustment	(1,664)	61	–	(2,080)	**(3,683)**
At 1 April 2008 (as restated)	428,448	49,019	1,390	5,904	**484,761**
Disposals	(1,816)	–	–	–	**(1,816)**
Additions: works to existing properties	6,477	507	–	–	**6,984**
Additions: new properties	–	–	–	52,975	**52,975**
Completed projects cost	34,306	–	–	(34,306)	**–**
Completed projects SHG etc	(17,635)	–	–	17,635	**–**
SHG etc received in the year	–	–	–	(24,718)	**(24,718)**
SHG transferred to SHG in advance	–	–	–	343	**343**
Surplus on revaluation	25,899	857	(245)		**26,511**
At 31 March 2009	**475,679**	**50,383**	**1,145**	**17,833**	**545,040**
Depreciation					
At 1 April 2008	–	–	–	–	**–**
Charge for the year on revalued amounts	4,247	418	32	–	**4,697**
Eliminated on revaluation	(4,247)	(418)	(32)	–	**(4,697)**
At 31 March 2009	–	–	–	–	**–**
Net book value at 31 March 2009	**475,679**	**50,383**	**1,145**	**17,833**	**545,040**
Net book value at 31 March 2008 (restated)	428,448	49,019	1,390	5,904	484,761
Net book value at 31 March 2009 is represented by:					
Gross cost	497,535	66,398	2,460	43,053	**609,446**
Less: SHG and other grants	(276,565)	(35,229)	(97)	(25,220)	**(337,111)**
Less: Accumulated depreciation	(15,298)	(1,812)	(281)	–	**(17,391)**
Add: Accumulated surplus/(deficit) on revaluation	270,007	21,026	(937)	–	**290,096**
Total	475,679	50,383	1,145	17,833	**545,040**

Residential properties were valued by Drivers Jonas, Chartered Surveyors, on the basis of Existing Use Value for Social Housing (EUV-SH), as at 31 March 2009. The basis of valuation assumes that the properties will continue to be owned by a Registered Provider of Social Housing, for letting at affordable rents, and will be managed in accordance with the Performance Standards published by the Housing Corporation.

The valuation was undertaken in accordance with the RICS Valuation Standards, PS 5.1. In determining the valuation, the valuer made use of the discounted cash flow methodology. Assumptions were made concerning the key factors of: the level of future rents, tenant turnover rates, management and maintenance costs, bad debt and void levels, and future discount rates. The spread of discount rates used was from 5.75% to 7% depending on the scheme's location.

The valuation provided by Drivers Jonas for the Group totalled £533,154,000 (2008: £438,732,000).

The values of completed developments moved into housing stock from housing under construction during the year included capitalised interest (rates applied during year: 6% on debit balances and 4% on credit balances) of £3,530,000 (2008: £1,046,000, 6.0% on debit balances and 4% on credit balances). The cumulative amount of capitalised interest is not available.

Analysis of completed housing properties at valuation

	Group		Association	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
Freeholds	**51,394**	434,985	**50,383**	430,112
Long leaseholds	**1,145**	48,959	**1,145**	48,958
Short leaseholds	**480,615**	1,390	**475,679**	1,390
	533,154	485,334	**527,207**	480,460

Capital grants – Group

	Completed schemes	Schemes in the course of construction	Total
	£000	£000	£000
Social Housing Grant			
1 April 2008	256,740	3,554	260,294
Disposals in year	(1,429)	–	(1,429)
Receivable in year	–	14,147	14,147
Completed projects	12,978	(12,978)	–
At 31 March 2009	**268,289**	**4,723**	**273,012**
Other Grants			
1 April 2008	43,713	15,482	59,195
Receivable in year	–	10,571	10,571
Completed projects	4,657	(4,657)	–
At 31 March 2009	**48,370**	**21,396**	**69,766**
Total			
1 April 2008	300,453	20,516	319,489
Disposals in year	(1,429)	–	(1,429)
Receivable in year	–	24,718	24,718
Completed projects	17,635	(17,635)	–
At 31 March 2009	**316,659**	**24,571**	**342,778**

Within the figure for 'Other Grants, receivable in the year' is a total of £700k relating to land donated by local authorities. The valuation of this land, covering a number of schemes, has been accounted as a cost of development and also treated as a grant.

Capital grants – Association

	Completed schemes £000	Schemes in the course of construction £000	Total £000
Social Housing Grant			
1 April 2008	256,735	3,554	260,289
Disposals in year	(1,429)	–	(1,429)
Receivable in year	–	14,147	14,147
Completed projects	12,978	(12,978)	0
At 31 March 2009	**268,284**	**4,723**	**273,007**
Other Grants			
1 April 2008	38,051	15,482	53,533
Receivable in year	–	10,571	10,571
Completed projects	4,657	(4,657)	–
At 31 March 2009	**42,708**	**21,396**	**64,104**
Total			
1 April 2008	294,786	19,036	313,822
Disposals in year	(1,429)	–	(1,429)
Receivable in year	–	24,718	24,718
Completed projects	17,635	(17,635)	–
At 31 March 2009	**310,992**	**26,119**	**337,111**

Social Housing Grant

	Group		Association	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
Capital grants deducted from housing properties – cost	**342,778**	319,489	**337,111**	313,822
Add: cumulative amount credited to income and expenditure account	**72**	72	**72**	72
Total Social Housing Grant receivable to date	**342,850**	319,561	**337,183**	313,894

14. Other fixed assets

Group	Leasehold office improvements	Freehold offices	Office equipment	Motor vehicles	Computer equipment	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 April 2008	254	3,312	748	21	9,059	**13,394**
Additions	–	–	–	–	614	**614**
Disposals	–	–	–	–	(41)	**(41)**
At 31 March 2009	254	3,312	748	21	9,632	**13,967**
Depreciation						
At 1 April 2008	216	356	623	21	6,661	**7,877**
Charge for the year	5	66	25	–	1,088	**1,184**
Disposals	–	–	–	–	(41)	**(41)**
At 31 March 2009	221	422	648	21	7,708	**9,020**
Net book value at 31 March 2009	**33**	**2,890**	**100**	**–**	**1,924**	**4,947**
Net book value at 31 March 2008	38	2,956	125	–	2,398	5,517

Association	Leasehold office improvements	Freehold offices	Office equipment	Motor vehicles	Computer equipment	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 April 2008	215	3,312	727	21	9,018	**13,293**
Additions	–	–	–	–	614	**614**
Disposals	–	–	–	–	(41)	**(41)**
At 31 March 2009	215	3,312	727	21	9,591	**13,866**
Depreciation						
At 1 April 2008	177	356	609	21	6,620	**7,783**
Charge for the year	5	66	24	–	1,088	**1,183**
Disposals	–	–	–	–	(41)	**(41)**
At 31 March 2009	182	422	633	21	7,667	**8,925**
Net book value at 31 March 2009	**33**	**2,890**	**94**	**–**	**1,924**	**4,941**
Net book value at 31 March 2008	38	2,956	118	–	2,398	5,510

15. Housing properties and stock for sale

	Group		Association	
	2009	2008 As restated	**2009**	2008 As restated
	£000	£000	**£000**	£000
Low cost home ownership properties for sale	**1,483**	1,609	**1,483**	1,609
Low cost home ownership properties under construction	**1,403**	1,347	**1,403**	1,347
Outright sale properties for sale	**662**	–	**662**	–
Outright sale properties under construction	**–**	733	**–**	733
	3,548	3,689	**3,548**	3,689

16. Debtors: amounts falling due after one year

	Group		Association	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
Work in progress recoverable	**23,363**	19,015	**705**	–
Finance debtor	**42,212**	19,491	**–**	–
	65,575	38,506	**705**	–

17. Debtors: amounts falling due within one year

	Group		Association	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
Rental debtors	**3,478**	2,842	**3,442**	2,781
Less provision for bad debts	**(504)**	(528)	**(504)**	(528)
	2,974	2,314	**2,938**	2,253
Trade debtors	**2,605**	2,737	**2,101**	1,779
Other debtors	**11,394**	5,881	**10,131**	3,745
Amount owing from subsidiaries	**–**	–	**455**	427
	16,973	10,932	**15,625**	8,204

18. Creditors: amounts falling due within one year

	Group		Association	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
Bank overdraft	**1,542**	1,941	**1,541**	600
Housing loans	**8,475**	1,548	**1,200**	1,548
Obligations under finance leases	**27**	22	**27**	22
Amount owing to subsidiaries	**–**	–	**1,410**	86
Trade creditors	**5,326**	6,176	**2,525**	3,908
SHG and other grants received in advance	**18,935**	2,791	**18,935**	2,791
Other creditors including PAYE and social security	**10,476**	7,793	**10,048**	7,669
Accruals and deferred income	**36,846**	24,773	**21,855**	18,843
	81,627	45,044	**57,541**	35,467

19. Creditors: amounts falling due after more than one year

	Group		Association	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
Loans				
Local Authority residual loans	**173**	173	**173**	173
Government loans	**11,001**	11,029	**11,001**	11,029
Debenture stock	**13,300**	14,000	**13,300**	14,000
Bank loans	**165,840**	105,317	**57,338**	56,137
Other secured loans	**25,750**	16,500	**25,750**	16,500
Sub total	**216,064**	147,019	**107,562**	97,839
Debenture stocks – premium on issue	**355**	397	**355**	397
	216,419	147,416	**107,917**	98,236
Less: funding costs to be amortised	**(2,344)**	(2,338)	**(243)**	(125)
	214,075	145,078	**107,674**	98,111
Less: amounts falling due within one year	**(8,475)**	(1,548)	**(1,200)**	(1,548)
Total loans	**205,600**	143,530	**106,474**	96,563
Finance leases	**2,557**	2,579	**2,557**	2,579
Less: amounts falling due within one year	**(27)**	(22)	**(27)**	(22)
Total finance leases	**2,530**	2,557	**2,530**	2,557
	208,130	146,087	**109,004**	99,120

Details of obligations under finance leases can be found in note 28.

Loans are secured by charges on the assets of the Association including specific charges on certain housing properties. The weighted average interest rate is 6.37% (2008: 7.68%). The loans are due as follows:

	Group		Association	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
Loan stocks and bank loans				
Repayable as follows:				
In one year or less	**8,475**	1,548	**1,200**	1,548
In more than one year and less than two years	**2,494**	9,238	**1,761**	2,272
In more than two years and less than five years	**27,064**	20,405	**5,306**	7,375
In five years or more	**178,031**	115,828	**99,295**	86,644
	216,064	147,019	**107,562**	97,839

20. Share capital

	2009	2008
	£	£
Allotted, issued and fully paid at 1 April 2008	**29**	33
Issued during the year	**–**	–
Surrendered during the year	**–**	(4)
At 31 March 2009	**29**	29

Each member of the Association holds a non equity share of £1 in the Association.

The shares carry no right to dividends. The shares are cancelled on the resignation of members from the Association. The shares carry the right to vote at meetings of the Association on the basis of one share one vote. No rights to participate in the net assets of the Association in the event of a winding up are conferred by the shares.

21. Reserves

	Group		**Association**	
	Revenue Reserve	**Revaluation Reserve**	**Revenue Reserve As restated**	**Revaluation Reserve**
	£000	**£000**	**£000**	**£000**
At 1 April 2008 as previously stated	112,913	265,218	113,172	261,576
Prior year adjustment	254	–	5	–
At 1 April as restated	113,167	265,218	113,177	261,576
Revaluation surplus released on disposal of property	593	(593)	593	(593)
Surplus for the year	1,077	–	3,169	–
Revaluation of properties	–	29,471	–	31,208
Actuarial gain/(loss) on pension scheme liability	(912)	–	(912)	–
Transfer (depreciation adjustment)	2,130	(2,130)	2,094	(2,094)
At 31 March 2009	**116,055**	**291,966**	**118,121**	**290,097**

Revenue reserve

	Group		**Association**	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
Revenue reserve excluding pension liability	116,055	112,913	118,121	113,172
Pension asset/(liability)	(718)	91	(718)	91
Revenue reserve including pension liability	**115,337**	**113,004**	**117,403**	**113,263**

22. Reconciliation of operating surplus to net cash inflow from operating activities

	2009	2008
	£000	£000
Operating surplus	**8,616**	7,990
Depreciation	**5,940**	5,603
Amortisation of goodwill	**239**	260
Amortisation of loan costs	**249**	210
Pension schemes subject to FRS 17, current service cost	**262**	311
Pension schemes subject to FRS 17, contributions paid	**(270)**	(257)
Movement in housing properties and stock for sale	**141**	(104)
Increase in debtors	**(33,107)**	(30,760)
Increase in creditors	**14,138**	14,053
Net cash outflow from operating activities	**(3,792)**	(2,694)

23. Analysis of the management of liquid resources

	2009	2008
	£000	£000
(Increase)/decrease in short term deposits	**1,225**	(1,223)

24. Analysis of the changes in net debt

	At 1 April 2008 £000	Cash Flows £000	Non-Cash Items £000	At 31 March 2009 £000
Cash	2,031	(223)	–	**1,808**
Bank overdraft	(1,941)	399	–	**(1,542)**
	90	176	–	**266**
Bank loans due within one year	(1,548)	1,548	(8,475)	**(8,475)**
Bank loans due after one year	(143,530)	(70,545)	8,475	**(205,600)**
Finance leases due within one year	(22)	22	(27)	**(27)**
Finance leases due after one year	(2,557)	–	27	**(2,530)**
	(147,657)	(68,975)	–	**(216,632)**
Cash on short term deposit	3,986	(1,225)	–	**2,761**
Total	(143,581)	(70,024)	–	**(213,605)**

25. Reconciliation of the movement in net debt

	2009	2008
	£000	£000
Decrease in cash in the period	**176**	373
Cash inflow from increase in debt	**(68,997)**	(43,316)
Change in debt from movement in finance lease obligations	**–**	(7)
Movement in short term deposits	**(1,225)**	1,223
Changes in net debt resulting from cash flows	**(70,046)**	(41,727)
Finance leases	**22**	22
Movement in net debt in the year	**(70,024)**	(41,705)
Net debt at 1 April 2008	(143,581)	(101,875)
Net debt at 31 March 2009	**(213,605)**	(143,580)

26. Housing accommodation

The number of units of accommodation at 31 March 2009 was:	Group		Association	
	2009	2008	**2009**	2008
Owned and managed				
Housing for older people	**12,999**	12,885	**12,948**	12,885
General needs	**626**	633	**580**	587
Leased	**1,022**	971	**987**	971
Staff accommodation	**302**	315	**302**	315
Owned but managed by others				
General needs	**48**	48	**48**	48
Hostels	**6**	6	**6**	6
Managed for others				
Housing for older people	**1,633**	1,658	**102**	16
General needs	**4**	4	**50**	50
Staff accommodation	**3**	1	**1**	1
Total	**16,643**	16,521	**15,024**	14,879
Units in development				
For rent	1,724	281	1,399	281
For shared ownership	64	108	64	108
For sale	9	34	9	34
Total	**1,797**	423	**1,472**	423

27. Capital commitments

	Group		Association	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
Capital expenditure contracted but not provided for	**175,861**	213,590	**151,380**	85,539
Capital expenditure approved but not contracted for	**12,263**	77,948	**12,263**	77,948

The amount contracted for at 31 March 2009 will be funded from loans or grants approved by local authorities, the HCA and the Department of Health; or will be financed from private finance loans or the Group's own resources.

28. Financial commitments

Finance leases:

The Association entered into two finance lease agreements, commencing January 1997, for groups of properties located in Bexhill and Felixstowe. These agreements are 35 years in duration and are full repairing and insuring leases, with an option for reversion during the 35th year.

Under the terms of the lease contract, the Association has an obligation to make rental payments increasing at a compound rate of 3.5% per annum over the 35 year lease duration.

Obligations due under the leases are payable as follows (excluding interest):

	Group and Association	
	2009	2008
	£000	£000
In one year or less	**27**	22
Between one and two years	**32**	27
Between two and five years	**128**	111
In five years or more	**2,370**	2,419
	2,557	2,579

29. Pension asset/(liability)

	Group and Association	
	2009	2008
	£000	£000
London Borough of Redbridge	**(72)**	(23)
London Borough of Lewisham	**(128)**	(56)
London Borough of Barnet	**(518)**	170
	(718)	91

The movement on the pension scheme liabilities is scheduled below:

Year ended 31 March 2009	**Total**	London Borough of Redbridge	London Borough of Lewisham	London Borough of Barnet
	£000	£000	£000	£000
(Surplus)/Deficit at the beginning of the year	**(91)**	23	56	(170)
Current service cost, charged to operating surplus	**231**	–	8	223
Other finance (income)/costs, charged to surplus (note 9)	**(95)**	3	3	(101)
Past service cost	**31**	–	4	27
Actuarial (gains)/losses, charged to the statement of recognised surpluses and deficits	**912**	46	65	801
Contribution paid	**(270)**	–	(8)	(262)
Deficit at the end of the year	**718**	72	128	518

Year ended 31 March 2008	**Total**	London Borough of Redbridge	London Borough of Lewisham	London Borough of Barnet
	£000	£000	£000	£000
Deficit at the beginning of the year	**504**	26	49	429
Current service cost, charged to operating surplus	**311**	–	10	301
Other finance (income)/costs, charged to surplus (note 9)	**(77)**	(4)	(2)	(71)
Actuarial (gains)/losses, charged to the statement of recognised surpluses and deficits	**(572)**	1	7	(580)
Contribution paid	**(257)**	–	(8)	(249)
(Surplus)/Deficit at the end of the year	**(91)**	23	56	(170)

The actuarial gains and losses charged to the statement of total recognised surpluses and deficits are analysed as follows:

Year ended 31 March 2009	**Total**	London Borough of Redbridge	London Borough of Lewisham	London Borough of Barnet
	£000	£000	£000	£000
Actuarial gain/(losses)	**(856)**	(46)	(65)	(745)
Charged to the statement of recognised surpluses and deficits	**(856)**	(46)	(65)	(745)

Year ended 31 March 2008	**Total**	London Borough of Redbridge	London Borough of Lewisham	London Borough of Barnet
	£000	£000	£000	£000
Actuarial gain/(losses)	**572**	(1)	(7)	580
Charged to the statement of recognised surpluses and deficits	**572**	(1)	(7)	580

Analysis of projected pension expense for the year to 31 March 2010

Year ended 31 March 2009	**Total**	London Borough of Redbridge	London Borough of Lewisham	London Borough of Barnet
	£000	£000	£000	£000
Projected current service cost	**211**	–	7	204
Interest obligation	**431**	24	24	383
Expected return on plan assets	**(361)**	(17)	(14)	(330)
Total	**281**	7	17	257

30. Pensions

Disclosures are required in respect of Financial Reporting Standard 17 (Retirement Benefits) including the Association's share of the surplus/deficit and assets/liabilities (as at the balance sheet date) of any defined benefit scheme to which the Association contributes on behalf of its employees.

Social Housing Pension Scheme (administered by The Pensions Trust)
The Board decided to close the scheme to new employees at 30 June 2002 and to existing employees at 31 December 2002. From those dates employees have been offered the opportunity to join the group stakeholder pension plan.

Housing 21 accounts for less than 1% of SHPS total membership.

The following disclosure has been provided by the administrators:

Housing 21 participates in the Social Housing Pension Scheme (SHPS). The Scheme is funded and is contracted out of the state 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 March 2007. From 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 with a 1/60th accrual rate.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) 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.

Housing 21 has elected to operate the final salary with a 1/60th accrual rate, benefit structure for active members.

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.

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 Housing 21 paid contributions at the rate of 17.1%. Member contributions varied between 6.4% and 8.4% depending on their age.

As at the balance sheet date there were 145 active members of the Scheme employed by Housing 21. Housing 21 has closed the Scheme to new entrants.

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 the total scheme assets. Accordingly, due to the nature of the Plan, 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 the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £1,527 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £663 million, equivalent to a past service funding level of 70%.

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
• Rate of 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 PPF levy are included in the contribution rate.

The valuation was carried out using the following demographic assumptions:

Mortality pre retirement – PA92 year of birth, long cohort projection, minimum improvement 1% pa.

Mortality post retirement – 90% of SIPA year of birth, long cohort projection, minimum improvement 1% pa.

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

Benefit structure	Long-term joint contribution rate (% of pensionable salaries)
Final salary with a 1/60th accrual rate	17.8
Final salary with a 1/70th accrual rate	15.4
Career average revalued earnings with 1/60th accrual rate	14.9

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 20 September 2020, dropping to 3.1% from 1 October 2020 to 20 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 above table.

Employers that participate in the Scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate).

Employers that have closed the Scheme to new entrants, including Housing 21 are required to pay an additional employer contribution loading of 3.0% to reflect the higher costs of a closed arrangement.

A small number of employers are required to contribute at a different rate to reflect the amortisation of a surplus or deficit on the transfer of assets and past service liabilities from another pension scheme into the SHPS Scheme.

Employers joining the Scheme after 1 October 2002 that do not transfer any past service liabilities to the Scheme pay contributions at the ongoing future service contribution rate. This rate is reviewed at each valuation and applies until the second valuation after the date of joining the Scheme, at which point the standard employer contribution rate is payable. Contribution rates are changed on the 1 April that falls 18 months after the valuation date.

A copy of the recovery plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and / or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). The Regulator has reviewed the recovery plan for the SHPS Scheme and confirmed that, in respect of the September 2005 actuarial valuation, it does not propose to issue any scheme funding directions under Part 3 of the Pensions Act 2004. A copy of the September 2008 valuation will be forwarded to the Regulator in due course.

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 buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the 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 the 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.

Housing 21 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 2008. As of the date the estimated employer debt for Housing 21 was £35,715,000.

Group stakeholder plan with Axa Sun Life
Following the closure of the SHPS scheme to new members employees have been offered the opportunity to join the Group Stakeholder Plan. This is a defined contribution scheme. The pension cost of this scheme for the Association in the year was £405k (2008: £309k). There were 286 employee members at the year end (2008: 237). The Association contributes at a rate of 5% (if the employee contributes 3%) or 9% (if the employee contributes at 5%).

Prudential Group savings plan
This scheme has been closed to new members since 1997.

The Prudential Group Savings Plan is a defined contribution scheme. The pension cost of this scheme for the Association was £78k (2008: £86k) with 38 employee members at the year end (2008: 41).

The contribution rate of the Association is 10% or 15% of pensionable salary and nil for employees.

Local Authority Pension Schemes
Due to the TUPE transfer of staff, the Association participates in the following multi employer defined benefit pension schemes:

City of Westminster pension fund
The City of Westminster scheme is a defined benefit scheme. However Housing 21's liability in relation to its employees is capped at 12% and 17%. The scheme is therefore accounted for as a defined contribution scheme in accordance with FRS 17 as the charge in the income and expenditure account represents the employer contribution payable.

During the accounting period Housing 21 paid contributions at 12% and 17% totalling £262k (2008: £247k). There were 132 employee members at the year end (2007: 134 employees). Employee contributions were 5.5 % or 7.5 % (2008: 5.5% or 7.5%).

Oldham Metropolitan Borough Council pension fund
Oldham Metropolitan Borough Council scheme is a defined benefit scheme. However Housing 21's liability in relation to its employees is capped at 20%. The scheme is therefore accounted for as a defined contribution scheme in accordance with FRS 17 as the charge in the income and expenditure account represents the employer contribution payable.

During the accounting period Housing 21 paid contributions at 14.2% totalling £40k (2008:£33k). There were 18 employee members at the year end (2008:18). Employee contributions were 5.5% or 7.5% (2008: 5.5% or 7.5%).

Walsall Metropolitan Borough Council pension fund
Walsall Metropolitan Borough Council scheme is a defined benefit scheme. However Housing 21's liability in relation to its employees is capped at 14.7%. The scheme is therefore accounted for as a defined contribution scheme in accordance with FRS 17 as the charge in the income and expenditure account represents the employer contribution payable.

During the accounting period Housing 21 paid contributions at 14.7% totalling £570k. There were 279 employee members at the year end), employee contributions were between 5.5% and 7.5%.

London Borough of Sutton pension scheme
London Borough of Sutton pension scheme is a defined benefit scheme. However Housing 21's liability in relation to its employees is capped at 20%. The scheme is therefore accounted for as a defined contribution scheme in accordance with FRS 17 as the charge in the income and expenditure account represents the employer contribution payable.

During the accounting period Housing 21 paid contributions at 20% totalling £12k. There were five employee members at the year end. Employee contributions were between 5.5% and 7.5%.

London Borough of Camden pension scheme
London Borough of Camden scheme is a defined benefit scheme. However Housing 21's liability in relation to its employees is capped at 22%. The scheme is therefore accounted for as a defined contribution scheme in accordance with FRS 17 as the charge in the income and expenditure account represents the employer contribution payable.

During the accounting period Housing 21 paid contributions at 19.2% totalling £27k. There were 32 employee members at the year end. Employee contributions were between 5.5% and 7.5%.

London Borough of Redbridge pension scheme
The Association is an admitted body to the London Borough of Redbridge Pension Scheme (the Fund) which is administered by the London Borough of Redbridge under the regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme.

The latest formal valuation of the Fund was at 31 March 2007 with the next formal valuation due as at 31 March 2010. An actuarial valuation has been prepared as at 31 March 2009 on behalf of Housing 21 (the Employer). For this purpose the value of the Fund as at 31 March 2009 has been estimated based upon the latest split of investments by category which was at 31 March 2009. The value of the Fund's liabilities as at 31 March 2009 was assessed by rolling forward the value of the Employer's liabilities reported as at the latest valuation.

The main financial assumptions underlying the above valuation at 31 March are as follows:

	%pa 2009	%pa 2008	%pa 2007	%pa 2006	%pa 2005
Inflation rate	3.1	3.6	3.2	3.1	2.9
Discount rate	6.9	6.9	5.4	4.9	5.4
Expected rate of salary increases	4.6	5.1	4.7	4.6	4.4
Rate of pension increases	3.1	3.6	3.2	3.1	2.9

The expected rates of return of each category of assets held by the Fund for the ensuing year as at 31 March were as follows:

	%pa 2009	%pa 2008	%pa 2007	%pa 2006	%pa 2005
Equities	7.0	7.7	7.8	7.4	7.7
Bonds	5.4	5.7	4.9	4.6	4.8
Property	4.9	5.7	5.8	5.5	5.7
Cash	4.0	4.8	4.9	4.6	4.8

The values for each main category of assets held on behalf of Housing 21 within the Fund as at 31 March were as follows:

	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Equities	138	205	277	293	204
Bonds	109	110	144	68	64
Property	12	18	26	21	15
Cash	35	29	43	37	10
	294	362	490	419	293

	31 March 2009 £000	31 March 2008 £000	31 March 2007 £000	31 March 2006 £000	31 March 2005 £000
Estimated employer assets	294	362	490	419	293
The present value of scheme liabilities	(366)	(385)	(516)	(513)	(454)
Deficit related to Housing 21	(72)	(23)	(26)	(94)	(161)

The pension cost of this scheme to the Association for the year was £0 (2008: £0k). There were no employee members during the year.

London Borough of Lewisham pension scheme

The Association is an admitted body to the London Borough of Lewisham Pension Scheme (the Fund) which is administered by the London Borough of Lewisham under the regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme.

The latest formal valuation of the Fund was at 31 March 2007 with the next formal valuation due as at 31 March 2010. An actuarial valuation has been prepared as at 31 March 2009 on behalf of Housing 21 (the Employer). For this purpose the value of the Fund as at 31 March 2009 has been estimated based upon the latest split of investments by category which was at 28 February 2007. The value of the Fund's liabilities as at 31 March 2009 was assessed by rolling forward the value of the Employer's liabilities reported as at the latest valuation.

The main financial assumptions underlying the above valuation at 31 March are as follows:

	%pa 2009	%pa 2008	%pa 2007	%pa 2006	%pa 2005
Inflation rate	3.1	3.6	3.2	3.1	2.9
Discount rate	6.9	6.9	5.4	4.9	5.4
Expected rate of salary increases	4.6	5.1	4.7	4.6	4.4
Rate of pension increases	3.6	3.6	3.2	3.1	2.9

The expected rates of return of each category of assets held by the Fund for each year as at 31 March were as follows:

	%pa 2009	%pa 2008	%pa 2007	%pa 2006	%pa 2005
Equities	7.0	7.7	7.8	7.4	7.7
Bonds	5.6	5.7	4.9	4.6	4.8
Property	4.9	5.7	5.8	5.5	5.7
Cash	4.0	4.8	4.9	4.6	4.8

The values for each main category of assets held on behalf of Housing 21 within the Fund as at 31 March were as follows:

	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Equities	154	208	199	185	151
Bonds	42	52	39	33	30
Property	18	31	26	24	19
Cash	7	4	8	12	6
Total	221	295	272	254	206

	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Estimated employer assets	221	295	272	254	206
The present value of scheme liabilities	(349)	(351)	(321)	(320)	(278)
Deficit related to Housing 21	(128)	(56)	(49)	(66)	(72)

The pension cost of this scheme to the Association for the year was £8k (2008: £7k). There were four employee members at the end of the year (2008: 4). The contribution rate of the Association for the year ended 31 March 2009 was 18.5% (2008: 17.75%) and for employees 5% or 6%.

Notes to the financial statements

London Borough of Barnet pension scheme

The Association is an admitted body to the London Borough of Barnet's Pension Scheme (the Fund) which is administered by the London Borough of Barnet under the regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme.

The latest formal valuation of the Fund was at 31 March 2007. An actuarial valuation has been prepared as at 31 March 2009 on behalf of Housing 21 (the Employer). For this purpose the value of the Fund as at 31 March 2009 has been estimated based upon the latest split of investments by category which was at 31 March 2009. The value of the Fund's liabilities as at 31 March 2009 was assessed by rolling forward the value of the Employer's liabilities reported as at the latest valuation.

The main financial assumptions underlying the above valuation at 31 March are as follows:

	%pa 2009	%pa 2008	%pa 2007	%pa 2006	%pa 2005
Inflation rate	3.0	3.6	3.2	3.1	2.9
Discount rate	6.7	6.9	5.4	4.9	5.4
Expected rate of salary increases	4.5	5.1	4.7	4.6	4.4
Rate of pension increases	3.0	3.6	3.2	3.1	2.9

The expected rates of return of each category of assets held by the Fund for the ensuing year as at 31 March were as follows:

	%pa 2009	%pa 2008	%pa 2007	%pa 2006	%pa 2005
Equities	7.1	7.8	7.8	7.4	7.8
Guilts	4.0	5.7	4.9	4.6	4.8
Bonds	6.5	5.7	–	–	–
Property	6.6	5.7	5.8	5.5	5.7
Cash	3.0	4.8	4.9	4.6	4.8

The values of the net pension asset is as follows:

	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Estimated employer assets	5,059	5,640	5,553	4,940	3,750
The present value of scheme liabilities	(5,577)	(5,470)	(5,982)	(5,710)	(4,470)
Deficit related to Housing 21	(518)	170	(429)	(770)	(720)

The pension cost of this scheme to the Association for the year was £262k (2008: £231k). At the end of the year there were 85 employee members (2008: 97).

The contribution rate of the Association for the year ended 31 March 2009 was 19.2 % (2008: 17.9%) and for employees 5.5% to 7.5%.

31. Subsidiary undertakings

The following comprise the subsidiary undertakings for incorporation into the consolidated accounts for the Group in accordance with the Industrial and Provident Societies Acts and Financial Reporting Standards.

Name and principal activity	Country of registration	Status	Basis of control
The War Memorial Village – Derby (Management of social housing)	England and Wales	Private company limited by guarantee	Housing 21 is a member and controls the composition of the Board
Kent Community Partnership Ltd (Building and managing stock in Kent)	England and Wales	Industrial and provident society	Housing 21 is a member and controls the composition of the Board
Housing 21 Guernsey LBG (Development and management of housing properties and the provision of care services)	Guernsey	Private company limited by guarantee	Housing 21 Guernsey LBG is wholly under the control of Housing 21
Oldham Retirement Housing Partnership Ltd (Management of sheltered housing stock in Oldham)	England and Wales	Industrial and provident society	Housing 21 is a member and controls the composition of the Board
JBK Social Care Ltd (Dormant)	England and Wales	Private limited company	Ownership of 1,000 £1 shares being 100% of the issued share capital
Housing 21 Property Services Ltd (Building stock in Walsall)	England and Wales	Private limited company	Ownership of two £1 shares being 100% of the issued share capital
Housing 21 Group Ltd (Dormant)	England and Wales	Private limited company	Ownership of two £1 shares being 100% of the issued share capital
Housing 21 Care Options Ltd (Dormant)	England and Wales	Private limited company	Ownership of 1,000 £1 shares being 100% of the issued share capital

The above companies operate principally in their country of registration.

32. Contingent liabilities

In common with a number of Housing Associations, Housing 21 is seeking clarification from HM Revenue & Customs over the continuing validity of its PAYE/NI dispensation in respect of accommodation provided to residential Court Managers. Due to the degree of uncertainty over the outcome of this matter, the Association is unable to confirm the amount of liability to tax and Class 1A national insurance contributions that may arise.

33. Goodwill

On 28th February 2007 the Association purchased the leasehold management business of 17 housing schemes from James Butcher Housing Association for £3m. An intangible asset, goodwill, has arisen on the difference between the price paid for the business and the fair value of the net assets and is being amortised over 20 years in accordance with FRS 10. The goodwill amortised in the year was £153k (2008: £176k). On 18 July 2007 the Association purchased a specialist care company based in Westminster for £400k. The intangible asset, goodwill is being amortised over five years. The goodwill amortised in the year was £86k (2008: £84k).

	Group and Association	
	2009	2008
	£000	£000
Opening balance	**3,092**	2,761
Goodwill purchased during the year	**–**	591
Amortised during the year	**(239)**	(260)
At 31 March 2009	**2,853**	3,092

34. Legislative provisions

The Association is incorporated under the Industrial and Provident Societies Act 1965 (Registered number 16791R) and under the Housing Act 1996 (Number L0055).

35. Related party transactions

One of the Groups director's is also a director of HACO an organisation which provides some of the Group's funding. All transactions between the Group and HACO are on an arm's length basis and on normal terms. No related party transactions have been entered into during the year, other than those disclosed in the Financial Statements, which might reasonably affect any decision made by the users of these Consolidated Financial Statements.

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