

Registered Company No 1261380

ABILITY HOUSING ASSOCIATION

Report and Financial Statements

Year ended 30 September 2007

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Board Members, Executive Directors, Advisors and Bankers

Board

Chairman

John Daley

Other Members

Peter Cleland
Michael Hoad
Keith Hailstone
Jane Coleman
Wendy Crichtlow
Nazlee Aziz
Rosemary Houseman
Graham Nickson
Yvonne Akinmodun

Executive Directors

Chief Executive

David Williams BSc

Finance & Resources Director and
Secretary

Donna Marshall BA ACA

Operations Director

David O'Neill PGDip ACIH MIRPM

Registered office

The Coach House
Gresham Road
Staines
Middlesex
TW18 2AE

Registered company number

1261380

Registered Charity number

271547

Auditors

Grant Thornton UK LLP
Bryanston Court
Selden Hill
Hemel Hempstead
Herts HP2 4TN

Solicitors

Devonshires
Salisbury House
London Wall
EC2M 5QY

Bankers

Lloyds TSB Plc
Navigation House
Walnut Tree Close
Guildford GU1 4TR

Report of the Board

The board presents its report and audited financial statements for the year ended 30 September 2007

Principal activities

The Association's principal activities are the provision, by construction or conversion, and the management of housing for people with disabilities and others in housing need

Business review

Details of the Association's performance for the year and future plans are set out in the Operating and Financial Review that follows this board report

Housing property assets

Details of changes to the Association's fixed assets are shown in notes 11 and 12 to the financial statements
Housing property values are considered in the Operating and Financial Review

Reserves

After transfer of the surplus for the year of £889,873 (2006 £520,880), at the year-end reserves amounted to £6,862,362 (2006 £5,999,409)

Post balance sheet events

We consider that there have been no events since the year-end that have had a significant effect on the association's financial position

Payment of creditors

In line with government guidance, our policy is to pay purchase invoices within 30 days of receipt, or earlier if agreed with the supplier

Financial instruments

The Association's approach to financial risk management is outlined in the Operating and Financial Review

Employees

The Association is accredited as an Investor in People and has established an Information & Consultation Committee of elected staff representatives, who meet quarterly with executive directors to discuss issues relevant to employment. Salary levels are set in relation to the market and exceed the requirements of the National Minimum Wage

We are committed to equality of opportunity for all employees. We have a diverse workforce and have in place systems for monitoring the effectiveness of our diversity & inclusion policies

We have adopted the Code of Practice on Race Equality arising from the Race and Housing Inquiry Challenge Report 2000

The Association shares information on its objectives, progress and activities through regular office and departmental meetings

Health and safety

The board is aware of its responsibilities on all matters relating to health and safety. The Association has employed an external advisor to prepare detailed health and safety policies and ongoing support and provides staff training and education on health and safety matters

Board members and executive directors

The Board members, who were also directors for the purposes of the Companies Act, who served during the year were -

John Daley
Peter Cleland
Francis Markham (resigned 23 05 07)
Michael Hoad
Keith Hailstone
Jane Coleman
Wendy Crichlow
Rosemary Houseman
Graham Nickson (appointed 23.05 07)
Yvonne Akinmodun (appointed 23 05 07)
Nazlee Aziz (appointed 23 05 07)

The present board members and the executive directors of the Association are set out on page 1. The board members are drawn from a wide background bringing together professional, commercial and local experience

The executive directors are the chief executive and the other members of the Association's senior management team. They hold no interest in the Association's shares and act as executives within the authority delegated by the board

The Association has insurance policies that indemnify board members and officers against liability when acting on its behalf

Service contracts

The executive directors are employed on the same terms as other staff, their notice periods being three months

Pensions

Two executive directors are members of the Social Housing Pension Scheme, a defined benefit final salary pension scheme. The executive directors participate in the scheme on the same terms as all other eligible staff. The Association contributes to the scheme on behalf of its employees and offers a defined contribution scheme to all staff.

NHF Code of Governance

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

At last year's Annual General Meeting John Daley was re-elected as chair. Francis Markham stood down from the Board and the co-opted members Graham Nickson, Nazlee Aziz and Yvonne Akinmodun were formally appointed.

Tenant involvement

Two places are reserved on the Board for tenant members and up to one-third of ordinary members may be tenants.

Complaints

During the year 11 complaints were received that reached level 2 (formal resolution). Of these, all were resolved promptly to the satisfaction of the tenants, one being referred to the Board (level 3).

Internal controls assurance

The board acknowledges its overall responsibility for establishing and maintaining the whole 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 material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by the Association is ongoing, and has been in place throughout the period commencing 1 October 2006 up to the date of approval of the annual report and financial statements. The board receives and considers reports from management on these risk management and control arrangements at each meeting during the year.

Key elements of the control framework include

- board approved terms of reference and delegated authorities for audit & risk, finance & general purposes and human resources committees,
- clearly defined management responsibilities for the identification, evaluation and control of significant risks,
- robust strategic and business planning processes,
- biannual review of the risk map by the board,
- detailed financial budgets and forecasts for subsequent years,
- formal recruitment, retention, training and development policies,
- established authorisation and appraisal procedures for all significant new initiatives and commitments,
- regular reporting by senior management to the appropriate committee of key business objectives, targets and outcomes,
- board approved whistleblowing and anti-theft and corruption policies, and
- detailed policies and procedures in each area of the Association's work.

The board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the audit & risk committee to regularly review the effectiveness of the system of internal control. The board receives biannual reports from the audit & risk committee together with minutes of meetings.

The means by which the audit & risk committee 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 on areas such as supporting people, health and safety, and property development. The audit & risk committee has received the chief executive's annual review of the effectiveness of the system of internal control for the association, together with the annual report of the internal auditor, and has reported its findings to the board. The board has in turn conducted its own annual review of the effectiveness of the system of internal control.

Disclosure of Information to auditors

At the date of making this report each of the Association's Board members, as set out on page 1, confirms the following

- So far as each member is aware, there is no relevant information needed by the association's auditors in connection with preparing their report of which the Association's auditors are unaware and
- each member has taken all the steps s/he ought to have taken as a board member in order to be aware of any relevant information needed by the Association's auditors in connection with preparing their report and to establish that the association's auditors are aware of that information

Going concern

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

Annual general meeting

The annual general meeting will be held on 21st May 2008 at a venue to be advised

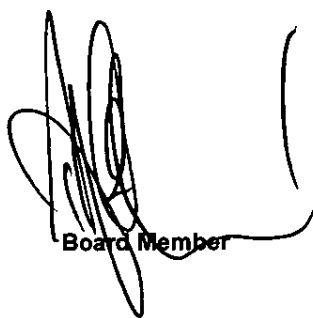
External auditors

A resolution to re-appoint Grant Thornton UK LLP as external auditors will be proposed at the forthcoming annual general meeting

The report of the board was approved by the board on 27th February 2008 and signed on its behalf by



Chairman



Board Member

Donna Marshall

Secretary

Operating and Financial Review

Background

Activities

Ability Housing Association is a Registered Social Landlord (RSL) and registered charity that specialises in providing disabled people with housing and support services tailored to their individual needs to enable them to live more independent lives. These services include the provision of affordable, high quality accommodation for rent and shared ownership, including supported housing, floating support services, disability housing registers and adaptations services.

Ability aims to work strategically with local authorities and other Registered Social Landlords in the South of England to help meet the local needs of disabled people, where Ability's expertise can assist with promoting independent living. Our pursuit of this aim is underpinned by these values:

Quality – a desire always to provide a high quality service and to strive to improve upon our standards and performance wherever possible,

Respect – being aware that our tenants and service users are individuals, each with their own unique needs and aspirations,

Value – ensuring that our housing and services are affordable, efficient and responsive to the needs of our tenants and service users, and

Integrity – encouraging a culture of openness, honesty and accountability

We commit ourselves to

Putting our customers first,

Continuously improving,

Working in partnership, and

Valuing diversity

The head office is based in Staines and its properties are primarily in south-east England

External influences

Nationally the level of Government subsidy for Supporting People activities will diminish substantially over the next few years, the formula for distributing subsidy between authorities is also likely to result in large shifts between different local authorities. Within this climate, opportunities to develop new supported housing will be constrained by uncertainty about the availability of revenue funding.

Existing services will come under pressure as administrative authorities seek cost savings. Services will need to demonstrate quality, value for money and strategic relevance. We will need to identify efficiency savings in order to maintain operating margins and ensure service viability.

In addition, the quality of affordable housing remains a key focus for a government that has committed to delivering decent homes for all social housing tenants by 2010. Housing associations are also expected to contribute to the efficiency targets, for the social housing sector, set following the Gershon review and we are therefore faced with the challenging objectives of improving efficiency and quality of services.

Objectives and strategy

The association's objectives and strategy are set out in a five year business plan that is updated, reviewed and approved by the board each year. The eight key objectives are summarised as follows:

To increase and improve the quality of our housing stock

By 2010 we will own or manage 500 self-contained units of housing that meet or exceed the decent homes standard (currently 342 out of our 416 homes in management are both decent and self-contained)

To be amongst the best performing of RSLs

By 2010 we will achieve upper quartile performance outcomes for at least 8 out of 10 key performance indicators amongst an identified comparator group of 26 RSLs

To be first choice landlord for disabled people

We will improve our tenant satisfaction ratings and these will remain within the upper quartile of our comparator group

To increase our share of the Supporting People market

By 2010 we will have increased to 1.5% (from 1.2% in 2003) by contract value our share of Supporting People services within the 18 Administrative Authorities with whom we contract (currently 1.8%)

To be the leading provider of Disability Housing Registers (DHRs)

By 2010 we will have developed and be operating DHRs for at least 15 local housing authorities within our area of operation

To achieve external validation for our services, satisfactory regulatory reports and improved stakeholder satisfaction

We will retain 4 'green-traffic lights' in our Housing Corporation Assessment and improved ratings from our stakeholder perception survey

To maintain our financial viability and independence

We will achieve an operating surplus, after interest payable, in the range 5% - 10% of turnover in each year of this plan. The surplus will be used to finance investment in new homes

To be first choice employer

We will improve staff satisfaction ratings and develop a high performing and diverse workforce

Performance and development

The key indicators used by senior management and the board to monitor achievement of the association's objectives are set out below. The board agrees targets each year that are designed to manage development and deliver continuous service improvement

	Objective	Indicator
Finance	<ul style="list-style-type: none"> achieve planned operating surplus meet lenders' covenants 	<ul style="list-style-type: none"> results compared to budget performance against loan covenants
Development	<ul style="list-style-type: none"> achieve 500 decent, self contained homes by 2010 	<ul style="list-style-type: none"> new units into management
Environment	<ul style="list-style-type: none"> achieve average SAP ratings of at least 78 	<ul style="list-style-type: none"> results compared to target
Asset management	<ul style="list-style-type: none"> Decent Homes Standard achieved by 2010 Reduction in the proportion of shared housing 	<ul style="list-style-type: none"> proportion of units meeting Decent Homes Standard number of shared units
Customer service	<ul style="list-style-type: none"> continuous improvement in standards of customer service 	<ul style="list-style-type: none"> rent losses from voids/bad debts rent arrears repair response times tenant satisfaction

Performance against these indicators is set out below

Finance

The accounts for the year show that turnover from lettings has increased by £169,000 (3.7%) to £4,721,000. The increase results principally from the addition of a total of 26 housing units during the year. Total costs have also increased by £142,000 (3.7%), to £3,957,000.

The Operating surplus for the year was £670,000 (13.8% of turnover) compared to a budget surplus of £517,000. Other income and expenditure activities contributed a net deficit of £94,000 (2006 £176,000). This is in line with expectations and is attributable to development activities (£135,000). Accessahome and management services contributed a surplus of £42,000.

Cash balances have reduced during the year from £0.9m to £0.3m, principally as a consequence of the purchase and development of housing properties in Merton, Essex, Havant and Reading. Cash flow during the year was supported by the receipt of a legacy of £300,000. This amount has been transferred to a designated reserve which will be used to fund specified development projects.

The development programme has once again been self-financed with no requirement for additional borrowing. Current loan covenant requirements have been met.

Operating and Financial Review (continued)

Development

- A capital development bids programme has been identified which amounts to up to 185 new homes
- The number of self-contained and decent homes in management has increased to 342 from 310, although this is less than the target of 361
- The total number of homes in management has increased to 416 from 390. Remodelling of shared housing has resulted in some reductions in unit count, added to which, some delays have been experienced with some schemes in development

Asset management

- The number of homes failing the decent homes standard has reduced to only 23 (6%), compared to a target of 38 (10%)
- The number of shared housing units in management has reduced to only 74 (18%), compared to a target of 87

Environment

- The average SAP (energy efficiency) rating of our housing stock has increased to 83, compared to an original target of 72 (revised to 78 in 2005)

Customer service

Our performance is summarised below

Rent losses from voids and bad debts

- Rent loss due to voids in supported housing has increased to 4.26% (target 3.75%) from 3.26% in 2006
- Rent loss due to voids in general needs (non-supported) homes has improved to 0.94% from 1.05%, although this was insufficient to meet the target of 0.75%
- Average re-let time has improved to 35 days from 49 days, although this was not sufficient to meet the target of 28 days

Rent arrears

- Rent arrears in supported housing have reduced to 2.96% from 3.49% in 2006 meeting the target of <3%
- Rent arrears in general needs homes have reduced to 3.76% from 4.76%, meeting the target of < 5%

Repair response times

Repair Response Time		% In target	No out of target
Emergency (24 Hrs) Target 98%	2006	100%	0
	2007	100%	0
Urgent (5 working days) Target 98%	2006	96%	15
	2007	99%	4
Routine (28 working days) Target 98%	2006	98%	12
	2007	99.6%	3

Tenant Satisfaction

A STATUS tenant satisfaction survey was carried out during the year, which yielded the following results

- 85% were satisfied overall with the housing & services provided by their landlord
- 81% were satisfied with their opportunities to participate in decision making

Risks and uncertainties

The main risks that may prevent the association achieving its objectives are considered and reviewed six monthly by the senior management team and board as part of the corporate planning processes. The risks are recorded and assessed in terms of their impact and probability. Major risks, presenting the greatest threats to the association, are reported to the board six monthly together with action taken to manage the risks and the outcome of the action. These risk reports include assessments of key controls used to manage the risks. The association has identified the major risks to successful achievement of its objectives and these are considered below

Key risk	How Managed	Impact on strategic objectives
Dependency on Supporting People & revenue contracts	Identification of other funding sources, social care funding other business opportunities Increase housing stock to reduce proportion of turnover that is dependent upon short term contracts	Development, Finance
Change in government policy	Accept the risk and monitor policy trends	Development
Relationship management	Develop communications strategy, recruitment of communications manager	Asset management Development
Operating surplus deterioration	Reduce the risk by maintaining financial plan minimum Seek out new business opportunities meeting strategic criteria	Development Finance
Interest rate changes	Future impact will increase Mitigate the risk by development of a treasury strategy	Finance Development

Financial position

The association's income and expenditure account and balance sheet are summarised in Table 1 (page 9) and the following paragraphs highlight key features of the association's financial position at 30 September 2007

Accounting policies

The association's principal accounting policies are set out on pages 16 to 17 of the financial statements. The policies that are most critical to the financial results relate to accounting for housing properties and include deduction of capital grant from the cost of assets, housing property depreciation, and treatment of shared ownership properties. Each of these policies has remained unchanged during the period under review.

Housing properties

At 30 September 2007 the association owned 373 housing properties (2006: 347). The properties were carried in the balance sheet at cost (after depreciation and capital grant) of £6,217,468 (2006: £4,850,825). The Board has decided not to obtain valuations of the properties at present.

Our investment in housing properties this year was funded through a mixture of social housing grant, and cash resources where we continue to show a strong current asset balance, an important indicator of liquidity.

Pension costs

The association participates in two pension schemes, the Social Housing Pension Scheme (SHPS) and the Social Housing growth plan. One is a final salary scheme, the other money purchase. The group has contributed to the schemes in accordance with levels, set by the actuaries, of between 5% and 15.7%.

The next actuarial valuation of the SHPS is due at 30 September 2008. Although the value of scheme assets has increased as anticipated in the last valuation, salary increases in excess of expected inflationary increases have been a contributory factor to higher scheme liabilities and we anticipate that our contributions to the scheme may increase beyond 15.7% of pensionable salaries following the next valuation. We will continue to contribute to the scheme in line with the advice of independent actuaries.

Capital structure

The association borrows, principally from banks and building societies, at both fixed and floating rates of interest. At the year-end, 20 per cent of the association's borrowings were at fixed rates.

The fixed rates of interest range from 9.1% to 11.3% and in the current market, where long term fixed rates have fallen below 5%, this means that the association is paying interest at rates substantially in excess of market levels. The amounts are small however and at present the breakage costs exceed the likely benefits. The situation is reviewed regularly.

The association borrows and lends only in sterling and so is not exposed to currency risk.

Cash flows

Cash inflows and outflows during the year are shown in the cash flow statement (page 15).

The cash inflow from operating activities rose this year to £1,319,429 (2006: £506,784), partly reflecting the receipt of the legacy and increased operating surplus and partly reflecting changes in working capital, particularly the reduction in debtors.

Future developments

A key influence on the timing of borrowings is the rate at which development activity takes place. The board has approved plans to spend almost £5.5 million during the next three years to develop housing accommodation. We have secured a £5 million loan facility with one of our existing lenders.

Statement of compliance

In preparing this Operating and Financial Review, the board has followed the principles set out in Part 3 of the SORP 'Accounting by Registered Social Landlords' (Update 2005).

Operating and Financial Review (Continued)

Table 1 –highlights, three-year summary

For the year ended 30 September	2005	2006	2007
Income and Expenditure account (£'000)			
Total turnover	4,766	4,682	4,853
Income from lettings	4,628	4,552	4,721
Operating surplus	653	561	670
Surplus for the year transferred to reserves	663	520	592
Balance Sheet (£'000)			
Housing properties, net of depreciation and grants	3,126	4,851	6,217
Other fixed assets	465	466	459
Fixed assets net of capital grants and depreciation	3,591	5,317	6,676
Net current assets	1,909	682	186
Total assets less current liabilities	5,500	5,999	6,862
Loans (due over one year)	1,230	1,208	1,181
Other long term liabilities	53	53	53
Reserves designated revenue total	828 3,389 4,217	771 3,967 4,738	1,029 4,599 5,628
	5,500	5,999	6,862
Accommodation figures			
Total housing stock owned at year end (<i>number of dwellings</i>)	339	355	381
Social housing	331	347	373
Non-social housing	8	8	8
Statistics			
Surplus for the year as % of turnover	13.7	11.9	13.8
Surplus for the year as % of income from lettings	14.1	12.32	14.19
Rent losses (<i>voids and bad debts as % of rent and service charges receivable</i>)	4.20	2.38	3.30
Rent arrears (<i>gross arrears as % of rent and service charges receivable</i>)	4.24	3.99	3.33
Interest cover (<i>surplus before interest payable divided by interest payable</i>)	6.87	5.61	7.09
Liquidity (<i>current assets divided by current liabilities</i>)	3.28	1.98	1.54
Gearing (<i>total loans as % of capital grants plus reserves</i>)	6.01	5.4	4.69
Total reserves per home owned	12,439	13,346	14,772

The increase in surplus represents the effect of additional housing units and increases in income coupled with a lower rate of increase in associated costs

Statement of Responsibilities of the Board

Statement of the responsibilities of the board for the report and financial statements

The board is responsible for preparing the report and financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

The Companies Act and registered social landlord legislation in the United Kingdom require the board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the association at the end of the year and of the surplus or deficit of the association for the year then ended

In preparing those financial statements the board is required to

- select suitable accounting policies and apply them consistently,
- make judgements and estimates that are reasonable and prudent, and
- follow applicable United Kingdom Accounting Standards and the Statement of Recommended Practice "Accounting by registered social landlords" (Update 2005), subject to any material departures disclosed and explained in the financial statements

The board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the association and enable it to ensure that the financial statements comply with Companies Act 1985, paragraph 16 of Schedule 1 to the Housing Act 1996 and the Accounting Requirements for registered social landlords General Determination 2006. It is also responsible for safeguarding the assets of the association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The board is responsible for ensuring that the Report of the Board is prepared in accordance with the Statement of Recommended Practice "Accounting by registered social landlords" (Update 2005)

The board is responsible for the maintenance and integrity of the corporate and financial information on the association's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions

Independent Auditors' Report to the Members of Ability Housing Association

We have audited the financial statements of Ability Housing Association for the year ended 30 September 2007, which comprise the income and expenditure account, the balance sheet, the cash flow statement, the statement of total recognised surpluses and deficits and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Association's members, as a body, in accordance with regulations made under the Companies Act 1985. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The responsibilities of the board for preparing the report and 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 for the financial statements.

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 are properly prepared in accordance with the Companies Act 1985, 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 Report of the Board is consistent with the financial statements. The information given in the Report of the Board includes the specific information presented in the Operating and Financial Review that is cross-referred from the Business Review section of the Report of The Board.

We also report to you if, in our opinion, the Association has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

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 judgements made by the board in the preparation of the financial statements and of whether the accounting policies are appropriate to the 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 financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Association as at 30 September 2007 and of the surplus for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006, and
- the information given in the Report of the Board is consistent with the financial statements.



Grant Thornton UK LLP
Chartered Accountants and Registered Auditors

Xxxxxxxx 2008

16 June

Income and Expenditure Account

For the year ended 30 September 2007

	Note	2007 £	2006 £
Turnover: continuing activities	3	4,853,478	4,682,855
Operating costs	3	(4,183,743)	(4,121,428)
Operating surplus: continuing activities	3	669,735	561,427
Surplus on sale of fixed assets	6	6,000	775
Interest receivable and other income	7	23,332	59,123
Interest payable and similar charges	8	(106,574)	(100,445)
Surplus on ordinary activities		592,493	520,880
Legacy Income received		297,380	
Surplus for the financial year	18	889,873	520,880

The notes on pages 18 to 33 form part of these financial statements.

Historical cost surpluses and deficits were identical to those shown in the income and expenditure account.

Reconciliation of movements in Association's funds

For the year ended 30 September 2007

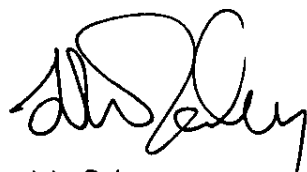
	Note	2007 £	2006 £
Opening total funds	18	4,738,380	4,217,500
Total recognised surpluses and deficits relating to the year		889,873	520,880
		<hr/>	<hr/>
Closing total funds	18	5,628,253	4,738,380
		<hr/>	<hr/>

Balance Sheet

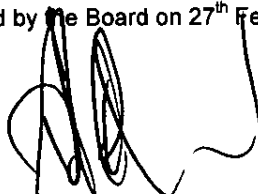
At 30 September 2007

	Note	2007 £	2006 £
Tangible fixed assets			
Housing properties	11	25,764,354	22,482,618
Social housing grant	11	(18,167,391)	(16,517,298)
Other grants	11	(1,379,495)	(1,114,495)
		<u>6,217,468</u>	<u>4,850,825</u>
Other tangible fixed assets	12	459,082	466,504
		<u>6,676,550</u>	<u>5,317,329</u>
Current assets			
Debtors	13	267,634	568,390
Cash at bank and in hand		262,032	811,963
		<u>529,666</u>	<u>1,380,353</u>
Creditors: Amounts falling due within one year	14	(343,854)	(698,273)
Net current assets		<u>185,812</u>	<u>682,080</u>
Total assets less current liabilities		<u>6,862,362</u>	<u>5,999,409</u>
Creditors: Amounts falling due after more than one year	15	1,234,109	1,261,029
		<u>1,234,109</u>	<u>1,261,029</u>
Capital and reserves			
Major Repairs reserve	18	729,282	771,523
Designated reserve	18	300,000	-
Revenue reserve	18	4,598,971	3,966,857
		<u>5,628,253</u>	<u>4,738,380</u>
Association's funds	18	5,628,253	4,738,380
		<u>6,862,362</u>	<u>5,999,409</u>

The financial statements were approved by the Board on 27th February 2008 and signed on its behalf by



John Daley
Chairman



Peter Cleland
Board Member

Donna Marshall

Donna Marshall
Secretary

Cash Flow Statement

For the year ended 30 September 2007

	Note	2007 £	2006 £
Net cash inflow from operating activities	21	1,319,429	506,784
Returns on investments and servicing of finance			
Interest received		23,332	59,123
Interest paid		(98,574)	(100,445)
		<u>(75,242)</u>	<u>(41,322)</u>
Capital expenditure			
Purchase and construction of housing properties		(3,307,444)	(3,122,279)
Social housing grant – received		1,427,407	1,160,134
Other capital grants – received		190,000	160,000
Purchase of other fixed assets		(83,161)	(84,801)
Sales of other fixed assets		6,000	3,400
		<u>(1,767,198)</u>	<u>(1,883,546)</u>
Net cash flow before financing		(523,011)	(1,418,084)
Financing			
Housing loans repaid		(26,920)	(22,291)
		<u></u>	<u></u>
(Decrease) in cash	22	<u>(549,931)</u>	<u>(1,440,375)</u>

Notes to the Financial Statements

30 September 2007

1. Legal status

The Association is registered under the Companies Act 1985 as a company limited by guarantee. It is registered with both the Charity Commissioners and the Housing Corporation as a social landlord.

2. Accounting policies

Basis of accounting

The financial statements of the Association are prepared in accordance with applicable accounting standards and the Statement of Recommended Practice – accounting by Registered Social Landlords, update issued in April 2005, and comply with the Accounting Requirements for Registered Social Landlords General Determination 2006.

Turnover

Turnover comprises rental income receivable in the year, income from property sales, other services included at the invoiced value of goods and services supplied in the year and revenue grants receivable in the year.

Value added tax

The Association is not registered for VAT, and therefore all amounts are inclusive of VAT.

Interest payable

Interest payable is charged to the income and expenditure account in the year.

Pensions

The Association participates in one funded multi-employer defined benefit scheme and one multi-employer defined contribution scheme. Pension costs are assessed in accordance with the advice of an independent qualified actuary. Costs include the regular cost of providing benefits which it is intended should remain a substantially level percentage of current and expected future earnings of the employees covered. The cost is charged to the income and expenditure account over the periods benefiting from the employees' services.

Supporting people

Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

Housing properties

Housing properties are principally properties available for rent and are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, development costs, and expenditure incurred in respect of improvements.

Improvements are works which result in an increase in the net rental income, such as a reduction in future maintenance costs, or result in a significant extension of the useful economic life of the property in the business.

Housing properties in the course of construction are stated at cost and are transferred into housing properties when completed.

Shared ownership properties are included in housing properties at cost, less the first tranche sale proceeds and any provisions needed for depreciation or impairment.

Social housing grant

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

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

Other grants

Other grants are receivable from local authorities and other organisations. Capital grants are utilised to reduce the capital costs of housing properties, including land costs. Grants in respect of revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which they relate.

Notes to the Financial Statements

2. Accounting policies (continued)

True and fair override

Under the requirements of the SORP, capital grants are shown as a deduction from the cost of housing properties on the balance sheet (see note 11). This is a departure from the rules under Schedule 4 of the Companies Act 1985 but in the opinion of the Board is a relevant accounting policy, comparable to that adopted by other registered social landlords that has been adopted in order to present a true and fair view.

Depreciation of housing properties

Freehold land is not depreciated. Leasehold properties are amortised on a straight line basis over the term of the lease or their estimated useful economic lives in the business if shorter.

Depreciation on freehold housing properties is provided where material. Depreciation is calculated by reference to the building cost of the properties, less related grants, and the estimated remaining useful economic lives of the buildings. The estimated useful economic lives are up to 100 years, dependent on property type, age and condition.

Impairment

Housing properties are subject to impairment reviews annually. Other assets are reviewed for impairment if there is an indication that impairment may have occurred.

Where there is evidence of impairment, fixed assets are written down to the recoverable amount. Any such write down is charged to operating surplus.

Other tangible fixed assets

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

Freehold offices	2%
Long leasehold property	Over life of lease
Furniture, fixtures and fittings	25%
Computers	33.3%
Motor vehicles	25%

Liquid resources

Liquid resources are readily disposable current asset investments. They may include some money market deposits, held for more than 24 hours that can only be withdrawn without penalty on maturity or by giving notice of more than one working day.

Reserves

The Association establishes *restricted reserves* for specific purposes where their use is subject to external restrictions and *designated reserves* where reserves are earmarked for a particular purpose.

Major repairs reserve

The Association's commitment to fund other major repairs is recognised by the transfer from accumulated surpluses to the designated *major repairs reserve* - the amount is based on the expected future liabilities arising from the results of the latest stock condition survey.

Designated Reserve

The Association has transferred the legacy received into a designated reserve which will be used to support the development and enhancement of its properties held for social housing lettings.

Notes to the Financial Statements

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

	2007		
	Turnover	Operating costs	Operating surplus
	£	£	£
Social housing lettings	4,721,342	(3,957,501)	763,841
Other social housing activities			
Supporting people			
Development costs not capitalised		(135,764)	(135,764)
Management services	60,963	(25,896)	35,067
Other	71,173	(64,582)	6,591
	<u>132,136</u>	<u>(226,242)</u>	<u>(94,106)</u>
	<u>4,853,478</u>	<u>(4,183,743)</u>	<u>669,735</u>

	2006		
	Turnover	Operating costs	Operating surplus
	£	£	£
Social housing lettings	4,551,828	(3,814,788)	737,040
Other social housing activities			
Development costs not capitalised		(87,600)	(87,600)
Management services	60,778	(39,207)	21,571
Other	70,249	(179,833)	(109,584)
	<u>131,027</u>	<u>(306,640)</u>	<u>(175,613)</u>
	<u>4,682,855</u>	<u>(4,121,428)</u>	<u>561,427</u>

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

Particulars of income and expenditure from social housing lettings
2007

	General needs housing £	Supported Care homes housing £	Low cost home ownership £	Total £	2006 Total £
Rent receivable net of identifiable service charges	568,208	785,043	15,164	1,383,859	1,242,540
Service income	59,927	221,018	1,124	284,500	255,997
Charges for support services	59,780	2,421,073	-	2,664,651	2,666,046
Net rental income	687,915	3,427,134	16,288	4,333,010	4,164,583
Revenue grants	-	388,332	-	388,332	387,245
Turnover from social housing lettings	687,915	3,815,466	16,288	4,721,342	4,551,828
Expenditure on social housing lettings					
Management	(150,224)	(357,452)	(1,835)	(536,258)	(519,314)
Services	(61,829)	(222,351)	(2,188)	(302,373)	(273,975)
Routine maintenance	(55,436)	(122,579)	-	(179,439)	(122,451)
Planned maintenance & major repairs	(140,321)	(48,383)	-	(192,241)	(207,295)
Bad debts	(6,403)	(2,992)	-	(9,395)	-
Care & Support costs	(206,888)	(2,305,329)	-	(2,712,087)	(2,675,125)
Depreciation of housing properties		(25,708)	-	(25,708)	(16,628)
Operating costs on social housing lettings	(621,101)	(3,084,794)	(4,023)	(3,957,501)	(3,814,788)
Operating surplus/(deficit) on social housing lettings	66,814	730,672	12,265	763,841	737,040
Void losses	9,782	38,320	-	48,525	51,437

Notes to the Financial Statements

4. Accommodation in management and development

At the end of the year accommodation in management for each class of accommodation was as follows

	2007 No.	2006 No
Social housing		
General housing	156	155
Supported housing	198	173
Shared ownership	7	7
Residential care homes	12	12
Total owned	373	347
Accommodation managed for others	35	35
Total managed	408	382
Non-social housing		
Respite care unit	8	8
Total owned and managed	416	390
Accommodation in development at the year end	59	61

5. Operating Surplus

This is arrived at after charging/(crediting)

	2007 £	2006 £
Depreciation of housing properties	25,708	16,174
Depreciation of other tangible fixed assets	90,584	80,738
Fees payable to the Association's auditor for the audit of the financial statements (including VAT)	9,000	9,000

6. Surplus on sale of fixed assets

	2007 £	2006 £
Disposal proceeds	6,000	3,400
Carrying value of fixed assets	-	(2,625)
	6,000	775

7. Interest receivable and other income

	2007 £	2006 £
Interest receivable and similar income	23,332	59,123

Notes to the Financial Statements

8. Interest payable and similar charges

	2007	2006
	£	£
Housing loans	98,574	100,445
Recycled capital grant fund	8,000	-
	<u>106,574</u>	<u>100,445</u>

9. Employees

Average monthly number of employees:

	2007	2006
	No.	No.
Administration	11	11
Development	1	1
Housing, support and care	107	109
	<u>119</u>	<u>121</u>

Average monthly number of employees expressed in full time equivalents

	2007	2006
	No.	No.
Administration	10	10
Development	1	1
Housing, support and care	86	87
	<u>97</u>	<u>98</u>

Employee costs:

	2007	2006
	£	£
Wages and salaries	2,174,452	2,155,227
Social security costs	202,285	194,135
Other pension costs	43,711	40,943
	<u>2,420,448</u>	<u>2,390,305</u>

Notes to the Financial Statements

9. Employees (continued)

Social Housing Pension Scheme

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

SHPS is a multi-employer defined benefit scheme Employer participation in the Scheme is subject to adherence with the employer responsibilities and its obligations as set out in the "SHPS House Policies and Rules Employer Guide" The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate, to March 2007 From April 2007 there were three benefit structures available, namely Final salary with a 1/60th accrual rate, Final salary with a 1/70th accrual rate and, Career average revalued earnings with a 1/60th accrual rate An employer can elect to operate different benefit structures for their active members as at the 1st April in any given year and their new entrants An employer can operate only one open benefit structure at any one time An open benefit structure is one which new entrants are able to join The Association has elected to operate the Final salary with a 1/60th accrual rate benefit structure for active members at 1st April 2007 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 The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date Asset values are calculated by reference to market levels Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns During the accounting period the Association paid contributions at the rate of 14.7% Member contributions were 6.1% As at the balance sheet date there were 2 active members of the Scheme, which is closed to new entrants It is not possible to identify the share of underlying assets and liabilities belonging to individual participating employers Accordingly, due to the nature of the Plan, the accounting charge for period under FRS17 represents the employer contribution payable

The last valuation of the scheme was at 30 September 2005 by a professionally qualified actuary using the Projected Unit Method The market value of the scheme's assets at that date was £1,278 million The valuation revealed a shortfall of assets compared with the value of liabilities of £283 million, equivalent to a past service funding level of 82% The Scheme actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2006 Such a report is required by legislation for years in which a full actuarial valuation is not carried out The funding update revealed an increase in the assets of the Scheme to £1,515 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £235 million, equivalent to a past service funding level of 87% Annual funding updates of the SHPS Scheme are carried out using approximate actuarial techniques rather than member by member calculations, and will therefore not produce the same results as a full actuarial valuation However they will provide a good indication of the financial progress of the Scheme since the last full valuation Since the contribution rates payable to the Scheme have been determined by reference to the last full actuarial valuation the following notes relate to the formal actuarial valuation as at 30 September 2005

The financial assumptions underlying the valuation were as follows

	% per annum
Investment return pre retirement	7.2
Investment return post retirement	4.8
Rate of salary increases to 30.09.2010	5.0
Rate of salary increases from 01.10.2010	4.0
Rate of pension increases	2.5
Rate of price inflation	2.5

The valuation was carried out using the PA92C2025 mortality table for non-pensioners and PA92C2013 mortality table for pensioners The table below illustrates the assumed life expectancy in years for pension scheme members at age 65 using these mortality assumptions

	Males	Females
	Assumed life expectancy in years at age 65	Assumed life expectancy in years at age 65
Non-pensioners	20.4	23.3
Pensioners	19.4	22.4

The long term contribution rates required from employers and members to meet the cost of future benefit accrual were assessed at

Benefit structure	Long term joint contribution rate (% of pensionable salaries)
Final salary with 1/60 th accrual rate	17.6
Final salary with 1/70 th accrual rate	15.3
Career average revalued earnings with 1/60 th accrual rate	14.1

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall. Following consideration of the results of the actuarial valuation it was agreed that the shortfall of £283 million would be dealt with by the payment of deficit contributions of 4.4% of pensionable salaries with effect from 1st April 2007. These deficit contributions are in addition to the long term joint contribution rates set out in the table above. With effect from 1st April 2007 the employer and employee contribution rates will be 18.9% and 6.1% respectively. Employers that participate in the Scheme on a non-contributory basis pay a joint contribution rate. Employers that have closed the scheme to new entrants, including the Association, are required to pay an additional employer contribution loading of 3% to reflect the higher costs of a closed arrangement. A small number of employers are required to contribute at a different rate to reflect the amortisation of a surplus or deficit on the transfer of assets and past service liabilities from another pension scheme into the SHPS scheme. Employers joining the Scheme after 1 October 2002 that do not transfer any past service liabilities to the Scheme pay contributions at the ongoing future service contribution rate. This rate is reviewed at each valuation and applies until the second valuation after the date of joining the Scheme, at which point the standard employer contribution is payable.

If the valuation assumptions are borne out in practice this pattern of contributions should be sufficient to eliminate the past service deficit by 30 September 2020. 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. The next full actuarial valuation will be carried out as at 30th September 2008. We are informed that an actuarial report will be prepared as at 30 September 2007 in line with statutory regulations. At present we have not been advised the findings of that report.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up. The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis, i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed the assets there is a buy-out debt. The leaving employer's share of the buy out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any "orphan" liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total scheme liabilities, scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

The Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the scheme as at 30 September 2005. As of that date the Association's estimated employer debt was £735,000.

Notes to the Financial Statements

9. Employees (continued)

Pensions Trust's Growth Plan

The association participates in the Pensions Trust's Growth Plan which is funded and not contracted out of the state scheme. The Growth Plan is a multi employer pension Plan which is in most respects a money purchase arrangement but it has some guarantees. Contributions paid into the Growth Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Growth Plan or by the purchase of an annuity. The rules of the Growth Plan allow for the declaration of bonuses and/ or investment credits if this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses/ investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

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

The Trustee commissions an actuarial valuation of the Growth Plan every 3 years. The main purpose of the valuation is to determine the financial position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns. If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

The rules of the Growth Plan state that the proportion of obligatory contributions to be borne by the Member and the Member's Employer shall be determined by agreement between them. Such agreement shall require the Employer to pay part of such contributions and may provide that the Employer shall pay the whole of them. Both the Association and the members paid contributions at the rate of 5% during the accounting period.

At the balance sheet date there were 27 active members of the Plan employed by the Association which continues to offer membership of the Plan to its employees. It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last valuation of the scheme was performed at 30 September 2005 by a professionally qualified actuary using the Projected Unit Method. The market value of the scheme's assets at that date was £675 million and the Plan's Technical provisions were £704 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £29 million, equivalent to a past service funding level of 96%. The Scheme actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2006. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. A similar report will be undertaken as at 30 September 2007, the results of which are as yet unavailable.

The funding update at 2006 revealed an increase in the assets of the Scheme to £747 million and indicated a surplus of assets compared to liabilities to approximately £2 million, equivalent to a funding level of 100.2%. Annual funding updates of the Growth Plan are carried out using approximate actuarial techniques rather than member by member calculations, and will therefore not produce the same results as a full actuarial valuation. However they will provide a good indication of the financial progress of the Scheme since the last full valuation. Since the contribution rates payable to the Scheme have been determined by reference to the last full actuarial valuation the following notes relate to the formal actuarial valuation as at 30 September 2005.

The financial assumptions underlying the valuation were as follows

	% per annum
Investment return pre retirement	6.6
Investment return post retirement	4.5
Bonuses on accrued Benefits	0.0
Rate of price inflation	2.5

The valuation was carried out using the PA92C2025 mortality table for non-pensioners and PA92C2015 mortality table for pensioners. The table below illustrates the assumed life expectancy in years for pension scheme members at age 65 using these mortality assumptions.

	Males	Females
	Assumed life expectancy in years at age 65	Assumed life expectancy in years at age 65
Non-pensioners	20.4	23.3
Pensioners	19.5	22.5

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

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. In view of the small funding deficit and the level of prudence implicit in the assumptions used to calculate the Plan liabilities the Trustee has prepared a recovery plan on the basis that no additional contributions from employers are required at this point in time. In reaching this decision the Trustee has taken actuarial advice and has been advised that the shortfall of £29 million will be cleared within 5 years if the investment returns from assets are in line with the "best estimate" assumptions. "Best estimate" means that there is a 50% expectation that the return will be in excess of that assumed and a 50% chance that the return will be lower than that assumed over the next 10 years. These "best estimate" assumptions are 7.6% per annum pre-retirement and 4.8% per annum post retirement.

A copy of the recovery plan must be sent to the Pensions Regulator. The Regulator has the power under part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and / or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the 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. The next full actuarial valuation will be carried out as at 30th September 2008. We are informed that an actuarial report will be prepared as at 30 September 2007 in line with statutory regulations. At present we have not been advised the findings of that report. Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan. The Trustee's current policy is that it only applies to employers with pre October 2001 liabilities in the Plan. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up. The debt for the Plan as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis, i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Plan. If the liabilities exceed the assets there is a buy-out debt. The leaving employer's share of the buy out debt is the proportion of the Plan's pre October 2001 liability attributable to employment with the leaving employer compared to the total amount of the plan's pre October 2001 liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any "orphan" liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Plan liabilities, Plan investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

Notes to the Financial Statements

10. Board members and executive directors

None of the board members received emoluments in the year

	2007 £	2006 £
Aggregate emoluments of directors (including pension contributions)	<u>193,802</u>	<u>179,876</u>
Emoluments of the highest paid director (excluding pension contributions and including benefits in kind)	<u>84,525</u>	<u>80,405</u>
Total expenses reimbursed to directors not chargeable to UK Income tax	<u>5,586</u>	<u>11,616</u>

The Chief Executive is an ordinary member of the Association's defined benefit pension scheme and no special pension arrangements exist

Notes to the Financial Statements

11. Tangible fixed assets – properties

ASSOCIATION – Housing properties	Freehold Social housing properties held for letting £	Leasehold social housing properties held for letting £	Total housing properties held for letting £	Social housing properties under construction £	Completed shared ownership housing properties £	Total £
Cost						
At 1 October 2006	14,335,102	6,956,313	21,291,415	624,215	671,809	22,587,439
Additions	161,279	2,195	163,474	3,143,970	-	3,307,444
Schemes completed	620,892	2,539,310	3,160,202	(3,160,202)	-	-
At 30 September 2007	15,117,273	9,497,818	24,615,091	607,983	671,809	25,894,883
Depreciation and impairment						
At 1 October 2006	-	104,821	104,821	-	-	104,821
Charged in year	-	25,708	25,708	-	-	25,708
At 30 September 2007	-	130,529	130,529	-	-	130,529
Depreciated cost						
At 30 September 2007	15,117,273	9,367,289	24,484,562	607,983	671,809	25,764,354
At 30 September 2006	14,335,102	6,851,492	21,186,594	624,215	671,809	22,482,618
Social Housing Grant						
1 October 2006	10,662,864	5,080,219	15,743,083	297,991	476,224	16,517,298
Additions	-	297,686	297,686	1,427,407	-	1,725,093
Transfers	555,539	1,094,589	1,650,398	(1,725,398)	-	(75,000)
At 30 September 2007	11,218,403	6,472,764	17,691,167	-	476,224	18,167,391
Other grants						
1 October 2006	1,072,676	17,001	1,089,677	-	24,818	1,114,495
Additions	40,000	150,000	190,000	-	-	190,000
Transfers	-	75,000	75,000	-	-	75,000
At 30 September 2007	1,112,676	242,001	1,354,677	-	24,818	1,379,495
Net book value						
At 30 September 2007	2,786,194	2,652,524	5,438,718	607,983	170,767	6,217,468
At 30 September 2006	2,599,562	1,754,272	4,353,834	326,224	170,767	4,850,825

Notes to the Financial Statements

11. Tangible fixed assets – properties (continued)

Expenditure on works to existing properties

	2007 £	2006 £
Amounts capitalised	163,474	142,012
Amounts charged to income and expenditure account	192,241	207,295
Total	355,715	349,307

Social housing grant

	2007 £	2006 £
Total accumulated SHG receivable at 30 September was		
Capital grants	18,167,391	16,517,298

Housing properties book value, net of depreciation and grants, and offices net book value (note 12) comprises.

	2007 £	2006 £
Freehold land and buildings	4,365,090	3,604,362
Long leasehold land and buildings	2,209,539	1,612,028
	6,574,629	5,216,390

12. Tangible fixed assets - other

	Freehold offices £	Office equipment & vehicles £	Scheme furniture £	Total £
Cost				
At 1 October 2006	443,774	435,165	249,014	1,127,953
Additions	-	61,160	22,001	83,161
Disposals	-	(24,685)	(26,983)	(51,668)
At 30 September 2007	443,774	471,640	244,032	1,159,446
Depreciation				
At 1 October 2006	77,909	358,796	224,744	661,449
Charged in year	8,704	66,419	15,460	90,583
Released on disposal	-	(24,685)	(26,983)	(51,668)
At 30 September 2007	86,613	400,530	213,221	700,364
Net book value				
At 30 September 2007	357,161	71,110	30,811	459,082
At 30 September 2006	365,865	76,369	24,269	466,504

Notes to the Financial Statements

13. Debtors

	2007 £	2006 £
Due within one year		
Rent and service charges receivable	62,499	60,614
Less Provision for bad and doubtful debts	(21,108)	(11,713)
	<u>41,391</u>	<u>48,901</u>
 Other debtors	 41,346	 355,484
Prepayments and accrued income	<u>184,897</u>	<u>164,005</u>
	<u>267,634</u>	<u>568,390</u>

14. Creditors: amounts falling due within one year

	2007 £	2006 £
Debt (note 17)	16,000	16,000
Trade creditors	178	13,229
Rent and service charges received in advance	38,042	34,959
Recycled capital grant fund	-	289,686
Other creditors	132,001	241,159
Accruals and deferred income	157,633	103,240
	<u>343,854</u>	<u>698,273</u>

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

	2007 £	2006 £
Debt (note 17)	1,180,997	1,207,917
Social Housing Grant in excess of cost	53,112	53,112
	<u>1,234,109</u>	<u>1,261,029</u>

Notes to the Financial Statements

16. Recycled capital grant fund

	2007 £	2006 £
At 1 October	289,686	289,686
Interest accrued	8,000	-
Purchase/development of properties	(297,686)	-
	<u>-</u>	<u>289,686</u>
Balance at 30 September	<u>-</u>	<u>289,686</u>

17. Debt analysis

	2007 £	2006 £
Due within one year Housing Loans	16,000	16,000
	<u>16,000</u>	<u>16,000</u>

	2007 £	2006 £
Due after more than one year Housing Loans	1,180,997	1,207,917
	<u>1,180,997</u>	<u>1,207,917</u>

	2007 £	2006 £
Within one year	16,000	16,000
Between one and two years	16,000	16,000
Between two and five years	48,000	48,000
After five years	1,116,997	1,143,917
	<u>1,196,997</u>	<u>1,223,917</u>

Loans are secured by fixed charges on individual properties. The loans are repaid in monthly or half-yearly instalments over the agreed period of the loan. The final instalments fall to be repaid in the period 2013 to 2053.

At 30 September the Association had undrawn loan facilities of £5,000,000 (2006 £nil).

Notes to the Financial Statements

18. Reserves

	Major Repairs Reserve	Designated Reserve	Revenue Reserve	Total Reserves
	£	£	£	£
At 1 October 2006	771,523	-	3,966,857	4,738,380
Surplus for the year	-	-	889,873	889,873
Transfers from revenue reserve	150,000	300,000	(450,000)	-
Transfers to revenue reserve	(192,241)	-	192,241	-
At 30 September 2007	<u>729,282</u>	<u>300,000</u>	<u>4,598,971</u>	<u>5,628,253</u>

19. Financial commitments

Capital expenditure commitments were as follows:

	2007 £	2006 £
Capital expenditure		
Expenditure contracted for but not provided in the accounts	1,957,000	2,321,000
Expenditure authorised by the board, but not contracted	3,454,000	4,403,000
	<u>5,411,000</u>	<u>6,724,000</u>

The commitments will be funded by a combination of the Association's own cash resources, Social Housing and other capital grants and the secured loan funding facility

20. Contingent liabilities

There are no significant contingent liabilities (2006 £nil)

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

	2007	2006
	£	£
Operating surplus	669,735	561,427
Depreciation of tangible fixed assets	116,292	96,912
Legacy Income	297,380	
	<u>1,083,407</u>	<u>658,339</u>
Working capital movements		
Debtors	300,756	(74,802)
Creditors	(64,734)	(76,753)
Net cash inflow from operating activities	<u>1,319,429</u>	<u>506,784</u>

Notes to the Financial Statements

22. Reconciliation of net cash flow to movement in net debt

	2007 £	2006 £
(Decrease) in cash	(549,931)	(1,440,375)
Cash flow from decrease in debt finance	26,920	22,291
Increase in net debt/ funds from cash flows	(523,011)	(1,418,084)
Total changes in net debt/ funds for the period	(523,011)	(1,418,084)
Net funds at 1 October	(465,066)	953,018
Net (debt) at 30 September	(988,077)	(465,066)

23. Analysis of net debt

	1 October 2006 £	Cash Flow £	30 September 2007 £
Cash at bank and in hand	811,963	(549,931)	262,032
Changes in cash	811,963	(549,931)	262,032
Current asset investment			
Loans	(1,223,917)	26,920	(1,196,997)
Social Housing Grant in excess of cost	(53,112)	-	(53,112)
Changes in debt	(1,277,029)	26,920	(1,250,109)
Changes in net debt	(465,066)	(523,011)	(988,077)

24. Financial assets and liabilities

Financial liabilities excluding trade creditors – interest rate risk profile.

The group's financial liabilities are sterling denominated. The interest rate profile of the group's financial liabilities at 30 September was

	2007 £	2006 £
Floating rate	954,262	976,305
Fixed rate	242,735	247,612
Total (note 17)	1,196,997	1,223,917

The fixed rate financial liabilities have a weighted average interest rate of between 9.125% and 11.375% for periods between 6 and 46 years.

The floating rate financial liabilities comprise housing loans that bear interest at rates between 6.00% and 8.84% (2006: 5.55% and 7.84%).

The debt maturity profile is shown in note 17.

Notes to the Financial Statements

24. Financial assets and liabilities

Borrowing facilities

The group has undrawn committed borrowing facilities. The facilities available at 30 September in respect of which all conditions precedent had been met were as follows:

	2007 £	2006 £
Expiring in more than two years	5,000,000	-
	<u>5,000,000</u>	<u>-</u>

25. Related parties

There are two beneficiary members of the board. Their tenancy / support service agreements are on normal commercial terms and they are not able to use their position to their advantage.