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**Financial Statements**  
2008–09

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## One Housing Group Limited

Board Members, Executive Directors, Advisors and Bankers  
as at 31 March 2009

### Chair:

Brian Hurrell  
(resigned January 09)  
Baroness Julia Neuberger  
(appointed January 09)

### Vice Chairs:

Paul Hendrick  
Hugh Lake

### Ordinary members:

Ozay Ali  
Martin Baker  
(resigned January 09)  
Jeremy Burden  
(resigned October 08)  
Nigel Duerdoth  
Tunji Faleyeh  
Jatinder Saini  
Alan Winter  
Mick Sweeney \*  
Pam Cole  
(resigned April 08)  
Terry Stacy  
(appointed June 08)  
Ann Lucas  
(appointed June 09)

\* denotes Executive Director

### Chief Executive:

Mick Sweeney

### Group Finance Director:

Barry Aspland

### Company Secretary:

Josephine Robinson  
(appointed May 08,  
resigned March 09)  
Fiona Markey  
(appointed March 09)

### Registered Office:

100 Chalk Farm Road  
London  
NW1 8EH  
Telephone: 020 8821 5100

Registered under the  
Industrial & Provident  
Societies Act 1965, number  
30236R

Registered with the Tenant  
Services Authority number  
L4492

### Solicitors:

Devonshires Solicitors  
Salisbury House  
London Wall  
London  
EC2M 5QY

Lewis Silkin LLP  
5 Chancery Lane  
Clifford's Inn  
London  
EC4A 1BC

Trowers & Hamblins LLP  
Sceptre Court  
40 Tower Hill  
London  
EC3N 4DX

### Bankers:

Barclays Bank plc  
1 Churchill Place  
London  
E14 5HP

### Auditors:

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

## One Housing Group Limited

Report of the Management Board  
Chair and Chief Executive's Review

**One Housing Group Limited (OHG) formed in August 2007, around the start of the financial downturn. As well as a challenging external environment, the Group was immediately faced with governance and service weaknesses at Island Homes.**

**Thanks to a strong Board and Management Team and the continued efforts of staff, the Group was able to overcome these challenges and further consolidate its position in a difficult market.**

The past 12 months have seen OHG take the final steps towards becoming a fully integrated Group. The opening of the new Group offices and Customer Contact Centre (CCC) in Mile End in early 2009 and significant investment in IT and telephony systems were integral to this and early indications show that they are having a positive impact.

The Group's CCC serves all tenants and leaseholders, handling around 6,800 calls each month. Linked with improvements to services such as repairs and maintenance, Key Performance Indicators show that resident satisfaction was up to 96.8% in the last quarter of 2008–09 – a 5% rise on quarter one.

The Audit Commission's inspection of Island Homes confirmed our view of weaknesses in service delivery to residents. A new Board was recruited and staff were seconded from elsewhere in the Group to address these issues. Our efforts were recognised by the Audit Commission's judgement of "promising prospects for improvement". With good governance now restored, three additional resident Board members were recently recruited, bringing the number of residents up to five on the ten strong Board. As further evidence of rising standards, Island Homes achieved Quality Housing Services (QHS) accreditation across all ten service areas.

Our Resident Involvement Framework uses a variety of methods to involve and engage residents. Their feedback, complaints and suggestions are then fed into our Service Improvement Plans, driving progress in every sphere of our work. This extends throughout the organisation and includes Board members meeting with residents at events and open days to gain first-hand experience of the issues they face. The Board is however not complacent about the need for greater resident involvement and the service improvements that this can bring, and is working hard to make a truly resident focused organisation a reality.

We have a growing reputation for supporting the communities in which we work and making a positive contribution to their lives socially and economically.

OHG takes a very active approach to supporting residents into jobs and training, particularly as unemployment levels continue to rise. Since 2007, 239 residents have undergone training and 52 have gained employment as a result of our Employment and Training service.

Over the past year, our Youth Services Team has delivered more than 1,000 activities, 500 youth club sessions and 130 projects that were accessed more than 13,000 times.

To help residents through the tough economic climate, OHG has provided a series of courses to equip residents at risk of financial exclusion with improved financial awareness and skills. Since 2007, 500 residents have attended the workshops and as a result 42% have reduced their rent arrears.

One Support, the Group's care and support arm, has grown rapidly over the past two years and currently works with around 4,000 customers in London, the East and South East. Its proven track record has helped to win a significant amount of new business over the past year, including a contract with London Borough of Lambeth to provide a floating support service for 120 older people in four sheltered schemes and a contract with London Borough of Islington to remodel 17 young people's projects.

The Group recently took over ownership of Arlington House and Dean Street hostels and is working hard to turn them into flagship schemes that deliver real benefits for their local communities. OHG will continue the programme of refurbishment at Arlington House to transform it into a high quality accommodation and employment resource for vulnerable homeless people in Camden. We are confident that under our ownership and management both hostels will become cutting edge resources to tackle social exclusion.

Despite the challenging financial environment, OHG has continued to develop new homes, although at a slower pace. More than 850 homes were handed over during the year and a further 1,500 are currently on site and will be completed in the next three years. This is thanks in large part to an additional £80 million (of which £77m was received in the year) of funding from the Homes and Communities Agency, who supported our proposals to change the tenure of some new homes from shared ownership to rent.

We look to develop innovative design and construction solutions that fit the needs of each new scheme. The past year has seen the Group convert East End Mission, a striking red brick Victorian building on Commercial Road, into new affordable units. Whilst the frontage and high ceilings were restored to retain the building's charm and character, modern features have been incorporated to provide high quality affordable homes. OHG is committed to delivering energy efficient, sustainable developments. Charrington Court, completed in June 2008, is OHG's first development to feature rooftop solar panels. The 44 panels reduce the main boiler power required to power the building's 98 apartments by more than 50%.

Shared ownership property sales have held up well in the turbulent economic environment, with more than 400 homes sold during the year, including Rent to HomeBuy. With access to mortgages slowly improving, the year ahead promises to be somewhat easier for potential homebuyers and we are confident of meeting our targets.

Regeneration projects that transform deprived parts of London remain a key area of focus. OHG recently finalised the framework agreement for the Kings Cross Central project, for which OHG will deliver up to 285 units in the first phase. OHG has also been selected, with consortium partner Bouygues Development, to build 1,100 new homes for the Canning Town and Custom House regeneration project, which will create a whole new town centre on a 16 acre site.

With all the above now in place and a strong commitment to providing the best services and support possible, the Group is able to move confidently into the coming year with its plans for providing new homes and improving and extending services to residents and customers.

**Activities:**

OHG is a non charitable, non housing property holding parent Registered Provider of Social Housing that brings together three housing associations and their subsidiaries under a group structure (the Group): Community Housing Association Limited (CHA), Toynbee Housing Association Limited (THA) and Island Homes Housing Association Limited (IH). The Group currently manages more than 10,000 homes, and has sustainable growth plans for the future. Together the Group operates in 26 local authorities across London and adjacent counties.

OHG also trades through a number of entities, including One Support, the Group's care and support arm; Community Action Limited (CA), a registered charity; and Citystyle Living Limited (CSL), which manages the Group's market rented properties.

OHG's main purpose is to provide central, strategic and corporate management services to its three subsidiaries with each retaining the role of providing local neighbourhood management services. OHG is responsible for the strategic planning and direction of the Group and ensuring that the corporate services such as IT, finance, personnel and development functions meet the members needs.

The Group is diverse and operates in the following key business streams:

- general needs housing for rent, primarily for families who are unable to rent or buy at open market rates. General needs properties include newly built homes as well as housing transferred from Local Authorities
- supported housing, care and support for people who need additional housing related support or additional care
- developing and delivering new high quality, affordable homes to meet the urgent housing need that still exists across London and adjacent counties
- low cost home ownership, primarily shared ownership, whereby residents purchase a share in the equity of their homes and pay rent to the housing association on the remainder
- temporary social housing (the Homeless Families Initiative) helping local authorities address homelessness by providing good quality temporary accommodation as an alternative to bed and breakfast
- resident involvement framework and community investment programme that involves residents through a combination of consultation and participatory mechanisms

- community investment strategy, which promotes social inclusion, and a range of employment and training initiatives
- commercial property let to commercial users which contributes to the social and economic regeneration of the communities where the Group works.

**Group Structure:**

The Group consists of the following organisations:

- OHG, the parent company is a non-charitable non-housing property holding parent Registered Provider of Social Housing responsible for the strategic planning and direction of the Group and ensuring that the corporate services such as IT, finance, personnel and development functions meet the members' needs
- CHA was formed in 1972 and registered with the Tenant Services Authority (formerly the Housing Corporation) in 1975. CHA is a leading developer of social housing in the UK and a housing provider that delivers a range of affordable housing and related services across a number of London Boroughs. CHA owns and manages about 4,000 homes and also holds a 50% share in a Joint Arrangement Not an Entity (JANE) called Canalside Housing Partnership. Since the formation of the Group in August 2007 CHA has been registered as a subsidiary of OHG
- THA was formed in 1962 in association with Toynbee Hall and is one of the leading providers of social housing and related services operating across ten local authorities including the City of London, Tower Hamlets, Newham, Waltham Forest and a further six authorities in Berkshire. THA owns and manages about 3,000 homes. Since the formation of the Group in August 2007 THA has been registered as a subsidiary of OHG
- IH was formed in December 2005 to take the stock transfer of 1,984 homes on the Isle of Dogs from the London Borough of Tower Hamlets. Since the formation of the Group in August 2007 IH has been registered as a subsidiary of OHG
- CSL is a company limited by shares which owns and manages the Group's market rented properties. On formation of the Group it remained a subsidiary of CHA
- CHA Ventures Limited (CV) is a company limited by shares and a commercial subsidiary which lets all development contracts on behalf of the Group. CV is a subsidiary of CHA

- CA, a registered charity, was formed in 2002 and undertakes fundraising activities on behalf of the Group. On formation of the Group in August 2007 CA remained a subsidiary of CHA
- Toynbee Partnership Housing Association (TPHA) was formed in 1988 to manage low cost home ownership and the sale of outright units. It is a non-charitable housing association and remained a subsidiary of THA
- Toynbee Keyside Housing Association Limited was formed to enable the Group to diversify its activities and is registered under the Industrial and Provident Societies Act 1965. It is a subsidiary of THA which to date has remained dormant
- Central Street LLP is a 50% joint venture between CV and Mount Anvil Group Limited. The LLP was formed in 2008 to develop property.

**Business Objectives, Strategies and Performance Indicators:**

The Group shares a commitment to providing excellent services to residents and to contributing to the social and economic regeneration of the communities where the Group operates.

The Group's key objectives are as follows:

- improve the quality of people's lives through the provision of well-designed, affordable homes and services that benefit diverse communities
- make OHG a key regional player, influential in setting the housing agenda
- deliver quality services with excellent customer care
- be efficient and entrepreneurial, responding to opportunities in a way that benefits all stakeholders
- create a growing organisation where the residents feel both valued and involved and the best people want to work
- deliver sustainable mixed-tenure communities, including large estate regeneration projects
- be responsive to the needs of the disadvantaged, the vulnerable and minority communities.

Service Delivery	Business Strategy	Plan	Performance Indicators
<b>Services to Residents</b>	Work with residents to deliver quality services with investment in our properties, neighbourhoods and communities	<ul style="list-style-type: none"> <li>• Further develop flexible resident involvement mechanisms</li> <li>• Raise quality of day to day repairs</li> <li>• Significant investment to exceed Decent Homes Standard</li> <li>• CA to deliver sustainable community investment projects</li> </ul>	<ul style="list-style-type: none"> <li>• Rent arrears</li> <li>• Repairs response time</li> <li>• Average re-let time</li> <li>• Rent loss from voids and bad debts</li> <li>• Customer satisfaction</li> </ul>
<b>Development</b>	Aim to be a quality developer that specialises in affordable housing	<ul style="list-style-type: none"> <li>• Achieve Homes and Communities Agency allocation for 2008-11</li> <li>• Develop an outright sales programme using joint venture models to cross-subsidise housing for rent</li> <li>• Become a Regional South East developer with local service delivery</li> </ul>	<ul style="list-style-type: none"> <li>• New units into management by stock type</li> <li>• Development cost per unit</li> <li>• Development cost to grant ratio</li> </ul>
<b>Care &amp; Support</b>	To use choice, innovation and technology to provide top class accommodation, support and care that delivers real life improvements and independence to customers	<ul style="list-style-type: none"> <li>• Provide real choice to the most vulnerable people</li> <li>• Use technology and IT to help vulnerable and older people to live independently</li> <li>• Deliver extra care retirement housing for sale</li> <li>• Provide complex needs, supported housing, for mental health vulnerable young people</li> </ul>	<ul style="list-style-type: none"> <li>• Customer satisfaction</li> <li>• Income and cost per client</li> <li>• Maximise the return on the support scheme</li> <li>• Value for money to local authority client</li> </ul>
<b>Regeneration of Neighbourhoods</b>	To work with residents in diverse communities to change neighbourhoods and to build sustainable communities	<ul style="list-style-type: none"> <li>• Complete 5,000 homes by way of refurbishment and regeneration programme by 2012</li> <li>• Participate in future major regeneration projects</li> <li>• Build a long-term strategy for our £60 million commercial portfolio to help regenerate communities through shops, offices and business spaces</li> </ul>	<ul style="list-style-type: none"> <li>• Customer satisfaction</li> <li>• Bidding success in regeneration schemes</li> </ul>
<b>Finance</b>	To responsibly deploy the Group's financial strength to build more homes and deliver quality services to residents and communities	<ul style="list-style-type: none"> <li>• To improve operational efficiency including treasury management and re-financing gains</li> <li>• Employ a robust risk management policy and practice at main board level to secure sustainable, managed growth</li> <li>• Raise competitive private finance</li> <li>• Re-invest in existing homes, improve front line services and social inclusion initiative</li> <li>• Generate cross-subsidy for affordable homes through a new housing for sale programme over the next three years</li> <li>• Integrate financial and business systems</li> </ul>	<ul style="list-style-type: none"> <li>• Measure actual performance against budget and forecast targets</li> <li>• Raise the private finance required to meet the Group's financing requirements</li> <li>• Successfully implement the system integration project across OHG</li> </ul>
<b>Human Resources</b>	To build a motivated, skilled, responsive staff team committed to the delivery of Group business plans and social objectives	<ul style="list-style-type: none"> <li>• Make the Group an attractive place to work with clear performance targets</li> <li>• Invest in and develop staff, rewarding good performance. Be a dynamic, innovative, flexible and efficient employer</li> <li>• Focus on recruitment and retention of quality staff with training and development programmes helping staff to achieve their potential</li> <li>• To be clear in our purpose, focussing on customers, delivery and quality</li> <li>• Promote clear positive communication with staff and other stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>• Staff turnover</li> <li>• Staff absence</li> <li>• Investment in training and development</li> <li>• Staff satisfaction</li> <li>• Staff appraisals</li> </ul>

### Operating Review

The Group is a major provider of affordable rented, shared equity and supported housing located in London and Berkshire. The Group also provides other accommodation ranging from private rented accommodation to commercial property.

The integration of the new Group structure was completed within budget by December 2008. The purpose of the integration project was to create:

- centralised business support services
- Customer Contact Centre
- integrated management information systems
- common strategies, policies and procedures.

The Housing Corporation ceased operation on 30 November 2008. The Housing and Regeneration Act 2008 established two new agencies to replace the Housing Corporation: The Tenant Services Authority (TSA) which will act as a new watchdog for social tenants and the Homes and Communities Agency (HCA). The TSA will regulate social housing landlords (now defined in the Act as Registered Providers of Social Housing or RPs), setting high standards of management across housing associations. The Homes and Communities Agency (HCA) which will bring together responsibility for both land and the money to deliver new housing, community facilities and infrastructure.

During the year the TSA's assessment of compliance of OHG against the regulatory code did not change. The system of measurement is based on a traffic light evaluation. In its last assessment from the Housing Corporation, OHG received green lights from the Housing Corporation in all four areas of evaluation (governance, viability, management and development).

Through the Regular Market Engagements (RME) process we secured during the 2008–09 financial year £80m of grant of which £77m was received in the year in addition to the initial £28m grant as part of the 2008–11 National Affordable Housing Programme (NAHP). This additional grant provided "top up" grant for existing schemes or schemes originally without grant as well as new enabling grant to fund a further 299 units.

Further bids under the RME process are being made through 2009–10.

The progress of the development programme is regularly monitored against the following performance indicators:

- capital expenditure against the budget
- grant receipts by type
- homes completed against the target.

To monitor and control the diverse operating activities of the Group, the Board is provided with a series of performance indicators. Performance against selected key indicators for the period is presented below:

Operational Performance Indicators	CHA		THA		IH	
	Target	Actual	Target	Actual	Target	Actual
<b>General needs rent collected</b>	98.0%	<b>94.3%</b>	98.9%	<b>99.1%</b>	98.0%	<b>98.5%</b>
<b>General needs rent arrears</b>	4.7%	<b>7.0%</b>	6.5%	<b>6.5%</b>	7.5%	<b>8.6%</b>
<b>General needs re-let times (days)</b>	28	<b>25</b>	28	<b>37</b>	28	<b>35</b>
<b>Rent loss through general needs voids</b>	1.0%	<b>1.1%</b>	1.0%	<b>0.3%</b>	1.0%	<b>1.2%</b>
<b>Emergency repairs completion within target</b>	97.0%	<b>93.9%</b>	97.5%	<b>96.7%</b>	97.0%	<b>88.1%</b>
<b>Urgent repairs completion within target</b>	92.0%	<b>93.3%</b>	93.5%	<b>94.5%</b>	92.0%	<b>89.5%</b>
<b>Routine repairs completion within target</b>	95.0%	<b>95.7%</b>	96.5%	<b>95.8%</b>	95.0%	<b>95.1%</b>
<b>Tenant satisfaction with repairs service</b>	96.0%	<b>92.4%</b>	96.0%	<b>98.4%</b>	96.0%	<b>97.0%</b>
<b>Tenant satisfaction with planned maintenance</b>	94.0%	<b>95.0%</b>	94.0%	<b>95.7%</b>	94.0%	<b>n/a</b>
<b>Tenant satisfaction with new handovers</b>	98.5%	<b>94.9%</b>	98.5%	<b>83.9%</b>	98.5%	<b>n/a</b>

n/a = not applicable

In many areas of the Group's operational performance, a consistently high level of service has been achieved compared to last year. This has been achieved while the integration project has been ongoing. The improvement to services since the opening of the CCC in January 2009 are not fully recognised in the above annualised KPIs but are expected to be fully evident in next years performance outlook.

The standard of governance across the new Group since inception has been good, with the exception of IH. As reported last year, the Chair of the Board of IH resigned in January 2008. Following an independent governance review by consultants and following extensive legal advice, OHG dismissed the entire Board of IH on 16 April 2008. The Housing Corporation, residents and local stakeholders including the local authority and Member of Parliament were kept informed throughout the process.

A new, interim Board was subsequently appointed and held its first meeting on 11 June 2008 and has continued to meet throughout the year, managing the affairs of the association. As explained in the Chair and Chief Executive's review, "the new Board has restored good governance and we have recently recruited three new resident Board members, bringing the number of residents up to five on a ten strong Board."

### Financial review for the year

The Group recognises that its primary business objective is to provide homes and services to people in need while at the same time ensuring that sufficient income is generated from its activities to meet operating costs, loan interest payments, support investment in new and existing homes and meets its loan covenants. The Group reinvests surpluses to provide services and new homes to deliver sustainable communities.

The Group has adopted the 2008 Statement of Recommended Practice (SORP) 'Accounting by Registered Social Landlords' (the 'SORP') in the current year and consequently the prior year's comparatives have been restated. The Group made a surplus for the year of £5.5m compared to a surplus of £6.2m, as restated,

for the previous year. The Group turnover increased by 16.8%, cost of sales by 22.6% and operating costs by 6.8% which led to an overall increase in the operating surplus by 42% to £22.7m. The favourable impact on the operating surplus was offset by additional net interest costs, leading to a reduction in the surplus for the year by 12% to £5.6m. The increased net interest costs were partially due to the increased cost of debt during the first half of the year as the global banking crisis began to unfold. This culminated in additional borrowing requirements to maintain the Group's liquidity following the lack of mortgage finance availability to potential homebuyers. This led to the downturn in the housing market which subsequently led to lower than anticipated shared ownership unit sales and values.

The table below summarises the overall performance in the period.

### OHG performance summary

Description	2009 £'000	Restated 2008 £'000
Turnover	<b>106,362</b>	91,069
Cost of Sales	<b>(27,303)</b>	(22,278)
Operating Costs	<b>(56,336)</b>	(52,766)
Operating Surplus	<b>22,723</b>	16,025
Net Interest	<b>26,455</b>	18,675
Surplus on disposals	<b>6,441</b>	7,416
Surplus for the year	<b>5,555</b>	6,226
Gross margin (%)	<b>21.36%</b>	17.60%
Net margin (%)	<b>5.22%</b>	6.84%

**Financial review for the year (continued)**

A key aspect of the asset management strategy of the Group is to continue its programme of spend on major repairs and improvements to its older properties. During the following two years the Group will roll out a planned maintenance programme, the objective of which is for the Group to meet the Decent Homes Standard by December 2010. The Group has designated £10.2m over the next two years to meet this target, the funding of which is to be met from operating surpluses and by realising surpluses through the Group's policy of selling properties that are uneconomical to maintain as they become void.

The Board reviews the financial performance of the Group on a regular basis and in light of this assesses the risks facing the Group through a structured risk management process for the Group. In addition to standard risks facing any parent RP, such as managing income within a regulated rental regime and maintaining homes in a good condition, the Group has to manage the risks related to delivering a significant development programme. During the year, financial and money markets were subjected to significant turbulence which culminated in the merger and nationalisation of major banking institutions. This subsequently led to the contraction of the mortgage market, negative growth in the economy, rising unemployment and falling financial and property asset values. One of the consequences of this has been for banks to incur substantial write downs of their mortgage backed assets which have led, amongst other things, to a tightening of liquidity in the money markets. This has subsequently led to a contraction in the UK housing market through the tighter availability of corporate and mortgage lending which has adversely affected the Group's exposure to sales values and sales volumes of its properties for sale, primarily through its shared ownership schemes. Within this environment the key risks most likely to influence the performance of the Group with reference to factors arising during 2009–10 are:

**Securing capital grant to facilitate development**

The Group retained its status as a preferred development partner with the HCA in 2008–09 and submitted successful bids which secured £77m in grant funding during the financial year with an additional £57m already secured in 2009–10 to develop 440 units through the process of regular market engagement.

**Securing private finance to facilitate development**

The effect of the credit crunch had impacted the availability of private finance to the social housing sector during the year. The Group takes this issue seriously and has embarked on a process of engaging with its existing and new lenders to achieve its long term financing requirements. This has already been partially achieved through the raising of £30m bond finance in August 2008 and additional committed bank facilities of £10m in June 2009.

**Cost of borrowing**

The effect of the credit crunch during the year also impacted the cost of finance as Libor deviated from its normal correlation to Bank of England base rate (Base) but later stabilised, closer to normal levels above Base. The Group's treasury management policy, through a mix of hedging and embedded fixed rates where 41% of the Group's loan facilities are fixed, enabled the Group to withstand the volatility in interest rates throughout the period.

In December 2008 the Group had a Mark to Market (MtM) exposure on its free standing interest rate SWAPs of £9.7m due to the fall in SWAP rates across the yield curve. This MtM exposure was initially collateralised by cash but was subsequently replaced with property security. Since the year end the Group's MtM exposure has significantly reduced as SWAP rates have increased and the Group has successfully charged significant property security thereby mitigating the risk of further MtM exposure risk.

**Achieving sales**

A significant element of the Group's development programme was originally intended for shared ownership sale. Key risk factors for this activity relate to demand, the availability of mortgage finance, and value movements.

The widespread collapse in mortgage lending during 2008, and its profound effect on property transaction volumes and values, led to a shortfall on our original 2008–09 budgeted income. The Group was, however, able to respond to these market challenges by switching much of its sales programme into rent rather than sale based tenures, and by replacing missing sales receipts with additional grant funding and further debt finance.

The Group continues to monitor the market closely and has developed strategies to mitigate the risks to cash flow from further variations in sales values and volume.

**Asset management**

The Board continues to express its strategic intention to provide investment to achieve Decent Homes "plus" Standards and this decision has been costed into short and long term financial plans. The funding of this is met by operating surpluses and realising surpluses through the Group's policy of selling properties that are uneconomical to maintain as they become void.

**Supporting people contracts**

These contracts now comprise a significant proportion of income for the Group. We regularly monitor and review the risks and our controls associated with the Supporting People programme in specific regard to our contract portfolio.

**Integration of the Group structure**

The successful implementation of the integration project was critical to realising the efficiencies identified in the business case for the new Group structure. Consequently this project was subject to comprehensive monitoring and rigorous review at each Board meeting and was completed during the year.

The principal accounting policies of the Group are set out on pages 17 to 19. The policies with the most impact on the financial statements are the treatment of capital grant, capitalisation of interest and development costs, the calculation of housing property depreciation and shared ownership accounting. These policies have been consistently applied across the Group for the year.

**Capital Structure and Treasury**

The Group is financed by a combination of retained reserves, long-term loan facilities and Social Housing Grant (SHG) funding. The treasury team operates within strict policies and procedures, approved by the Group Board, designed to maintain an efficient capital structure while minimising the Group's liquidity and interest rate risk. Borrowings are shown in Note 15 in the financial statements but are in summary:

**Capital Structure and Treasury (continued)**

Group Borrowing	CHA £000's	CSL £000's	THA £000's	TPHA £000's	IH £000's	Group £000's	
<b>Fixed Rate Borrowing</b>	116,928	12,326	114,136	3,160	19,387	<b>265,937</b>	41%
<b>Variable Rate Borrowing</b>	245,606	-	132,428	12,067	-	<b>390,101</b>	59%
<b>Total drawdown facility</b>	<b>362,534</b>	<b>12,326</b>	<b>246,564</b>	<b>15,227</b>	<b>19,387</b>	<b>656,038</b>	
<b>Undrawn facility</b>	34,500	-	18,000	12,007	30,000	<b>94,507</b>	
<b>Total available facility</b>	<b>397,034</b>	<b>12,326</b>	<b>264,564</b>	<b>27,234</b>	<b>49,387</b>	<b>750,545</b>	

Maturity Period	CHA £000's	CSL £000's	THA £000's	TPHA £000's	IH £000's	Group £000's
<b>Within 1 year</b>	213	701	8,425	-	-	<b>9,339</b>
<b>Between 1 and 2 years</b>	-	600	9,073	-	-	<b>9,673</b>
<b>Between 2 and 5 years</b>	15,142	1,800	9,500	-	-	<b>26,442</b>
<b>After 5 years</b>	347,179	9,225	219,566	15,227	19,387	<b>610,584</b>
	<b>362,534</b>	<b>12,326</b>	<b>246,564</b>	<b>15,227</b>	<b>19,387</b>	<b>656,038</b>

The Group manages its exposure to interest rates through a mix of variable and fixed rate borrowings and approved hedging arrangements. The Group's average cost of capital during the year was 5.52%.

**Cash Flow**

The Group consolidated Cash Flow Statement shows that the Group generated cash of £33m from operations which includes £19.8m proceeds from first tranche sales. A total of £127m of expenditure on new development schemes and capital works to existing stock were funded by Social Housing Grant of £69.5m, proceeds from property disposals and staircasing sales of £17m and a reduction in cash holdings and net draw down of loans.

**Compliance with loan covenants**

The borrowings were drawn in the individual operating companies and all the financial loan covenants were met at the year end.

**Going Concern**

The Group Board has made enquiries and examined significant areas that could give rise to financial exposure and are satisfied that no material or significant exposures exist other than as reflected in these financial statements and that the Group has adequate resources to continue its operations for the foreseeable future. For this reason the going concern principal has been to be applied in preparing these financial statements.

**Statement of compliance**

The Operating and Financial Review has been prepared in compliance with the Accounting Standard Board statement of best practice "Reporting Statement: Operating and Financial Review" (the Reporting Statement).

**Statement of responsibilities of the Board**

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

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable United Kingdom Accounting Standards and the Statement of Recommended Practice: "Accounting by Registered Social Landlords" have been followed
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Board is responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable it to ensure that the financial statements comply with the Industrial and Provident Societies Act 1965 to 2002, the Industrial and Provident Societies (Group Accounts) Regulations 1969, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. It has general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Board. The Board's responsibility also extends to the ongoing integrity of the financial statements contained therein.

**Corporate governance**

The Board is committed to a high standard of corporate governance and regularly reviews its policies and procedures in this area. The key aspects of the Group's current policies and procedures are detailed below.

**The Board**

The Board meets regularly to review the strategic direction, financial and overall performance of the Group. The Chief Executive, in consultation with the Chair, produces an agenda for each meeting supported by papers. Senior management members are available at Board meetings to present these papers and provide answers to questions. The Board decides strategy and has a formal schedule of matters reserved for its decision. Authority is delegated to the Chief Executive and Executive Management team for implementing strategy and managing the Group.

The Board comprises 11 Board members. Other than the Chief Executive who is also a Board member, all Board members are non-executive. The ordinary members embrace a broad range of experience at a senior level in matters of finance, corporate governance, property development, housing policy and risk management.

All Board members are briefed and are aware of their responsibilities to bring independent judgement on all issues and are informed on appointment of the procedure for obtaining professional advice at the Group's expense. Regular site visits, presentations and meetings with senior management and advisors are arranged to ensure that all Board members are kept informed of their responsibilities, the Group's activities and objectives and the environment in which it operates. In addition, the Chief Executive and senior management team are fully accessible to all Board members and maintain regular contact with them.

**Board Committees**

The Board formally delegates specific responsibilities to the following committees, which are supported by members of the Executive Management team:

**The Group Audit and Controls Committee (GACC)**

This Committee comprises four Board members. It meets at least three times a year and assists the Board in fulfilling its responsibilities in respect of the financial statements and the other annual regulatory returns to the TSA. It also reports to the Board on the accounting policies and systems of internal control appropriate for the Group, on conclusions from risk management and internal control reports. The External and Internal Auditors attend key meetings and have direct access to the Chair of the committee. The committee keeps the relationship between the association and its auditors under review and considers their independence, including the extent of their fees from non-audit services.

**Remuneration Committee**

This committee comprises four Board members and is responsible for the pay and remuneration of the Board and executive.

**Appointments Committee**

This committee comprises five members, being the Group chair, a vice chair of OHG and the Chairs of the three regional Registered Providers of Social Housing. It is responsible for the recruitment of Board members, the Board member appraisal system and generally advises on corporate governance issues.

**Subsidiary Company Governance**

At year-end, the Group's main subsidiaries were CHA, THA and IH. Each of these Registered Providers of Social Housing has a separate Board of Management.

**The Board Statement on Internal Control**

OHG is committed to meeting the high standards of corporate governance. The OHG Board (Group Board) recognises and accepts that it is responsible for the Group's system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, and not absolute, assurance against misstatement or loss. The GACC has received reports from management on the implications of regulator's internal controls assurance circular 07/07 and GPN 15, and as a result of these deliberations the Group Board is prepared to make this statement.

The Group Board believes that the Group's system of internal controls is proportionate, and provides reasonable assurance that the Group is not exposed to material misstatement or loss.

The Group Board confirms that the key processes for identifying, evaluating and managing the significant risks faced by OHG have been in place throughout the year under review up to and including the date of approval of the annual report and financial statements.

Some of the key policies and processes that the Group Board has established to provide effective internal control are as follows:

- clear delegated powers to Board sub committees, regional Boards, the subsidiary company Boards, the Chief Executive and Directors
- the adoption of a five year corporate plan and a thirty year financial plan, reviewed annually
- adoption of comprehensive performance indicators reviewed quarterly
- established Risk Management processes including annual Group Board review
- documented policies and procedures on all key operational areas
- establishment of a Fraud Register and related processes
- adoption of a three year internal audit programme monitored by the GACC
- Group Board review of the external audit management letter, and GACC member's interview with the external auditors without directors present
- review of the performance standards return and review of all regulatory reports
- staff are fully conversant with key controls and procedures relating to financial operational systems.

The Group has in place an Anti-Fraud Policy which is aimed at tackling fraud, corruption, theft and breaches of regulations. There is a Fraud Response Plan which is aimed at ensuring the Group responds promptly to fraud or fraud allegations and is able to recover its assets where necessary.

The Group completed in July 2009 a Governance Review of all its Internal Financial Control Monitoring Arrangements.

The Group Board cannot delegate ultimate responsibility for the system of internal control, but it is able to delegate authority to the GACC to regularly review the effectiveness of the system of internal control, which it has done. The Group Board receives minutes from the GACC meetings.

The means by which the GACC reviews the effectiveness of the system of internal control include considering risk reports, internal audit reports, management assurances, the external audit management letter and specialist reviews.

The GACC has received an annual review of the effectiveness of the system of internal control for the Group, together with the annual report of the Internal Auditor, and has reported its findings to the Group Board via the minutes of its meetings. The Group Board can confirm that there are no significant problems in relation to internal controls which require disclosure in the financial statements.

The Group Board confirms that there have been no regulatory concerns which have lead the TSA to intervene in the affairs of the Group neither are there significant problems in relation to failures of internal controls which require disclosure in the annual report and financial statements.

On behalf of the Board



Mick Sweeney  
Chief Executive  
Date: 16 September 2009

We have audited the Group and Association financial statements (the 'financial statements') of One Housing Group Limited for the year ended 31 March 2009 which comprise the Income and Expenditure Accounts and Balance Sheets for the Group and Association, the Statement of Total Recognised Surpluses and Deficits for the Group, the consolidated cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

**Respective responsibilities of the Board and auditors**

The Board's responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of responsibilities of the Board.

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 Social Landlords General Determination 2006. We also report to you if, in our opinion, the Group has not kept proper accounting records, a satisfactory system of control over transactions has not been maintained, 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 Management Board, and consider whether it is consistent with the audited financial statements. 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 and Association'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 Group and Association financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and Association's affairs as at 31 March 2009 and of their results for the year then ended; 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 Social Landlords General Determination 2006.



BDO Stoy Hayward LLP  
Chartered Accountants and Registered Auditors  
Epsom, Surrey  
Date: 18 September 2009

	Notes	2009 £'000	Restated 2008 £'000
Turnover	3	106,362	91,069
Costs of sales	3	(27,303)	(22,278)
Operating costs	3	(56,336)	(52,766)
<b>Operating Surplus</b>	3	<b>22,723</b>	16,025
Share of joint venture operating surplus	11	-	-
Surplus on sale of properties	5	6,441	7,416
Interest receivable		1,411	708
Interest payable and similar charges	6	(25,043)	(17,967)
Other finance income	30	23	44
<b>Surplus for the year</b>	7, 19	<b>5,555</b>	6,226

Turnover has been generated from continuing operations. There is no material difference between the reported surplus for the year and the surplus for the year as reported on a historic cost basis.

**Statement of Total Recognised Surpluses and Deficits for the year ended 31 March 2009**

	Notes	2009 £'000	Restated 2008 £'000
<b>Surplus for the year</b>		<b>5,555</b>	6,226
Unrealised deficit on revaluation of investment properties	8	(5,017)	(1,831)
Unrealised (deficit) / surplus on revaluation of non social housing letting properties	8	(3,352)	2,158
Actuarial (deficit) / gain on pension fund	30	(561)	570
<b>Total recognised (deficit) / surplus relating to the year</b>		<b>(3,375)</b>	7,123
Prior year adjustment	2	6,457	
<b>Total surpluses recognised since the last reporting period</b>		<b>3,082</b>	

The notes on pages 17 to 41 form part of these financial statements.

## One Housing Group Limited

Income and Expenditure Account – Parent  
for the year ended 31 March 2009

	Notes	2009	For the 8 month period to 31 March 2008 £'000
Turnover	3	14,349	-
Operating costs	3	(12,965)	(281)
Gift aid payment to group subsidiaries	3	(1,333)	-
Operating surplus / (deficit)		51	(281)
Interest receivable		7	-
Surplus / (deficit) on ordinary activities	7	58	(281)
Tax on surplus / (deficit) on ordinary activities	26	-	-
<b>Surplus / (deficit) for the year after tax</b>		<b>58</b>	<b>(281)</b>

Turnover has been generated from continuing operations. The Parent has no recognised surpluses and deficits other than the surplus for the year.

## Reconciliation of Movements in Group's & Association's funds for the year ended 31 March 2009

	Group		Association	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Opening total funds as previously stated	71,024	65,700	(281)	-
Prior year adjustment	6,457	4,757	-	-
Opening total funds as restated	77,481	70,457	(281)	-
Surplus for the year	5,555	6,226	58	(281)
Other gains and losses relating to the year	(8,930)	897	-	-
Amortisation of negative goodwill	(99)	(99)	-	-
Closing total funds	74,007	77,481	(223)	(281)

The notes on pages 17 to 41 form part of these financial statements.

## One Housing Group Limited

Consolidated Balance Sheet  
as at 31 March 2009

12/13

	Notes	2009 £'000	Restated 2008 £'000
<b>Fixed assets</b>			
Housing properties	8	1,280,642	1,172,862
Social Housing Grant	8	(536,601)	(462,058)
Other grants	8	(88,969)	(84,466)
		655,072	626,338
Other fixed assets	9	11,076	4,179
Long term investment	10	357	684
Investment in joint venture:			
Share of gross assets	11	1,915	-
Share of gross liabilities	11	(965)	-
		667,455	631,201
<b>Current assets</b>			
Properties developed for sale	12	3,501	27,016
Debtors	13	75,447	7,257
Short term deposits		4,192	1,158
Cash at bank and in hand		32,484	12,931
		115,624	48,362
<b>Creditors: amounts falling due within one year</b>	14	<b>(49,072)</b>	(42,437)
<b>Net current assets excluding pension asset</b>		<b>66,552</b>	5,925
Pension fund asset	30	-	291
<b>Net current assets including pension asset</b>		<b>66,552</b>	6,216
<b>Total assets less current liabilities</b>		<b>734,007</b>	637,417
<b>Creditors: amounts falling due after more than one year</b>	15	<b>657,831</b>	558,003
Provision for liabilities and charges	16	1,903	1,933
Pension fund liability	30	266	-
<b>Total provisions for liabilities and charges</b>		<b>2,169</b>	1,933
<b>Capital and reserves</b>			
Non-equity share capital	17	-	-
Negative goodwill	18	5,593	5,692
Revaluation reserve	19	8,476	16,845
Restricted reserve	19	238	174
Revenue reserve	19	59,700	54,770
<b>Total reserves</b>		<b>74,007</b>	77,481
		<b>734,007</b>	637,417

These financial statements were approved and authorised for issue by the Board on 16 September 2009 and were signed on its behalf by:



Baroness Julia Neuberger  
Chairperson



Hugh Lake  
Board Co-Vice Chair



Fiona Markey  
Secretary

The notes on pages 17 to 41 form part of these financial statements.

# One Housing Group Limited

Balance Sheet – Parent  
as at 31 March 2009

	Notes	2009 £'000	2008 £'000
<b>Fixed assets</b>			
Other fixed assets	9	2,033	779
<b>Current assets</b>			
Debtors	13	43,611	-
Cash at bank and in hand		1,926	-
		<b>45,537</b>	-
<b>Creditors: amounts falling due within one year</b>	14	<b>(47,793)</b>	(1,060)
<b>Net current liabilities</b>		<b>(2,256)</b>	(1,060)
<b>Total assets less current liabilities</b>		<b>(223)</b>	(281)
<b>Capital and reserves</b>			
Share capital	17	-	-
Revenue reserve	19	(223)	(281)
<b>Total reserves</b>		<b>(223)</b>	(281)

These financial statements were approved and authorised for issue by the Board on 16 September 2009 and were signed on its behalf by:



**Baroness Julia Neuberger**  
Chairperson



**Hugh Lake**  
Board Co-Vice Chair



**Fiona Markey**  
Secretary

The notes on pages 17 to 41 form part of these financial statements.

# One Housing Group Limited

Consolidated Cash flow Statement  
for the year ended 31 March 2009

14/15

	£'000	2009 £'000	£'000	Restated 2008 £'000
<b>Net cash inflow from operating activities</b>		<b>6,583</b>		38,367
<b>Returns on investments and servicing of finance</b>				
Interest received	742		752	
Interest paid	(33,343)		(30,649)	
<b>Net cash outflow from return on investment and servicing of finance</b>		<b>(32,601)</b>		(29,897)
<b>Capital expenditure and financial investment</b>				
Acquisition and construction of housing properties	(126,742)		(161,879)	
Purchase of other fixed assets	(3,738)		(1,139)	
SHG received	69,486		41,878	
Sales of housing properties	17,321		19,072	
<b>Net cash flow from capital expenditure</b>		<b>(43,673)</b>		(102,068)
<b>Net cash outflow before use of liquid resources and financing</b>		<b>(69,691)</b>		(93,598)
<b>Management of liquid resources</b>				
Short term deposits		(3,034)		468
<b>Financing</b>				
Housing loans received	93,943		87,750	
Housing loans repaid	(1,665)		(7,500)	
<b>Net cash inflow from financing</b>		<b>92,278</b>		80,250
<b>Increase / (decrease) in cash in the year</b>		<b>19,553</b>		(12,880)

## Reconciliation of net cash flow to movement in net debt

	2009 £'000	Restated 2008 £'000
Increase / (decrease) in cash in the period	19,553	(12,880)
Cash inflow from increase in debt financing	(92,278)	(80,250)
Cash outflow / (inflow) from decrease in liquid resources	3,034	(468)
<b>Changes in net debt resulting from cash flows</b>	<b>(69,691)</b>	<b>(93,598)</b>
Net debt at start of the period	548,993	455,395
Net debt at end of the period	(618,684)	(548,993)
<b>Movement in net debt in period</b>	<b>(69,691)</b>	<b>(93,598)</b>

The notes on pages 17 to 41 form part of these financial statements.

Reconciliation of operating surplus to  
net cash inflow from operating activities

	<b>2009</b>		Restated
	<b>£'000</b>		2008
			£'000
<b>Operating surplus</b>	<b>22,723</b>		16,025
Non-cash items:			
Depreciation and amortisation	<b>2,876</b>		2,282
	<b>25,599</b>		18,307
Working capital movements:			
Change in debtors	<b>(41,187)</b>	(2,728)	
Change in creditors	<b>(1,344)</b>	8,863	
Change in properties developed for sale	<b>23,515</b>	(19,016)	13,925
			20,060
<b>Net cash inflow from operating activities</b>	<b>6,583</b>		38,367

Analysis of net debt

	Restated			As at
	As at	Cash	Non Cash	31 March
	1 April	Flow	Flow	2009
	2008	£'000	£'000	£'000
	£'000	£'000	£'000	£'000
Cash at bank and in hand	12,931	19,553	-	<b>32,484</b>
Cash flow from increased liquid resources	1,158	3,034	-	<b>4,192</b>
Debt due after 1 year	(548,866)	(109,747)	12,592	<b>(646,021)</b>
Debt due within 1 year	(14,216)	17,469	(12,592)	<b>(9,339)</b>
	(548,993)	(69,691)	-	<b>(618,684)</b>

The notes on pages 17 to 41 form part of these financial statements.

**1. Principal Accounting Policies**

**Basis of accounting**

The financial statements have been prepared in accordance with applicable Accounting Standards, including the Statement of Recommended Practice 'Accounting by Registered Social Landlords' 2008 (the 'SORP'), the Accounting Requirements for Registered Social Landlords General Determination 2006, the Housing Act 1996 (as amended by the Housing Act 2004) and the Industrial and Provident Societies Acts 1965 to 2002.

The financial statements are prepared on the historical cost basis of accounting as modified by the revaluation of investments and completed non social housing letting properties as well as treasury gilts.

During the year OHG adopted the 2008 SORP. Refer to note 2 for the prior year adjustment in respect of this change in the basis of accounting.

**Basis of consolidation**

OHG is required by statute to prepare Group financial statements. The Group financial statements comprise those of the Parent, OHG and its subsidiary undertakings at 31 March 2009 (refer to note 28).

Investments in joint ventures are accounted for using the equity method per Financial Reporting Standard 9 "Associates and joint ventures". The consolidated income and expenditure account includes the Group's share of the undertakings surpluses less deficits while the Group's share of gross assets and liabilities is shown in the consolidated balance sheet.

**Negative goodwill**

Negative goodwill arising on the transfer of engagements represents the difference between the fair value of the consideration given and the fair value of the net assets acquired. It is included within reserves and amortised through the income and expenditure account in the period in which the fair value of the non-monetary assets acquired are recovered, whether through depreciation or sale.

**Turnover**

Group turnover represents first tranche shared ownership sales proceeds, rental and service charge income receivable, fees receivable, revenue grants from local authorities and the HCA, and other income.

Parent turnover represents management fees and operating costs charged to subsidiary entities, which is eliminated on consolidation. Particulars of operating costs are therefore disclosed in each of the subsidiary entities financial statements.

**Value added tax**

The Group charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue & Customs. The balance of VAT payable or recoverable at the year end is included as a current liability or asset.

**Development interest**

Interest is capitalised on borrowing to finance developments to the extent that it accrues in respect of the period of development if it represents either:

- Interest on borrowings specifically financing the development programme after deduction of interest on Social Housing Grant (SHG) in advance, or
- Interest on borrowing of the Group as a whole after deduction of interest on SHG in advance to the extent that they can be deemed to be financing the development programme.

The period of development is until practical completion of the scheme and only when development activity is in progress. Other interest payable is charged to the Income and Expenditure Account in the year.

**Supported housing managed by agencies**

Where a subsidiary association holds the support contract with the Supporting People Administering Authority and carries the financial risk based on management's assessment of the financial risks detailed in each individual contract, all the project's income and expenditure is included in the Group's income and expenditure account (see Note 3).

Where the agency holds the support contract with the Supporting People Administering Authority and carries the financial risk based on management's assessment of the financial risks detailed in each individual contract, the income and expenditure account includes only that income and expenditure which relates solely to those subsidiaries. Other income and expenditure of projects in this category is excluded from the Group's income and expenditure account (see Note 3 & 4).

**Fixed assets – social housing properties**

Housing properties are stated at cost which comprises their purchase price, together with incidental costs of acquisition, development costs and interest capitalised during the development period. Development costs include the capitalisation of the Group's own directly related employee costs from the direct labour force involved in the development process and directly attributable development and management costs and other direct costs.

SHG received is shown as a deduction from cost of properties. Under certain circumstances the SHG is repayable.

The Group has reviewed the useful economic lives of its housing properties. Depreciation is provided for on housing properties on a straight line basis in order to fully depreciate the properties over their useful economic life at the following rates.

Flats and Houses	60 – 150 years
Listed buildings	150 – 200 years

No depreciation is provided for on freehold land on which the properties are situated. Shared ownership properties are not depreciated as the Group holds only part of the equity as leaseholders are expected to acquire the remaining equity. No depreciation is charged in the year of addition and a full year's charge in the year of disposal.

An impairment review is carried out annually on housing properties. Impairment losses are recognised in the income and expenditure account after taking account of any related capital grants.

Housing properties in the course of construction are stated at cost and not depreciated. Housing properties are transferred to completed properties when they are ready for letting.

**Shared ownership and staircasing**

Under shared ownership arrangements, the Group disposes of a long lease of shared ownership housing units to persons who occupy them, at a premium equal to between 25% and 75% of the open market value (the 'first tranche'). The occupier has the right to purchase further proportions at the current valuation at that time 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.

**1. Principal Accounting Policies (continued)**

**Shared ownership and staircasing (continued)**

Proceeds of sale of first tranches are accounted for as turnover in the income and expenditure account, with apportioned cost being shown within operating results as the cost of sales. Where a development has been evaluated as one scheme but comprises more than one tenure such that one or more tenures is expected to generate a surplus whilst one or more of the other tenures has an equivalent use value below the costs less attributable grant, the full surplus on the scheme is not recognised but is reduced by the amount of the shortfall.

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

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

**Works to existing properties**

The Group capitalises only that element of improvement expenditure on housing properties that adds value to the property, extends its useful life or increases the net rental stream over the life of the property in excess of the previously assessed standard of performance.

**Capitalisation of administration costs**

Administration costs relating to development activities are capitalised only to the extent that they are incremental to the development process and directly attributable to bringing properties into use.

**Social Housing Grant (SHG)**

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

SHG received for items of cost written off in the income and expenditure account are matched against those costs as part of turnover.

SHG can be recycled by the Group under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by the HCA. However, SHG may have to be repaid if certain conditions are not met.

**Land acquired below market price and donated land**

Where land is acquired below market price or land donated it is recorded at its current market value taking into account any restrictions on the use of the land. The excess of the value above the purchase price is recognised in turnover where it is acquired from a non-public body and as a government grant where it is from a public body.

**Properties developed for sale**

Completed properties and property under construction for outright sale, including those for transfer to other housing associations and first tranche shared ownership development, are valued at the lower of cost and net realisable value and are shown as properties developed for sale under current assets. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

**Investment and non social housing letting properties**

Investment and completed non social housing lettings properties are re-valued annually and the surplus or deficit is transferred to a revaluation reserve. Permanent diminutions are written off to the income and expenditure account in the year they arise, and any subsequent revaluation surplus is credited to the income and expenditure account up to the amount of the original charge, and then to the revaluation reserve. No provision is made for the depreciation of freehold investment or non social housing letting properties in accordance with SSAP 19.

**Other fixed assets**

Depreciation is charged on a straight-line basis over the expected useful economic lives of assets at the following rates:

Motor vehicles	25%
Furniture and equipment	20%
Computer equipment	33.3%
Information systems	33.3%
Leasehold office property	over the life of the lease
Freehold offices	2%
Estate improvements (IH)	1.5% – 10%

Freehold land is not depreciated. No depreciation is charged in the year of addition and a full years charge is made in the year of disposal.

**Lease obligations**

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

**Finance issue costs and premiums**

Finance issue costs have been set against the loans and will be amortised over the period of the loan.

Premiums on issue of loans have been included in the nominal value of the loans in the balance sheet and will be amortised over the period of the loan in accordance with FRS 4.

Loans are stated in the balance sheet at the amount of the net proceeds after issue plus increases to account for any amounts subsequently written off.

**Provision for liabilities and charges**

The Group provides for obligations that are either legal or constructive at the balance sheet date.

**Financial instruments**

The Group uses derivative financial instruments to reduce exposure to interest rate movements. Financial liabilities are stated at historical cost at the point of initial recognition.

**Deferred loan income**

Where derivative contracts are terminated early and result in a payment to the Group on settlement, the gain arising is deferred and released to the income and expenditure account over the term of the underlying liability being the remainder of the original hedging arrangement.

**Pension**

The London Borough of Tower Hamlets and Social Housing Pension (SHPS) schemes are multi employer schemes whose assets and liabilities cannot be allocated to the Group on a meaningful basis. The Group therefore accounts for these schemes as if they were defined contribution schemes with the income and expenditure account charged with the contributions payable for the year.

The Local Government Pension Scheme (LGPS) is also a multi employer defined benefit scheme where the Group's share of assets and liabilities can be allocated to the Group. The Group's share of the surplus or deficit is recognised in full in the Group balance sheet, with assets measured at market value and liabilities measured using the projected credit method. Actuarial gains and losses are recognised in the statement of recognised surpluses and deficits. Current and past service costs are recognised as an operating expense. The unwinding of the discount on scheme liabilities along with the difference between the actual and expected return on scheme assets is included in the income and expenditure account as "other finance income".

Further details in respect of all schemes are given in note 30.

**Leaseholders' service charges**

Service charges paid by leaseholders in advance of expenditure incurred on cyclical repairs are included in short-term creditors. Funds representing service charges paid in advance are held in a separately designated bank account.

**Restricted reserves**

Restricted reserves are subjected to restrictions on their expenditure imposed by the donor or through the terms of an appeal.

**Recycled Capital Grant Fund (RCGF)**

Where SHG on the sale of property is expected to be recycled it is credited to a fund which is disclosed within creditors. If the SHG cannot be appropriately reinvested it is repaid to the HCA.

**Disposal Proceeds Fund (DPF)**

Proceeds from the sale of Right to Acquire properties are calculated according to HCA rules and included in creditors.

**Taxation**

The parent and certain group entities are non-charitable and subject to corporation tax on surpluses after the payment of gift aid to nominated charitable subsidiaries.

**2. Prior Year Adjustment**

The Statement of Recommended Practice (SORP) for registered providers of social housing has been updated for periods commencing on or after 1 April 2008. The previous 2005 SORP recommended that first tranche sale proceeds are credited to fixed asset housing property costs. The new 2008 SORP treatment 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. SORP 2008 also requires a mixed tenure development to reflect an overall scheme position such that a surplus on a shared ownership first tranche sale would be reduced by cross subsidising a loss on a rented scheme. These are all changes in accounting policy and are therefore accounted for as a prior year adjustment to restate the opening balances of revenue reserves and shared ownership housing properties in fixed assets and current assets. The prior year adjustment also requires a restatement of the 31 March 2008 income and expenditure account which affects turnover, cost of sales and the surplus on sale of fixed assets. The restatement of opening balances and income and expenditure account items from the figures stated in the 31 March 2008 financial statements are detailed overleaf:

**2. Prior Year Adjustment (continued)**

<b>Balance sheet fixed asset housing properties</b>	2008 £'000
Completed fixed asset shared ownership properties at the beginning of the year as previously stated	76,132
Add: accumulated first tranche surpluses from prior years	12,922
Less: staircasing disposal cost adjustment	(2,108)
Less: transfer to current assets representing first tranche costs of shared ownership properties to be sold	(16,871)
Completed fixed asset shared ownership properties at the beginning of the year as restated (note 8)	<u>70,075</u>
Completed fixed asset general needs properties at the beginning of the year as previously stated	808,383
Less: transfer to reserves (cost of sales) representing cross subsidy of costs of general needs properties	(4,604)
Property costs incorrectly expensed in prior year	262
Completed fixed asset general needs properties at the beginning of the year as restated (note 8)	<u>804,041</u>
Accumulated depreciation on completed general needs properties at beginning of year as previously stated	7,970
Depreciation on property costs incorrectly expensed in 2007–08	15
Accumulated depreciation on completed general needs properties at beginning of year as restated (note 8)	<u>7,985</u>

**Balance sheet properties for sale**

Properties for shared ownership sale at beginning of year as previously stated	10,145
Add: transfer from fixed asset housing properties	16,871
Properties for shared ownership sale at beginning of year as restated (note 12)	<u>27,016</u>

**Balance sheet revenue reserves**

Accumulated surplus from shared ownership first tranche sales	12,922
Less: accumulated cross subsidy from first tranche surpluses	(4,604)
Less: staircasing disposal cost adjustment	(2,108)
Property costs incorrectly expensed in prior year net of depreciation	247
Prior year adjustment to opening revenue reserves (note 19)	<u>6,457</u>

**Income and expenditure account restatement year ending 31 March 2008**

Turnover as previously stated	65,723
Add: proceeds from sale of shared ownership first tranches	23,417
Add: proceeds not previously recognised on development for sale to other housing associations	1,929
Turnover as restated (note 3)	<u>91,069</u>

Cost of sales as previously stated	-
Add: cost of sales of shared ownership first tranches (adjusted for cross subsidy)	(20,349)
Add: costs of sales not previously recognised on development for sale to other housing associations	(1,929)
Cost of sales as restated (note 3)	<u>(22,278)</u>

Surplus on sale of fixed assets as previously stated	8,784
Less: staircasing disposal cost adjustment	(1,368)
Surplus on sale of fixed assets as restated (note 5)	<u>7,416</u>

**3. Turnover, cost of sales, operating costs and operating surplus**

<b>Group</b>	2009			
	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus / (deficit) £'000
<b>Income and Expenditure</b>				
Social housing lettings	<b>54,892</b>	-	<b>(37,599)</b>	<b>17,293</b>
<b>Other Social Housing Activities</b>				
Supporting people contract income	<b>13,662</b>	-	<b>(13,628)</b>	<b>34</b>
Development costs not capitalised	<b>2,161</b>	-	<b>(3,442)</b>	<b>(1,281)</b>
Shared ownership first tranche sales	<b>19,775</b>	<b>(17,627)</b>	-	<b>2,148</b>
Community regeneration	-	-	<b>(561)</b>	<b>(561)</b>
<b>Total</b>	<b>35,598</b>	<b>(17,627)</b>	<b>(17,631)</b>	<b>340</b>
<b>Non-Social Housing Activities</b>				
Lettings	<b>1,632</b>	-	<b>(700)</b>	<b>932</b>
Properties for outright sale	<b>10,563</b>	<b>(8,257)</b>	-	<b>2,306</b>
Commercial properties	<b>685</b>	-	<b>(33)</b>	<b>652</b>
Development for sale to other housing associations	<b>1,486</b>	<b>(1,419)</b>	-	<b>67</b>
Other	<b>1,506</b>	-	<b>(373)</b>	<b>1,133</b>
<b>Total</b>	<b>15,872</b>	<b>(9,676)</b>	<b>(1,106)</b>	<b>5,090</b>
<b>Total</b>	<b>106,362</b>	<b>(27,303)</b>	<b>(56,336)</b>	<b>22,723</b>

<b>Group</b>	2008 Restated			
	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus / (deficit) £'000
<b>Income and Expenditure</b>				
Social housing lettings	49,490	-	(36,393)	13,097
<b>Other Social Housing Activities</b>				
Supporting people contract income	11,420	-	(11,270)	150
Development costs not capitalised	1,292	-	(3,202)	(1,910)
Shared ownership first tranche sales	23,417	(20,349)	-	3,068
Community regeneration	-	-	(471)	(471)
Development management fee	396	-	-	396
<b>Total</b>	<b>36,525</b>	<b>(20,349)</b>	<b>(14,943)</b>	<b>1,233</b>
<b>Non-Social Housing Activities</b>				
Lettings	1,586	-	(487)	1,099
Commercial properties	647	-	(82)	565
Development for sale to other housing associations	1,929	(1,929)	-	-
Other	892	-	(861)	31
<b>Total</b>	<b>5,054</b>	<b>(1,929)</b>	<b>(1,430)</b>	<b>1,695</b>
<b>Total</b>	<b>91,069</b>	<b>(22,278)</b>	<b>(52,766)</b>	<b>16,025</b>

See note 4 for detailed analysis of the income and expenditure from social housing letting.

**3. Turnover, cost of sales, operating costs and operating surplus (continued)**

Parent	2009		
	Turnover £'000	Operating costs £'000	Operating surplus £'000
<b>Income and Expenditure: Non-Social Housing Activities</b>			
Management for services for Group undertakings	14,349	(12,965)	1,384
Gift aid payment	-	(1,333)	(1,333)
	<b>14,349</b>	<b>(14,298)</b>	<b>51</b>

	2008		
	Turnover £'000	Operating costs £'000	Operating deficit £'000
<b>Income and Expenditure: Non-Social Housing Activities</b>			
Management for services for Group undertakings	-	(281)	(281)

**4. Particulars of income and expenditure from social housing letting**

Group	General Housing £'000	Supported Housing £'000	Low Cost Home Ownership £'000	Temporary Housing £'000	2009		2008	
					Total £'000	Total £'000	Total £'000	Total £'000
<b>Turnover from social housing lettings</b>								
Rents receivable net of identifiable service charges	36,637	3,889	3,851	2,612	46,989		42,394	
Service charges receivable	4,001	1,142	1,178	22	6,343		5,478	
Management fees	6	161	-	14	181		303	
Supporting people contract income	42	85	-	-	127		115	
Other rents and charges	187	-	-	-	187		80	
<b>Net rental income</b>	<b>40,873</b>	<b>5,277</b>	<b>5,029</b>	<b>2,648</b>	<b>53,827</b>		48,370	
HCA grants	-	-	-	-	-		435	
Other revenue grants	-	670	-	-	670		535	
Other income	343	2	9	41	395		150	
<b>Turnover from social housing lettings</b>	<b>41,216</b>	<b>5,949</b>	<b>5,038</b>	<b>2,689</b>	<b>54,892</b>		49,490	
<b>Expenditure on social housing lettings</b>								
Management	10,178	1,349	1,160	278	12,965		12,327	
Services	5,274	1,682	1,225	51	8,232		7,297	
Routine maintenance	5,098	1,188	97	112	6,495		7,714	
Planned maintenance	2,004	445	162	-	2,611		3,370	
Major repairs expenditure	3,209	21	3	5	3,238		1,297	
Rent loss from bad debts	821	-	42	-	863		694	
Property lease charge	153	163	4	-	320		536	
Depreciation on housing properties	2,194	-	-	-	2,194		1,466	
Depreciation on other fixed assets	778	-	2	-	780		915	
Amortisation of negative goodwill	(12)	(87)	-	-	(99)		(99)	
Other costs	-	-	-	-	-		876	
<b>Operating costs on social housing lettings</b>	<b>29,697</b>	<b>4,761</b>	<b>2,695</b>	<b>446</b>	<b>37,599</b>		36,393	
<b>Operating surplus on social housing lettings at 31 March 2009</b>	<b>11,519</b>	<b>1,188</b>	<b>2,343</b>	<b>2,243</b>	<b>17,293</b>		13,097	
<b>Void Losses</b>	<b>868</b>	<b>328</b>	<b>620</b>	<b>112</b>	<b>1,928</b>		1,241	

The operating surplus is before interest costs are allocated.

**5. Surplus on sale of properties**

	Group	
	2009 £'000	2008 £'000
Proceeds of sales including Right To Buy	14,800	11,733
Cost of sales	(9,014)	(5,964)
Transfer to Disposal Proceeds Fund (DPF)	(1,022)	-
<b>Surplus</b>	<b>4,764</b>	<b>5,769</b>

	Group	
	2009 £'000	Restated 2008 £'000
Staircasing	2,522	5,770
Cost of sales	(845)	(4,123)
<b>Surplus</b>	<b>1,677</b>	<b>1,647</b>
<b>Total surplus</b>	<b>6,441</b>	<b>7,416</b>

**6. Interest payable and similar charges**

	Group	
	2009 £'000	2008 £'000
Gross interest on bank loans, overdrafts and other loans	33,344	30,649
Less: interest capitalised	(8,301)	(12,682)
	<b>25,043</b>	<b>17,967</b>

Capitalisation rate used to determine the finance costs capitalised during the period **5.52%** 6.07%

**7. Surplus for the year**

Surplus for the year is stated after charging/(crediting):

	Parent		Group	
	2009 £'000	For the 8 month period 31 March 2008 £'000	2009 £'000	2008 £'000
Depreciation on non housing fixed assets	260	-	780	915
Depreciation on housing properties	-	-	2,194	1,466
Amortisation of negative goodwill	-	-	(99)	(99)
Auditors' remuneration:				
in their capacity as auditors	14	4	120	65
in respect of other services	95	-	99	10
Operating lease charges:				
property	426	-	426	-
other	219	-	337	221
Merger costs	-	281	-	1,678

**8. Housing Property - Group**

Cost / valuation	Housing Property		Shared Ownership		Market rented properties £'000	Non-Social Housing Letting Properties £'000	Investment Properties £'000	2009 Total £'000
	under construction £'000	completed and available for letting £'000	under construction £'000	completed and available for letting £'000				
At beginning of year	116,669	808,383	136,982	76,132	-	29,328	23,767	<b>1,191,261</b>
Prior year adjustment (note 2)	-	(4,342)	-	(6,057)	-	-	-	<b>(10,399)</b>
At beginning of year, as restated	116,669	804,041	136,982	70,075	-	29,328	23,767	<b>1,180,862</b>
Additions: construction	83,285	-	42,301	537	-	3,540	-	<b>129,663</b>
Additions: works to existing properties	-	3,390	-	-	-	-	-	<b>3,390</b>
Completions in year	(114,140)	114,140	(54,602)	54,602	-	-	-	<b>-</b>
DPF disposals	-	(342)	-	-	-	-	-	<b>(342)</b>
Revaluation	-	-	-	-	-	(3,520)	(5,017)	<b>(8,537)</b>
Disposals & transfers to other associations	-	(7,282)	-	(499)	-	(385)	-	<b>(8,166)</b>
Subsidy transfers to I & E	-	(1,118)	-	-	-	-	-	<b>(1,118)</b>
Transfer (to) / from other fixed assets	(3,963)	-	-	-	-	(989)	-	<b>(4,952)</b>
Transfer to current assets	-	-	(2,390)	-	-	-	-	<b>(2,390)</b>
Transfer from current assets	-	-	-	-	2,040	-	-	<b>2,040</b>
Transfers within housing properties	4,140	1,267	-	-	-	(5,407)	-	<b>-</b>
Transfer from long term investment	337	-	-	-	-	-	-	<b>337</b>
At end of year	<b>86,328</b>	<b>914,096</b>	<b>122,291</b>	<b>124,715</b>	<b>2,040</b>	<b>22,567</b>	<b>18,750</b>	<b>1,290,787</b>
<b>Depreciation</b>								
At beginning of year	-	7,970	-	15	-	-	-	<b>7,985</b>
Prior year adjustment (note 2)	-	15	-	-	-	-	-	<b>15</b>
At beginning of year, as restated	-	7,985	-	15	-	-	-	<b>8,000</b>
Charge for year	-	2,194	-	-	-	-	-	<b>2,194</b>
Disposal	-	(49)	-	-	-	-	-	<b>(49)</b>
Transfer from other fixed assets	-	-	-	-	-	94	-	<b>94</b>
Elimination on revaluation	-	-	-	-	-	(94)	-	<b>(94)</b>
At end of year	-	<b>10,130</b>	-	<b>15</b>	-	-	-	<b>10,145</b>
<b>Social Housing Grant</b>								
At beginning of year	38,688	367,223	36,900	19,247	-	-	-	<b>462,058</b>
Received in the year	56,698	-	20,679	-	-	-	-	<b>77,377</b>
Completions in year	(77,327)	77,327	(10,067)	10,067	-	-	-	<b>-</b>
Disposal and transfer to other associations	(1,401)	-	-	-	-	-	-	<b>(1,401)</b>
Disposals	-	(134)	-	-	-	-	-	<b>(134)</b>
Transfer to RCGF	-	(1,716)	-	(206)	-	-	-	<b>(1,922)</b>
RCGF utilised	-	-	-	623	-	-	-	<b>623</b>
At end of year	<b>16,658</b>	<b>442,700</b>	<b>47,512</b>	<b>29,731</b>	-	-	-	<b>536,601</b>
<b>Other grants</b>								
At beginning of year	6,872	63,985	5,959	7,576	-	74	-	<b>84,466</b>
Movement in the year	4,577	-	-	-	-	-	-	<b>4,577</b>
Elimination on revaluation	-	-	-	-	-	(74)	-	<b>(74)</b>
At end of year	<b>11,449</b>	<b>63,985</b>	<b>5,959</b>	<b>7,576</b>	-	-	-	<b>88,969</b>
<b>Net book value</b>								
As at 31 March 2009	<b>58,221</b>	<b>397,281</b>	<b>68,820</b>	<b>87,393</b>	<b>2,040</b>	<b>22,567</b>	<b>18,750</b>	<b>655,072</b>
As at 31 March 2008, as restated	71,109	364,848	94,123	43,237	-	29,254	23,767	626,338

**Housing properties comprise:**

	2009 £'000	2008 £'000
Freeholds	522,631	613,266
Long leaseholds	132,441	13,072
	<b>655,072</b>	<b>626,338</b>

Non social housing properties at cost / valuation of £22,567k (2008: £29,328k) comprise commercial properties under construction at cost of £2,175k (2008: £7,294k) and re-valued commercial completed properties at £20,392k (2008: £22,034k). The completed commercial properties included in non social housing lettings are valued annually and have been valued externally at the end of March 2009. The valuation was performed by Chartered Surveyors, Robert Stirling and Savills and the basis of the valuation was open market value. There has been a decrease in value of these completed properties giving rise to the above revaluation deficit of £3,520k (2008: £2,158k increase) less write-back of eliminations on revaluation of £168k. Total movement on revaluation reserve £3,352k.

The open market value of the freehold investment property was valued on 31 March 2009. This external open market valuation was calculated by Savills, Chartered Surveyors. The historic cost of these properties was £18,369k (2008: £18,369k).

In addition, the Group's Development Consultant, an associate of the Royal Institute of Chartered Surveyors, has estimated that the vacant possession market value of the Group's housing properties at the year end was £2,119,407k (2008: £2,398,805k) compared with the cost of £1,290,787k (2008 restated: £1,180,862k). Additions to housing properties during the year included capitalised development department costs of £1,869k (2008: £2,080k).

Due to housing property development dating back many years, it has not been possible to determine the aggregate amount of capitalised interest included in the cost of fixed asset housing properties.

£2.6m of the movement in other grants represents land donated from a public body.

Following a review of the initial set up costs of the Canalside JANE, the decision was taken to re-categorise these costs to housing property additions.

**Works to existing properties**

	Group	
	2009 £'000	2008 £'000
Works to existing properties added to housing properties – cost (as above)	<b>3,390</b>	13,009
Add works to existing properties charged to the income and expenditure account	<b>3,238</b>	1,297
	<b>6,628</b>	<b>14,306</b>

**Social Housing Grant (SHG)**

Total SHG receivable to date is as follows:

	Group	
	2009 £'000	2008 £'000
Accumulated SHG grants deducted from housing properties – cost (as above)	<b>536,601</b>	462,058
Add cumulative amount credited to income and expenditure account	<b>8,389</b>	6,241
	<b>544,990</b>	<b>468,299</b>

**9. Non-housing fixed assets – Group**

	Freehold offices £'000	Leasehold office £'000	Estate improve- ments £'000	Furniture & equipment £'000	Computer equipment £'000	Information systems £'000	Motor vehicles £'000	2009 Total £'000	2008 Total £'000
<b>Cost</b>									
At beginning of year	3,079	922	33	2,577	2,242	1,450	95	<b>10,398</b>	9,259
Additions	1,725	395	-	431	75	1,114	-	<b>3,740</b>	1,139
Disposals	(1,290)	-	-	-	-	(4)	(18)	<b>(1,312)</b>	-
Transfers from housing properties	5,168	1,229	-	-	-	-	-	<b>6,397</b>	-
Transfers to housing properties	(1,445)	-	-	-	-	-	-	<b>(1,445)</b>	-
At end of year	<b>7,237</b>	<b>2,546</b>	<b>33</b>	<b>3,008</b>	<b>2,317</b>	<b>2,560</b>	<b>77</b>	<b>17,778</b>	10,398
<b>Depreciation</b>									
At beginning of year	519	689	33	2,223	1,908	542	55	<b>5,969</b>	5,054
Charge for year	42	29	-	186	132	385	6	<b>780</b>	915
Elimination on disposals	(193)	-	-	-	-	-	(10)	<b>(203)</b>	-
Transfer to housing properties	(94)	-	-	-	-	-	-	<b>(94)</b>	-
At end of year	<b>274</b>	<b>718</b>	<b>33</b>	<b>2,409</b>	<b>2,040</b>	<b>927</b>	<b>51</b>	<b>6,452</b>	5,969
<b>Less other grants</b>									
At beginning of year	250	-	-	-	-	-	-	<b>250</b>	250
Received during year	-	-	-	-	-	-	-	<b>-</b>	-
At end of year	<b>250</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>250</b>	250
<b>Net book value</b>									
<b>As at 31 March 2009</b>	<b>6,713</b>	<b>1,828</b>	<b>-</b>	<b>599</b>	<b>277</b>	<b>1,633</b>	<b>26</b>	<b>11,076</b>	4,179
As at 31 March 2008	2,310	233	-	354	334	908	40	4,179	3,955

**Non-housing fixed assets – Parent**

	Furniture & equipment £'000	Information systems £'000	2009 Total £'000	2008 Total £'000
<b>Cost</b>				
At beginning of year	-	779	<b>779</b>	-
Additions	400	1,114	<b>1,514</b>	779
At end of year	<b>400</b>	<b>1,893</b>	<b>2,293</b>	<b>779</b>
<b>Depreciation</b>				
At beginning of year	-	-	<b>-</b>	-
Charge for year	-	260	<b>260</b>	-
At end of year	<b>-</b>	<b>260</b>	<b>260</b>	<b>-</b>
<b>Net Book Value</b>				
<b>As at 31 March 2009</b>	<b>400</b>	<b>1,633</b>	<b>2,033</b>	<b>779</b>
As at 31 March 2008	-	779	779	-

**10. Long term investments**

	2009 £'000	2008 £'000
Investment in Canalside Housing Partnership	-	337
UK Treasury Gilts 8% 2015	<b>357</b>	347
	<b>357</b>	<b>684</b>

UK Treasury Gilts are charged to Housing Securities Limited to provide additional interest cover on borrowings in excess of £20,000,000. They are stated at value as at 31 March 2009.

**11. Investment in joint venture**

	2009 £'000	2008 £'000
Share of gross assets	<b>1,915</b>	-
Share of gross liabilities	<b>(965)</b>	-
	<b>950</b>	<b>-</b>

The consolidated financial statements include the Group's share of a 50% owned joint venture in Central Street Developments LLP whose principal activity is that of a property developer. Central Street Developments LLP was incorporated on 27 February and produced financial statements to 31 December 2008. The partnership has not traded in the current financial year and accordingly no results are shown in the income and expenditure account. The Group's interest represents 50% of the partnership's interest which is held within CV.

**12. Properties developed for sale**

Group	Properties developed for another housing association	Outright sales properties	First tranche shared ownership properties	2009 £'000	Restated 2008 £'000
At 1 April	1,169	8,976	16,871	<b>27,016</b>	38,666
Disposal to cost of sales	(1,419)	(7,494)	(15,202)	<b>(24,115)</b>	(21,559)
Tenure transfer to fixed asset housing properties	-	(2,040)	-	<b>(2,040)</b>	-
Transfer from housing properties	-	558	1,832	<b>2,390</b>	9,909
Additions	250	-	-	<b>250</b>	-
At 31 March	-	-	3,501	<b>3,501</b>	27,016

**13. Debtors**

	Parent		Group	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Rent arrears	-	-	<b>7,782</b>	5,590
Less provision for bad and doubtful debts	-	-	<b>(3,955)</b>	(3,291)
	-	-	<b>3,827</b>	2,299
Amounts due from group undertakings	<b>43,449</b>	-	<b>-</b>	-
Other debtors	<b>42</b>	-	<b>3,075</b>	3,177
Prepayments and accrued income	<b>120</b>	-	<b>1,336</b>	1,781
SHG receivable	-	-	<b>27,004</b>	-
Loan security deposits	-	-	<b>40,205</b>	-
	<b>43,611</b>	-	<b>75,447</b>	7,257

All debtors are due within one year. Loan security deposits represent cash held by counterparties as security for loans together with other cash deposits held by the Group to support certain margin calls made in respect of interest rate swap arrangements as detailed in note 29.

**14. Creditors: amounts falling due within one year**

	Parent		Group	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Housing and short term loans	-	-	9,339	14,216
Trade creditors	3,871	-	6,542	10,177
Amounts owing to group undertakings	42,222	1,060	-	-
Other taxation and social security costs	540	-	940	654
Other creditors	737	-	5,128	293
Accruals and deferred income	423	-	9,230	15,005
Rent and service charges paid in advance	-	-	3,253	2,010
Commercial property deposits	-	-	104	82
SHG in advance	-	-	14,536	-
	<b>47,793</b>	1,060	<b>49,072</b>	42,437

**15. Creditors: amounts falling due after more than one year**

	Group	
	2009 £'000	2008 £'000
Bank loans and borrowings	646,021	548,866
THFC loan premium	1,399	1,441
HSL loan premium	2,243	2,402
Loan issue costs	(3,071)	(2,961)
Deferred loan income	107	215
	<b>646,699</b>	549,963
Recycled Capital Grant Fund	4,699	3,289
Sinking funds	3,562	2,793
Disposal Proceeds Fund	2,871	1,958
	<b>657,831</b>	558,003

**Debt Analysis**

**Due within one year**

Housing and short term loans	9,339	14,216
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**Due after more than one year**

Bank loans	646,699	549,963
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**Total Debt**

	<b>656,038</b>	564,179
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**Housing loans repayable by instalments:**

Within one year	1,914	1,716
Between one and two years	8,673	1,000
Between two and five years	17,942	19,017
After five years	575,470	499,771
	<b>603,999</b>	521,504

**Housing loans not repayable by instalments:**

Within one year	7,425	12,500
Between one and two years	1,000	-
Between two and five years	8,500	2,950
After five years	35,114	27,225
	<b>656,038</b>	564,179

Loans are secured by fixed charges on individual properties.

Loans are repaid by instalment and at maturity at fixed and floating rates of interest ranging from 3.1% to 12.14% (2008: 4.07% to 12.14%) with weighted average interest rate of 5.52% (2008: 6.07%). The final instalments / payments on maturity fall to be repaid into the period 2009 to 2037. As at 31 March 2009 the Group had undrawn loan facilities of £94.5 million (2008: £121 million).

Sinking funds are balances charged to tenants and then held on their behalf to cover potential repairs and maintenance in future years.

**Recycled Capital Grant Fund (RCGF)**

	Group	
	2009 £'000	2008 £'000
RCGF as at 1 April	3,289	2,059
Grants recycled	1,922	2,056
Interest accrued	111	95
RCGF utilised on development	(623)	(921)
<b>RCGF as at 31 March</b>	<b>4,699</b>	3,289

**Disposal proceeds funds**

	Group	
	2009 £'000	2008 £'000
Balance as at 1 April	1,958	879
Addition in year	1,022	1,006
Interest accrued	102	73
Utilised on development	(211)	-
<b>Balance as at 31 March</b>	<b>2,871</b>	1,958

**16. Provision for liabilities and charges**

Group	Office Dilapidations £'000	Housing Dilapidations £'000	Pension Provision £'000	Utilities Provision £'000	Total £'000
	Opening balance 1 April 2008	351	1,003	579	-
Increase in provision	-	-	-	462	462
Decrease in provision	(270)	(178)	-	-	(448)
Utilisation of provision	(41)	(3)	-	-	(44)
<b>Closing balance 31 March 2009</b>	<b>40</b>	<b>822</b>	<b>579</b>	<b>462</b>	<b>1,903</b>

The majority of provisions at 31 March 2009 related to the Patchwork Community Housing Association Limited (Patchwork) transfer of engagements. The housing dilapidation provision relates to short life properties due to be handed back to London Borough of Enfield and Transport for London. Office dilapidations provision relates to the former Patchwork Office lease. The pension provision relates to the shortfall in funding on the SHPS as valued on an on-going basis by The Pension Trust relating to Patchwork's withdrawal. Refer to note 18 for further details.

The utilities provision relates to charges for utilities for the current and two prior financial years which came to management's attention during 2008-09.

**17. Non-equity share capital**

The share capital of the Parent consists of shares with a nominal value of £1 each, which carry no rights or dividends or other income. Shares in issue are not capable of being repaid or transferred. When the shareholder ceases to be a member, that person's share is cancelled and the amount paid up thereon becomes the property of the Parent. Therefore all shareholdings relate to non-equity interests; there are no equity interests in the Parent.

	2009 £	2008 £
Allotted, issued and fully paid shares of £1 each		
As at 1 April	11	-
Issued in year	-	12
Redeemed / cancelled in the year	-	(1)
<b>As at 31 March</b>	<b>11</b>	<b>11</b>

**18. Negative goodwill**

On 31 December 2005, CHA acquired, through a transfer of engagement, the net assets and operations of Patchwork. This transaction was accounted for as the acquisition of a business in accordance with FRS 6 'Acquisition and Mergers'. The fair value of the net assets of Patchwork was assessed at acquisition and adjustments from book value made where necessary. Negative goodwill arises from the excess of housing and other assets over liabilities.

The negative goodwill is amortised over the remaining useful lives of the underlying housing properties being 60 years.

	Group	
	2009 £' 000	2008 £' 000
Balance at 1 April	5,692	5,791
Amortised in the period	(99)	(99)
<b>Balance at 31 March</b>	<b>5,593</b>	<b>5,692</b>

**19. Reserves**

Revaluation reserves

	Group	
	2009 £'000	2008 £'000
As at 1 April	16,845	16,518
Revaluation (deficit) / surplus in the year	(8,369)	327
<b>As at 31 March</b>	<b>8,476</b>	<b>16,845</b>

The above revaluation reserve relates to both completed non social letting housing and investment properties re-valued as stated in note 8.

Restricted reserve

	Group	
	2009 £'000	2008 £'000
At 1 April	174	166
Transfer from revenue reserve	64	8
<b>At 31 March</b>	<b>238</b>	<b>174</b>

The above restricted reserve relates to donations received by CA, a registered charity, and have been restricted as in accordance with donors instructions.

Revenue reserves

	Parent 2009 £'000	Group 2009 £'000
As at 1 April	(281)	48,313
Prior year adjustment (refer to note 2)	-	6,457
At 1 April as restated	(281)	54,770
Surplus for year	58	5,555
Transfer to restricted reserve		(64)
Actuarial loss on pension scheme	-	(561)
<b>As at 31 March</b>	<b>(223)</b>	<b>59,700</b>

**20. Directors emoluments**

The directors are defined for the purpose of this note as members of the Board, the Chief Executive and the senior management team.

Members of the Board (non-executive) received emoluments of £95,029 (2008: £96,416) in 2009. The total expenses reimbursed to the Board not chargeable to United Kingdom income tax were £8,000.

Aggregate emoluments in respect of the senior management team (executive) including the Chief Executive are as follows:

	Parent		Group	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Emoluments excluding pension contributions	469	784	884	784
Compensation for loss of office	-	60	48	60
Pension contributions and benefits in kind	91	99	262	99
	<b>560</b>	<b>943</b>	<b>1,194</b>	<b>943</b>

The emoluments in respect of the highest paid director (the Chief Executive) were as follows:

	Parent		Group	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Emoluments excluding pension contributions	166	153	166	153
Pension contributions	21	19	21	19
	<b>187</b>	<b>172</b>	<b>187</b>	<b>172</b>

The above director is an ordinary member of SHPS.

**21. Employee information**

	Parent		Group	
	2009 Number	2008 Number	2009 Number	2008 Number
Average monthly number of employees (FTE)				
Administration	73	-	77	90
Care	-	-	287	223
Developing or selling housing stock	28	-	38	26
Managing or maintaining housing stock	81	-	120	181
	<b>182</b>	-	<b>522</b>	520
Staff costs:	£'000	£'000	£'000	£'000
Wages and salaries	6,976	-	16,377	16,435
Social security costs	650	-	3,900	1,522
Other pension costs	454	-	730	1,212
50% Canalside Housing	-	-	309	225
	<b>8,080</b>	-	<b>21,316</b>	19,394

**22. Contingent liabilities**

As at 31 March 2009 there were contingent liabilities in respect of litigation and claims arising in the ordinary course of business of £200,000 (2008: £100,000).

**23. Related party transactions**

The following disclosures related to transactions with related parties that are either tenant Board members or other group entities.

Certain committee members, acting in a capacity of resident Board members are tenants of the Group. Their tenancies are granted on the same terms and conditions and managed on the same basis as other tenants of the Group. At the year end one Board member's rent arrears were higher than that for other tenants and a process is in place for recovery of this balance.

One non-executive Board member is also associated with a related local authority and another related public entity. Any transactions with this local authority or the public entity are on normal commercial terms and they cannot use their position to their advantage.

During the year, CHA charged £nil (2008: £45k) to Citystyle Living Limited (CSL) in respect of housing management services.

CHA Ventures Limited, the development arm of the Group, provided development services to CHA and THA for which it charged a 5% mark up on the development costs. CHA and THA charged £nil (2008: £384k) and £nil (2008: £195k) for the development staff time on an arms length basis. OHG charged £720k (2008: £nil) for development staff time on an arms length basis.

During the year OHG charged the following subsidiaries:

	2009 £'000	2008 £'000
<b>Housing Management and Management Services</b>		
CHA	8,197	-
THA	4,001	-
TPHA	602	-
IH	698	-
CSL	107	-
	<b>13,605</b>	-
<b>Development Staff Time</b>		
CHA Ventures	720	-
Charges to Related Parties	<b>14,325</b>	-

During the year, THA transferred £58.6m (2008: £33.1m) of shared ownership properties on completion of the schemes to TPHA on an arms length basis.

All other transactions with the subsidiaries are not separately disclosed in these financial statements on the grounds of materiality.

**24. Capital commitments**

	Group	
	2009 £'000	2008 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements:	<b>143,008</b>	207,565
Capital expenditure that has been authorised by the Board of Management but has not yet been contracted for:	<b>304,329</b>	393,128
	<b>447,337</b>	600,693
The Group expects to finance the expenditure above by:		
SHG and other grants receivable	<b>161,209</b>	215,451
Loan finance and reserves	<b>227,208</b>	180,523
Sales proceeds	<b>58,920</b>	204,719
	<b>447,337</b>	600,693

**25. Operating leases**

The Group holds properties and office equipment under non cancellable leases. At 31 March 2009 the Group had commitments under these leases as follows:

	Group	
	2009 £'000	2008 £'000
Leases expiring in the first year	<b>18</b>	3
Leases expiring in the second to fifth year	<b>110</b>	48
Leases expiring in more than five years	<b>426</b>	426

**26. Taxation**

All entities within the Group are exempt from Corporation Tax on the charitable activities they perform apart from CSL, a residential property investment company, CV, which develops property for sale, TPHA, a non-charitable RP which specialises principally in shared ownership sales and the non housing property holding parent entity OHG.

Provision for Corporation Tax liabilities are made in the non-charitable entities to the extent that these liabilities are not mitigated by the gift aid of profits to the charitable RPs within the Group to fund additional social housing units.

Management consider that following gift aid payments made within the Group to charitable RPs no liability to Corporation Tax arises in the year (2008: £nil).

**27. Housing stock**

	Group	
	2009 Number	2008 Number
<b>Accommodation in management</b>		
<b>Social Housing</b>		
General needs housing	7,447	7,266
Leaseholders	966	934
Units held on operating leases	3	3
Shared ownership units	1,232	985
Supported housing units	683	590
Rent to HomeBuy	201	-
	<b>10,532</b>	9,778
<b>Non-social Housing</b>		
Market rent	116	60
	<b>10,648</b>	9,838

The number of units included in the above figures being managed by other organisations are:

General needs housing	119	353
Supported housing bed space	95	478
Shared ownership units	14	-
Leaseholders	14	-
	<b>242</b>	831

The number of units not included in the above figures being managed by the Group but owned by other organisations are:

General needs housing	547	160
Supported housing bed space	472	134
Shared ownership units	82	17
Leaseholders	76	1
	<b>1,177</b>	312

**Housing units under development** **2,937** 2,174

**28. Subsidiary undertakings**

The following managed undertakings are subsidiaries by virtue of the parent controlling the composition of their Board and, in accordance with Financial Reporting Standards, the results of the undertakings are incorporated in the consolidated financial statements. Where indicated, subsidiaries are RP's.

Name of undertaking	Country of registration	Principal activity
Community Housing Association Limited	UK RP	Letting and shared ownership
Citystyle Living Limited	UK	Management of market rented property
Community Action Limited	UK	Registered charity
CHA Ventures Limited	UK	Development of new social and non social housing units
One Housing Group Limited	UK RP	Parent company
Toynbee Housing Association Limited	UK RP	Letting and shared ownership
Toynbee Partnership Housing Association Limited	UK RP	Provision of low cost home ownership schemes
Island Homes Housing Association Limited	UK RP	Letting and shared ownership
Toynbee Keyside Housing Association Limited	UK	Dormant

OHG is regarded by the Board as the ultimate parent undertaking of the above subsidiaries.

**29. Financial instruments**

At 31 March 2009 the Group held seven interest rate swap contracts, as follows:

	£	Expiry	'Mark to Market' amount
	25,000,000	29/07/2037	£5,546,564 loss
	20,000,000	13/06/2013	£1,881,909 loss
	15,000,000	19/01/2037	£2,879,124 loss
	15,000,000	19/01/2037	£3,007,016 loss
	25,000,000	26/06/2028	£2,711,839 loss
	15,000,000	14/11/2025	£2,386,438 loss
	9,250,000	14/11/2025	£1,253,415 loss
<b>Total</b>	<b>124,250,000</b>		<b>£19,666,305 loss</b>

Total loan liabilities of £124,250,000 (2008:£100,000,000) are covered by seven interest rate swap contracts, using various rates of interest. Two contracts are amortising and five are non-amortising.

The 'Mark to Market' amount represents the valuation of OHG's profit or loss as at 31 March 2009 in the event of a termination of the swap contract at that date. These amounts are not recognised in OHG's financial statements at the balance sheet date. During the year, there was a margin call on the above interest rate swaps, refer to note 13.

**30. Pension obligations**

**Social Housing Pension Scheme (SHPS)**

1. OHG participates in the SHPS through participating employers, CHA and THA. The Scheme is funded and is contracted out of the state scheme.
2. 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".
3. The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate until 31 March 2007. From April 2007 there are three benefit structures available, namely:
  - 3.1 Final salary with a 1/60th accrual rate.
  - 3.2 Final salary with a 1/70th accrual rate.
  - 3.3 Career average revalued earnings with a 1/60th accrual rate.
4. 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.
5. OHG has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members and final salary with a 1/60th or 1/70th accrual rate benefit structure for new entrants from April 2007.
6. The Trustee commissions an actuarial valuation of the Scheme every 3 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.
7. 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.
8. During the accounting period OHG paid contributions at the rate of 12.9% to 14.1%. Member contributions varied between 5.3% to 8.4% depending on their age.
9. As at the balance sheet date there were 138 (2008: 157) active members of the Scheme employed by OHG. The annual pensionable payroll in respect of these members was £5,191,266. OHG continues to offer membership of the Scheme to its employees.
10. It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the scheme is a multi employer scheme where the scheme assets are co-mingled for investment purposes, and benefits are paid from total scheme assets. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.
11. 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%.

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

	<b>% pa</b>
<b>Valuation Discount Rates</b>	
Pre retirement	7.8
Non pensioner post retirement	6.2
Pensioner post retirement	5.6
Pensionable earnings growth	4.7
Price inflation	3.2
<b>Pension Increases</b>	
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.

13. 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% S1PA Year of Birth, long cohort projection, minimum improvement 1%pa.

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

<b>Benefit structure</b>	<b>Long-term joint contribution rate (% of pensionable salaries)</b>
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 a 1/60th accrual rate	14.9

15. 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.

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

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

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

19. 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.

**30. Pension Obligations (continued)**

**Social Housing Pension Scheme (SHPS) (continued)**

20. 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.
21. 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 recovery plan in respect of the September 2008 valuation will be forwarded to the regulator in due course.
22. 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.
23. 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.
24. 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.
25. OHG 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 this date the estimated employer debt for OHG was £21,198k for CHA and £6,630k for THA.
26. The transfer of engagements of Patchwork Community Housing Association (PCHA) to Community Housing Association was effected in January 2006 which potentially could be construed as a cessation event under the terms of the Occupational Pensions Schemes (Employer Debt) Regulations 2005 and thus triggers a section 75 debt from PCHA. SHPS have estimated that the shortfall in funding levels was £579,000 on the ongoing assumptions and £3,168,000 on the buy out basis at the time of the cessation event. The treatment of the event and the financial consequences that arise have yet to be agreed by the Trustees of SHPS and OHG but previous indications derived from similar cases are that OHG may have to offer the equivalent value of PCHA properties as security to cover the potential shortfall.

**Local Government Pension Scheme (LGPS)**

27. On 5 December 2005 Island Homes Housing Association Limited (IH), a subsidiary of OHG, acquired 1,984 properties from the London Borough of Tower Hamlets as an estate transfer.
28. The Local Government Pension Scheme (LGPS) is a defined benefit statutory scheme, administered by the London Borough of Tower Hamlets in accordance with the Local Government Pension Scheme regulations 1997, as amended. It is contracted out of the state second pension.
29. Contributions to the scheme are determined by a qualified actuary on the basis of valuations, using the projected unit method. The latest formal valuation of the Fund for the purpose of setting employers' actual contributions was as at 31 March 2004 and updated to 31 March 2008 by a qualified independent actuary, with the next formal valuation due as at 31 March 2010.
30. Whilst the LGPS is a multi-employer scheme, at the date of the transfer of staff following the stock transfer, a valuation was performed by a qualified independent actuary, Hymans Robertson in relation to the staff transferred, as required by FRS 17.

31. Financial Assumptions

The financial assumptions used for the purposes of the FRS17 calculations as at 31 March 2006 to 31 March 2009 are shown in the table below:

**London Borough of Tower Hamlets**

Assumption as at	31 March 2009 % p.a.	31 March 2008 % p.a.	31 March 2007 % p.a.	31 March 2006 % p.a.
Price increases	3.1	3.6	3.2	3.1
Salary increases	4.6	5.1	4.7	4.6
Pension increases	6.2	3.6	3.2	3.1
Discount rate	6.9	6.9	5.4	4.9
Post-retirement mortality table	<b>Males – PMA92 Females – PFA92</b>	Males – PMA92 Females – PFA92	Males – PMA92 Females – PFA92	Males – PMA92 Females – PFA92

32. Mortality

Life expectancy is based on the PFA92 and PMA92 tables, projected to calendar year 2033 for non pensioners and 2017 for pensioners. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	19.6 years	22.5 years
Future pensioners	20.7 years	23.6 years

33. Expected Return on Assets

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 31 March 2008 for the year to 31 March 2009).

The fair value of the assets attributed to IH and the expected returns as at 31 March 2008 and 31 March 2009 are shown in the table below:

Assets Main Fund	Value at 31 March 2009 £'000	Value at 31 March 2008 £'000	Expected Return at 31 March 2009 % p.a.	Expected Return at 31 March 2008 % p.a.
Equities	1,958	2,464	7.0	7.7
Bonds	911	904	5.4	5.7
Property	338	463	4.9	5.7
Cash	169	53	4.0	4.8
Change in valuation basis	-	17		
Total value of scheme assets	<b>3,376</b>	3,901		

**30. Pension Obligations (continued)**

**Local Government Pension Scheme (LGPS) (continued)**

34. In accordance with the accounting requirements of FRS 17, the following items have been recognised in the financial statements of IH:

Impact on income and expenditure account

Analysis of amount charged to Operating Surplus:

	Year to 31 March 2009 £'000	Year to 31 March 2008 £'000	Year to 31 March 2007 £'000	Year to 31 March 2006 £'000
<b>Charged to Operating Cost</b>				
Current service costs	129	198	343	63
Past service costs	66	-	-	-
Total operating charge (A)	195	198	343	63
<b>Credited to Other Finance Income</b>				
Expected return on pension scheme assets	280	276	232	63
Interest on pension scheme liabilities	(257)	(232)	(201)	(58)
Net income (B)	23	44	31	5
Net income and expenditure charge (A-B)	172	154	312	58

35. Analysis of amount recognised in Statement of Total Recognised Gains and Losses (STRGL)

	Year to 31 March 2009 £'000	Year to 31 March 2008 £'000	Year to 31 March 2007 £'000	Year to 31 March 2006 £'000
Actual return less expected return on pension scheme assets	(999)	(512)	2	153
Experience gains and losses arising on the scheme liabilities	-	96	-	1
Changes in financial assumptions underlying the present value of the scheme liabilities	438	986	302	(85)
Actuarial (loss)/gain in pension plan	(561)	570	304	69
Increase/(decrease) in irrecoverable surplus from membership fall and other factors	-	-	-	-
Actuarial (loss)/gain recognised in STRGL	(561)	570	304	69

36. The experience gains and losses that have been recognised in the Statement of Total Recognised Gains and Losses can also be interpreted as follows:

	Year to 31 March 2009 £'000	Year to 31 March 2008 £'000	Year to 31 March 2007 £'000	Year to 31 March 2006 £'000
Difference between the expected and actual return on assets	(999)	(512)	2	153
Value of assets	3,884	3,901	3,914	3,463
Percentage of assets	(25.7%)	(13.1%)	0.01%	4.4%
Experience gains/(losses) on liabilities	-	96	-	1
Total present value of liabilities	3,642	3,610	4,193	3,927
Percentage of the total present value of liabilities	0.0%	2.7%	0.0%	0.0%
Actuarial (losses)/gains recognised in STRGL	(561)	570	304	69
Total present value of liabilities	3,642	3,610	4,193	3,927
Percentage of the total present value of liabilities	(15.4%)	15.8%	7.3%	1.8%

37. Reconciliation of defined benefit obligations

	Year to 31 March 2009 £'000	Year to 31 March 2008 £'000
Opening defined benefit obligation	3,610	4,193
Current service cost	129	198
Interest cost	257	232
Contributions by members	57	58
Actuarial gain/loss in pension plan	(455)	(1,011)
Past service costs	66	-
Estimated benefits paid	(22)	(60)
Closing defined benefit obligation	3,642	3,610

38. Reconciliation of fair value of employer assets

	Year to 31 March 2009 £'000	Year to 31 March 2008 £'000
Opening fair value of employer assets	3,901	3,913
Expected return on assets	280	276
Contributions by members	57	58
Contributions by employers	176	156
Actuarial gain/loss in pension plan	(1,016)	(442)
Benefits paid	(22)	(60)
Closing fair value of employer assets	3,376	3,901

39. The present value of the above assets and liabilities attributable to IH for each year at 31 March 2006 to 31 March 2009:

	31 March 2009 £'000	31 March 2008 £'000	31 March 2007 £'000	31 March 2006 £'000
Net Pension (liability) / asset as at				
Share of value of scheme assets	3,376	3,901	3,914	3,463
Share of value of scheme liabilities	(3,642)	(3,610)	(4,193)	(3,927)
Less: attributable to LBTH	-	-	-	523
	(266)	291	(279)	59

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**Design:** Blast  
[www.blast.co.uk](http://www.blast.co.uk)

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**Print and production:**  
Beacon Press  
Produced using PurePrint  
environmental print technology  
on paper manufactured from  
100% post-consumer waste.

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One Housing Group Ltd  
One Housing Group includes  
Community, Toynbee and  
Island Homes.

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Company Secretary  
Fiona Markey

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Tenant Services Authority  
Registration No.L4492

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Charitable Industrial & Provident  
Society No.30236R

