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PLACES FOR PEOPLE Group Limited

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2005



Places for People Group Limited
Financial Statements for the period ending 31 March 2005

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Places for People Group Limited

GROUP CONSOLIDATED HIGHLIGHTS - FIVE YEAR SUMMARY
For the year ended 31 March

	2005	2004 as restated	2003	2002	2001
Group Income and Expenditure account (£'000)					
Total turnover	208,701	209,979	197,236	164,540	153,103
Gross rents receivable from Social Housing Lettings	157,991	152,326	144,020	132,868	122,959
Operating surplus before interest	61,498	60,981	57,704	56,347	52,345
Surplus on ordinary activities	14,877	13,674	13,478	8,565	5,727
Group Balance Sheet (£'000)					
Tangible fixed assets	2,068,709	1,980,798	1,931,581	1,871,988	1,685,524
Investment in new housing properties during the year	103,914	73,959	79,250	88,601	86,375
Expenditure on repairs and improvements	47,965	43,527	42,479	37,033	33,302
Social Housing Grant and other capital grants	1,037,512	1,012,845	994,496	986,961	889,617
Tangible assets net of all Grants and Depreciation	963,628	909,093	887,835	845,471	769,852
Loans	846,562	896,975	761,020	700,469	642,037
Reserves	225,434	205,669	191,296	170,680	146,508
Accommodation Figures					
Total housing stock owned (number of dwellings)	51,628	51,547	51,070	51,203	49,831
Total housing stock owned and managed	53,127	53,179	52,702	52,835	51,463
Group Statistics					
Surplus on ordinary activities as % of turnover	7.1%	6.5%	6.8%	5.2%	3.7%
Operating surplus before interest per home owned	£1,191	£1,183	£1,130	£1,100	£1,050
Total reserves per home owned	£4,367	£3,990	£3,745	£3,333	£2,940
Interest cover before depreciation (surplus before charging depreciation and interest payable, divided by net interest payable)	1.4	1.4	1.3	1.3	1.2
Interest cover after depreciation (surplus after charging depreciation but before interest payable, divided by net interest payable)	1.2	1.2	1.2	1.1	1.1
Liquidity (current assets divided by current liabilities)	1.9	2.7	1.6	1.4	1.4
Gearing (total loans less current asset investments as % of tangible fixed assets)	39.6%	38.5%	37.4%	37.0%	37.2%
Void and bad debts as % of rent and service charge receivable	3.7%	4.5%	4.5%	4.7%	5.3%

Note

These figures have been extracted and calculated from current and prior years' audited Group financial statements.

The surplus of £14.9 million (2004:£13.7million) has been achieved after charging depreciation on Housing properties of £7.8million (2004:£7.9million).

The total reserves per home owned includes negative goodwill on acquisitions of £31.1million (Note 27).

The 2004 accounts were restated as a consequence of correcting an error in the treatment of a loan in NBH Ltd.

BOARD OF DIRECTORS, EXECUTIVES, AND ADVISERS

Board of Directors

Z Atkins: Group Chairman (Appointed 01/05/04)
The Ven. R W B Atkinson OBE
C Blakey (Resigned 17/10/04)
D Cowans: Group Chief Executive
K Heaton : Group Director (Organisation)
S Binks : Group Director (Finance and Information)
J Belcher (Resigned 20/07/04)
J C Dennis
G S Watson OBE
V Owen OBE (Appointed 01/06/04)
R Turner (Resigned 01/06/05)
A Tucker (Appointed 27/05/05)
B Shah (Appointed 27/05/05)
B Kilgallon OBE (Appointed 01/06/04)
N Dakin (Co-optee)
S L Cox OBE: Group Chairman (Resigned 01/05/04)
J Middleton (Resigned 28/04/04)

Executive Directors of the Group

Group Chief Executive	D Cowans
Group Director (Operations)	H Keenan
Group Director (Development & Procurement)	D Shaw
Group Director (Organisation)	K Heaton
Group Director (Finance and Information)	S Binks

Company Secretary G A R Fordyce

Registered Auditors	Bankers	Principal Solicitors
KPMG LLP St James Square Manchester M2 6DS	Co-operative Bank Plc 147 Church Street Preston PR1 3UD Dresdner Kleinwort Wasserstein 20 Fenchurch Street London EC3P 3DB	Devonshires London Trowers & Hamlin London

Registered Office

4 The Pavilions
Port Way
Preston
PR2 2YB

Registration of the Company

The Company is registered under the Housing Act (Number L4236) and incorporated under the Companies Act (Number 3777037). It is also affiliated to the National Housing Federation.

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors is pleased to present its report and the audited consolidated financial statements for the year ending 31 March 2005.

Nature of the Group

Places for People Group Limited is a company limited by guarantee and a Registered Social Landlord. It is a non-asset owning company which commenced trading as at 1 April 2003 to provide administrative support services to other Group members. Places for People Group Limited sets the overall strategic direction and policy framework for the Places for People Group ('the Group'). Day to day management of the Group companies is carried out by individual Boards. Independence and Responsibility Agreements exist between the Group parent and the subsidiaries which are the basis of the Group structure and enable the Board of Directors to control the Group.

While the focus of activity is the development and management of rented housing, the Group comprises a number of companies providing a range of services and products which deliver places to live. The key subsidiaries within the Places for People Group are as follows:

North British Housing Limited (NBH) is a registered non-charitable housing association through which the majority of affordable housing is developed and managed.

New Leaf Supporting Independence Limited is a charitable housing association which focuses on care and supported housing activities.

blueroom properties limited is a limited company focused on market renting to generate surpluses to subsidise core housing activities and to assist the Group in developing mixed tenure communities.

PfP Regeneration is a company limited by guarantee and a Registered Charity which aims to improve the quality of life of people and the communities they live in, particularly those who suffer disadvantage as a result of exclusion from the labour market and essential services and to assist the Group in developing mixed tenure communities.

JVCo Limited is a limited company which has developed partnerships with other organisations to make a wider contribution to the communities where the Group works. It is anticipated that during the course of 2005/06 the activities in JVCo will be transferred to other companies within the Group and that JVCo will become dormant.

Bristol Churches Housing Association Limited (BCHA) is a charitable Registered Social Landlord which provides a full range of housing and housing related services in the South West.

Edinvar Housing Association Limited together with its subsidiaries Edinvar Community Care Ltd and Edinvar Trust Ltd, is an established charitable Registered Social Landlord that operates in Edinburgh and the Lothians.

Emblem Homes Limited is a limited company which complements the activities of blueroom properties limited by focusing on the development of housing for sale.

PfP Developments Limited is a limited company which provides procurement and construction management services for new build capital development and major repairs projects throughout the Group.

Kush Housing Association Limited is an established charitable Registered Social Landlord operating in London.

Capital City Homes Limited is a registered social landlord, whose principal activity is the provision of affordable housing for the benefit of residents in Edinburgh.

During the year ended 31 March 2005 the average number of people expressed as full time equivalents employed by the consolidated Group was 1,707 (2004 : 1,629) ; the actual number of people employed was 2,027 (2004 : 1,848) and the consolidated Group had tangible fixed assets of £2,069 million.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

Corporate Framework

In order to meet the challenges of providing good quality places where people want to live, the Group aims to:

- ❖ *continue improving the delivery of housing services;*
- ❖ *get closer to the Group's customers, so that it is always in touch with their views and needs;*
- ❖ *provide a diverse range of housing options, with choices in terms of the design, tenure and location of homes;*
- ❖ *provide new homes in accordance with the Group's business strategy;*
- ❖ *carry out a business strategy which reflects market realities, customer priorities and demographic trends, which is financially sustainable in the long term;*
- ❖ *work directly or in conjunction with partners to facilitate a wider range of non-housing products and services that reflect the needs of the Group's customers such as childcare, health, employment and training, and community development;*
- ❖ *develop capacity and skills to improve performance and deliver best value.*
- ❖ *ensure estate strategies are in place to deliver the range of housing management services, lettings plans, investment and customer involvement responses required; and*
- ❖ *put in place marketing strategies to develop the Group's profile, attract future customers and market its homes.*

Results

The Group's surplus for the year before taxation and transfers to reserves was £14.9 million. The equivalent figure in 2004 was £13.7 million. It should be noted that the current year's surplus is after a charge for housing property depreciation of £7.8 million (2004: £7.9 million). £104 million (2004: £74 million) was spent on additional housing and £47.9 million (2004: £41.7 million) was reinvested in stock through maintenance, major repairs and improvements. Further details appear in the Operating and Financial Review on pages 11 to 13.

Future Developments

The Group had 1,050 properties in development at the year end and it is anticipated that a further £78.1 million will be spent completing these properties.

Corporate Governance

A Code of Governance was published by the National Housing Federation in May 2004. It was intended for the guidance of housing associations so that they can continue to follow the highest standards of governance, accountability and probity while responding within an environment of change and risk. The Board has taken appropriate action in response to the code.

The Combined Code on Corporate Governance was published in July 2003. The Code supersedes and replaces the Combined Code issued by the Hampel Committee in June 1998. The new Code is derived from the Higgs review of the role and effectiveness of non executive directors and a review of Audit Committees undertaken by Sir Robert Smith.

The Board has reviewed and adopted the Combined Code. The Code applies for reporting years beginning on or after 1 November 2003. The Board decided to meet all relevant code provisions from April 2004.

Committee Structure

The Board of Directors is responsible for setting strategies and policies for the whole Group and co-ordinating the Group's activities under an Independence and Responsibility Agreement with each subsidiary. These agreements enable the Board of Directors to control the Group and are the basis of the legal structure.

The Board has a range of skills and experience which meet the requirements listed in the National Housing Federation's code of governance for housing associations.

Reporting to the Board on Group issues are the Group Audit Committee, the Remuneration Committee, and the Nominations Committee.

Places for People Group Limited

Financial Statements

For the year ending 31 March 2005

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

The Group Audit Committee

The Group Audit Committee is responsible to the Board for all the Group's accounting policies and standards, appointment and remuneration of the external auditors, the resources and work programme of Business Assurance, and monitoring the risk management framework and the adequacy of internal control. The Committee is also responsible for receiving and reviewing reports from Business Assurance and external audit regularly. The programme of reports reviewed in the year ensures that the Committee covers all material areas of risk on a regular basis. The Committee also reviews regular presentations from management on the operation of controls throughout the business.

Group Audit Committee Members:-

G S Watson OBE
The Ven R W B Atkinson OBE
B Kilgallon OBE

Officers who attend the meeting:-

Group Chief Executive
Group Director (Finance & Information)

Head of Group Risk & Compliance
Group Financial Controller

The Group's Auditors also attend the Audit Committee meetings.

The Remuneration Committee

The Remuneration Committee determines and agrees the Board policy for the remuneration of the Group Chief Executive, the Group Chairman, non-Executive Directors and Group Executive Directors. It also determines and agrees the annual cost of living pay increase to be applied to all Group companies.

Remuneration Committee Members:-

Z Atkins
The Ven R W B Atkinson OBE
J C Dennis

The Group Director (Organisation) attends the meetings.

The Nominations Committee

The Nominations Committee makes recommendations to the Board on the recruitment and selection of Board members. Prior to making appointments the Committee evaluates the balance of skills, knowledge and diversity on the Board and in the light of this evaluation prepares a profile of the role and capabilities required for a particular applicant. The Committee also makes recommendations to the Board on succession planning.

Nominations Committee Members:-

Z Atkins
N Dakin
J C Dennis

The Group Director (Organisation) attends the meetings.

Customer Participation

Area Customer Liaison Panels (ACLPs) comprise tenants who take responsibility for monitoring housing management performance and informing local management of customer requirements in respect of all the services provided by the Group. Each NBH (and New Leaf) region also has a regional representative, who is a Member of the Board of North British Housing and is responsible for ensuring that ACLPs are efficient and that issues that cannot be resolved at local level can be raised at the Board. This approach to the establishment of customer liaison panels is also promoted to all Group members.

Executive Directors

The Executive Directors who are listed on page 3 are appointed by the Board of Directors. They are responsible for the day to day management of the Group and meet on a weekly basis. The meetings are chaired by the Group Chief Executive.

Internal Controls and Value Added by the Board

The Places for People Group Board of Directors is responsible for maintaining and reviewing the Group's system of internal control. The Group Audit Committee is responsible to the Group Board for monitoring this system and reporting on its effectiveness. Any such system can provide reasonable but not absolute assurance against material misstatement or loss, and the development of the system is a continuing process.

In November 2001 the Housing Corporation issued circular R2-25/01 on internal controls assurance which codifies the applicability to Registered Social Landlords of the provisions of the Combined Code on Corporate Governance. The Board believes that the Places for People Group Limited has in place the frameworks required to comply with the requirements of the circular R2-25/01.

During the year the Group Board have further enhanced the risk management framework. This included adopting the Risk Management Standard published jointly by three leading risk management bodies. The Group Board believes that the Group complies with the Combined Code of Corporate Governance including the recommendations of the Higgs and Smith Reports, which were incorporated within the revised Combined Code.

Internal Controls

The overall internal control framework comprises:-

- Frameworks and structures to ensure that the business remains viable and is managed effectively
- The identification of appropriate assurance mechanisms which can be used to ensure that the internal control framework is operating effectively.

The Housing Corporation circular R2-25/01 sets out specific requirements in relation to how boards should assess and report on internal controls assurance. The requisite framework and processes have been in place for the preceding 12 months and this report summarises the sources of assurance and the reliance placed on them.

A key element of the required process is that the Group Chief Executive submits a report to the Group Board on the position in relation to assurance on internal control. A specific requirement is that:-

"to help the board review the effectiveness of the association's system of internal control, its chief executive or executive team should present it with an annual report on the effectiveness of the system. This should refer to the forms of assurance that the board considers appropriate to obtaining overall assurance on the system. Where there is an audit committee in place, the chief executive or executive team may present their report to it."

Internal Control – Frameworks and Structures

The following are the key procedures that the Group Board of Directors has established and which are designed to provide effective internal control. Each subsidiary board is responsible for ensuring compliance within this framework.

- The Group Board takes major decisions. Other decisions are delegated through defined Independence and Responsibilities Agreements for each subsidiary, terms of reference for each committee and financial regulations and standing orders for employees.
- A Group strategy statement is produced and published incorporating the Group's strategic direction and values. These are reflected in business plans, which include operational targets for effective performance monitoring.
- Clearly defined organisation structures and management responsibilities, together with the appointment of experienced and suitably qualified staff with responsibility for important business functions.
- The preparation, monitoring and approval of financial plans including sensitivity analysis and assessment of key risks.
- The preparation, approval and monitoring of an annual budget and quarterly management accounts for the Group.
- Comprehensive budgetary and operational performance measures are reported monthly, monitored and acted upon by management. This has been a continuous process over the year.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

- Ongoing policy and process reviews of key systems with reports to boards and committees.
- Specified procedures for capital expenditure approval, tendering, treasury management, payments and income receipting, recording, reconciliation and banking, and for dealing with fraud.
- The use of a loan covenant register and standard loan covenants for agreement with lenders. All new treasury products need to be approved by the Group Board.
- The preparation, approval and monitoring of a Risk Management Framework for the Group and its subsidiaries. This framework identifies the key risks facing the Group and the control arrangements in place.
- Submission of individual Business Assurance reports on key risk issues to Managing Directors and senior managers of each subsidiary from the Head of Group Risk and Compliance and quarterly reports to the Group Audit Committee summarising detailed findings and the action being taken to address issues that have arisen.
- The receipt of an annual report to the Group Audit Committee from the Head of Group Risk and Compliance confirming the delivery of the Business Assurance plan and summarising the themes and issues arising.
- A report from the Group Chief Executive to the Group Audit Committee on the position on internal control assurance, with this action being confirmed to the Group Board. (See below).

Internal Control – Assurance

Assurance has been drawn from five main sources. Some sources operate continuously over the year whilst others are year-end confirmation and certification processes.

The following deals with each major source of assurance. The Board, in forming a view, looks at the aggregate level of assurance derived from these sources, each having a differing degree of objectivity.

- **The year end completion of the Risk Management Process and subsequent confirmation of controls by subsidiary boards.**

Subsidiary Risk Management Frameworks are signed off annually by each Managing Director. Each framework is then presented to the relevant board for approval and a statement covering the level of internal control is signed by each company Chair.

- **Submission of letters of Representation from Directors and Senior Management (and Managing Directors of new companies where Risk Management Frameworks are not yet in place).**
- **The operation of and output from Group Business Assurance Services.**

The planning and delivery of the Business Assurance Service has been reported comprehensively to the Audit Committee over the year. A business with the size and complexity of the Places for People Group will inevitably experience some internal control issues. These are identified and addressed by management, particularly as the approach is complemented by the Risk Management Cycle.

- **The view of the External Auditor, KPMG.**

This position in relation to controls which are within the scope of the auditor's terms of engagement is confirmed at the conclusion of each audit. Any issues arising from interim audit work are also reported to the Audit Committee.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

• ***The Housing Corporation Assessment Report***

The Housing Corporation assessment has set indicators of red, amber and green in relation to Viability, Governance, Management and Development. For the current Housing Corporation Assessment all indicators remain at green.

In addition, substantial work has been undertaken to ensure that the Audit Committee's structure and activities comply with the recommendations of the Smith Report, now incorporated within the revised Combined Code.

The Group Board of Directors has reviewed the effectiveness of the system of internal control for the year ended 31 March 2005, and up to the date of signing these financial statements. It has not identified any weaknesses which resulted in material losses or contingencies or other uncertainties which require disclosure in the financial statements.

Employment (Equality and Diversity)

The Group considers that employee involvement is essential to its continuing success and uses a variety of methods to inform, consult and involve its employees. In addition, the Group has a comprehensive learning and development policy and holds the Investors in People award.

The Group is committed to achieving equality through diversity and its policies and strategies recognise that all people have the right to their own distinctive and diverse identity. The Group recognises that it has the power to reduce the disadvantages that people experience by making services more responsive to all communities and individual needs. The Group also recognises its responsibility to meet these diverse needs by having a diverse workforce, which generally reflects local populations and has the skills and understanding to achieve the service objectives. The Group has taken positive steps to adopt good policy and practice in employing people with disabilities. This is recognisable by the use of the "Positive about Disabled people" symbol. It also holds the Diversity Award Gold Standard.

Health and Safety and the Environment

The Board recognises its responsibilities on all matters relating to health, safety and the environment. During the year the Group has continued to update its health and safety policies and provide staff training and education on health and safety matters. Advice and support is provided by a central health and safety team based at the Group Support Centre.

The Group aims to manage its activities so that any adverse effects on the environment are minimised. A policy statement has been produced which reaffirms the Group's commitment to environmental, social and economic sustainability. This has been discussed within the organisation to raise awareness and agree practical ways of implementation.

Donations

During the year the Group has made charitable donations of £126,441 (2004: £208,788). The Group has made no political donations (2004: £nil).

Annual General Meeting

The Annual General Meeting will be held on 21 September 2005 at Hilton London Islington, 53 Upper Street, London N1 0UY.

Going Concern

After making appropriate enquiries, the Board of Directors confirms that it has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly it continues to adopt the going concern basis in preparing the Group's financial statements.

Prior Year Adjustment

A prior year adjustment was made in order to correct the accounting treatment of a loan which was refinanced in 2005. The brought forward Revenue Reserves and taxation debtor at 1 April 2003 were decreased by £2,736,198 and increased by £1,172,656 respectively. The loans less than one year at 31 March 2004 were increased by £4,828,157 and interest payable by £919,301.

Responsibilities of the Board of Directors

The Board of Directors is required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Group as at the end of the financial year and of the surplus of the Group for that period.

Places for People Group Limited

Financial Statements

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REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

The Board of Directors confirms that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ending 31 March 2005. The Board of Directors also confirms that applicable accounting standards have been followed and that the statements have been prepared on a going concern basis.

The Board of Directors is responsible for ensuring proper accounting records are kept, for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

A handwritten signature in black ink, appearing to read 'G A R Fordyce', is written over the printed name and title.

G A R Fordyce
Company Secretary

Preston 20 July 2005

OPERATING AND FINANCIAL REVIEW

Results for the Year

The Places for People Group ('the Group') exists for a social purpose and consists of a number of companies which provide housing and regeneration solutions across the UK. There are Registered Social Landlords (RSLs) which seek to provide housing at affordable rents whilst ensuring that adequate income is generated to meet operating costs and interest payments and to provide an appropriate level of surplus and reserves which are required for the reasons stated below. There are non RSLs which seek to make profits to contribute to the overall aims of the Group. The key non RSL companies are involved in the development of houses for sale, the provision of childcare, market rental of property, property procurement & construction management services and the provision of partnership projects to communities and landscaping. These companies allow the Group to provide a diverse range of housing and regeneration options and to offer a wider range of non-housing products to its customers. The results of the Group should be considered with this in mind.

The Group's surplus for the year before taxation and reserve transfers was £14.9 million (2004: £13.7 million), which the Board of Directors considers meets the objectives detailed above, particularly as £124.7 million to date has been retained in reserves for potential increases in major repairs expenditure. The Group is committed to a policy of concentrating its resources on the maintenance and improvement of its housing stock, and this will be financed from future annual income supplemented by the allocated reserves.

The surplus for the year is stated after a charge for the depreciation of housing properties of £7.8 million (2004: £7.9 million).

Turnover for the year decreased by 0.5% to £209 million (2004: £210 million). This reflected increased income from lettings, £174.8 million (2004: £165.4 million) and property sales, £23.1 million (2004: £14.3 million) offset by lower income from sales of affordable property developed for other RSL's, £1.8 million (2004: £21.0 million). Overall cost of sales reduced to £21.1 million (2004: £33.8 million). Total operating costs increased by 9.5% to £126.1 million (2004: £115.2 million). The resulting operating surplus before interest increased by 0.8% to £61.5 million (2004: £61.0 million). The total expenditure on repairs and maintenance, major repairs and improvements was £47.9 million (2004: £43.5 million). In addition £7.0 million (2004: £7.8 million) relating to improvements has been added to fixed assets. The balance of the expenditure is included in operating costs. The Board of Directors believes that this, together with the planned expenditure on its housing stock and a determination to keep rents affordable, demonstrates a commitment to the key objectives of the Group.

Key Performance Indicators

The key indicators of performance, in addition to the financial operating statements, are rental arrears, void losses, and response times for repairs. These are monitored on a weekly basis and provided quarterly to each subsidiary Board.

Surpluses/reserves

Annual surpluses are necessary to meet unforeseen events which may arise during the year, to meet obligations to lenders and to build up adequate reserves for the Group in accordance with criteria set by the Housing Corporation. The Group's policy on surpluses is to generate a sufficient level to meet these requirements, whilst at the same time planning to restrict average rent increases so as to achieve the Rent Convergence criteria. Performance Indicators published by the Corporation demonstrate that the Group's assured rents are lower than those charged by the majority of comparable associations.

The Group has capital and reserves of £225 million (2004: £206 million), representing an amount of £4,367 per property (2004: £3,990). These have been generated from the accounting surpluses over the years, but are not held in the form of cash. The cash attributable to these reserves has been spent on the Group's housing stock thus reducing borrowing requirements. If reserves were not built up and used together with loan finance to fund new development, the pool of properties available to secure new loans would be rapidly exhausted and the ability of the Group to continue to meet housing needs seriously threatened.

There are further reasons why reserves are needed. Firstly, the Group has a long term responsibility to maintain and improve its properties and to respond to changes in demand for accommodation. The consequences of a lack of proper investment in the past in both the public and private sector is all too apparent. To meet this commitment, the Group has increased expenditure on its housing stock and has allocated reserves for major repairs totalling £33.3 million (2004: £34.1 million). Secondly, the Group faces significant financial risks, a brief summary of which is provided below.

During the year, £144.3 million was spent on developing housing and acquiring land for future developments. The Group expects to spend a further £78.1 million completing the 1,050 properties in development at the year end. As with all organisations developing properties, this exposes the Group to a number of risks, including liquidation of contractors, remedying of defects, contractual litigation and cost overruns. These potential risks cannot be accurately quantified and the existence of the revenue reserves allows the Group to carry through its development programme confident in the knowledge that it has the resources to deal with any unexpected problems. A comprehensive risk management framework is in place to identify and manage these risks.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Another area of risk relates to Group borrowings although these have reduced by £50.4 million during the year. The Group has limited its overall exposure to this risk by securing the majority of its debt at a fixed rate of interest and through the development of interest rate hedging techniques. However, a 1% rise in interest rates would, for example, cost the Group £1.66 million per annum.

A further risk to the business relates to building for sale within the context of a variable housing market. Steps are taken to ensure that exposure is minimised particularly through the use of market intelligence and detailed planning and appraisal processes.

Finally, a large proportion of the Group's rental income is paid from housing benefit. Whilst the Group's commitment to charging affordable rents reduces its vulnerability to changes in the benefit system, it is nevertheless a concern that this is an area that may be targeted as pressures on the Social Security budget increase.

The Board of Directors consider that, in the light of the above, the current policy on surpluses and reserves reflects an appropriate degree of prudence justified by the assessment of potential risks and future liabilities.

Group Initiatives

As a rapidly growing organisation the Group relies heavily on external contractors to deliver repairs to its properties. As from 1 April 2004 the Group has begun to establish an in-house property maintenance service which will be rolled out over time across the Group. It is intended that this initiative should produce cost savings which will increase the ability of the Group to maintain the Group's properties to a high standard, and that the quality and effectiveness of the Group's repair service will improve.

In line with the Group's strategy, the increasing returns from the commercial subsidiaries within the Group will be reinvested in the activities of the Group.

Cashflow and Liquidity

The net cash inflow from operating activities before interest costs was £56.0 million (2004: £66.8 million). Bank balances and short term investments were £39.9 million at the year end (2004: £148.5 million). In addition to this, the Group had available facilities of £65.2 million, of which £53.5 million was immediately available without the need for additional security.

Treasury Management

Group borrowings reduced by £50.4 million during the year. In July 2003 North British Housing Ltd, a wholly owned subsidiary, raised £200million in long term finance through a bond issue. The ratio of net loans to total tangible assets at cost, after adjusting for the direct costs of fund raising, was 39.6% (2004: 38.5%) which is within the strategy target maximum of 50.0%.

The Group's policy is to retain minimal cash whilst ensuring that sufficient loan facilities are available and immediately accessible to finance a minimum of 1 year's cashflow including a contingency for a maximum 6 months sales slippage and a buffer of £30 million to resource opportunistic investment. Cash projections cover a 3 year period to continuously monitor future borrowing requirements. The borrowing strategy is to aim over time to contain interest rate risk to within 20% of the loan book, with the Board exercising a strict control over derivative transactions (currently 71% of debt is at fixed rates of interest, whilst a further 7% is hedged against adverse rate movements). Refinancing risk (defined as loans which do not include some form of amortisation or sinking fund provision) is constrained to no more than 50% of the loan book beyond 5 years.

The Group's investment activity is governed by strict counterparty credit criteria and investment limits, the primary objective being the preservation of capital, as opposed to maximisation of returns.

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OPERATING AND FINANCIAL REVIEW (CONTINUED)

Creditor Payment Policy

The Group's current policy concerning the payment of its trade creditors is to:

- Settle the terms of payments with those suppliers when agreeing the terms of each transaction;
- Ensure that the suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- Pay in accordance with its contractual and other legal obligations.

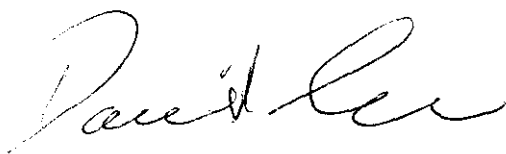
The Group's average creditor payment period at 31 March 2005 was 48.0 days (2004: 36.6 days) and that of the Company was 43.27 days (2004: 38.51 days)

Fixed Assets

The cost of the Group's fixed assets is £2,068.7 million (2004: £1,980.8 million). These have been funded from Housing Association and other capital grants of £1,037.5 million (50.1%), loans of £846.6 million (40.9%) and the Group's own resources of £184.6 million (8.92 %).

Pension Funds

The Board has reviewed its obligations arising from employee pension funds and is satisfied that its liabilities are properly identified, planned and accounted for. The Places for People Retirement Benefit Scheme was closed on 1 September 2004 to new employees. From 1 September 2004, all new employees joining the Group will have the option of joining a Stakeholder scheme to which the company will contribute.



D Cowans
Group Chief Executive

Preston, 20 July 2005

Places for People Group Limited

Financial Statements
For the year ending 31 March 2005

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF PLACES FOR PEOPLE GROUP LIMITED

We have audited the financial statements on pages 15 to 48.

This report is made solely to the Group's members, as a body, in accordance with Schedule 1 paragraph 16 to the Housing Act 1996 and section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Group's members those matters we are required to state to them in an auditor's 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 Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Board of Directors and Auditors

The Group's Board of Directors is responsible for preparing the directors' report and, as described on page 9, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors are established in the United Kingdom by statute, the Auditing Practices Board, the Housing Corporation, and by our profession's ethical guidance.

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, the Housing Act 1996, and the Accounting Requirements for Registered Social Landlords General Determination 2000. We also report to you if, in our opinion, a satisfactory system of control over transactions has not been maintained, if the Group 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 the directors' remuneration and transactions with the Group is not disclosed.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

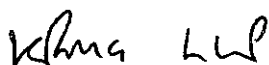
Basis of Audit Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes an 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 of Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group and Company'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 have 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 of the state of the Company and Group's affairs as at 31 March 2005 and of the Company and Group's surplus for the year then ended and 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 2000.



KPMG LLP
Chartered Accountants
Registered Auditors
St James Square
Manchester
M2 6DS

20 July 2005

Places for People Group Limited

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March

		2005	2004
			Restated
	Notes	£'000	£'000
Turnover	2	208,701	209,979
Cost of sales	2	(21,064)	(33,809)
Operating costs	2	(126,139)	(115,189)
Operating surplus before interest	2	61,498	60,981
Surplus on sale of housing accommodation	4	6,295	4,558
Interest receivable and similar income	7	4,896	6,432
Interest payable and similar charges	8	(57,762)	(58,321)
Share of operating surplus on joint venture	15	(50)	24
Surplus on ordinary activities before taxation		14,877	13,674
Taxation	10	(1,402)	(1,859)
Surplus for the year		13,475	11,815
Revenue reserves at 1 April	25	106,806	97,086
Transfer from designated and restricted reserves	26	3,709	4,541
Transfer to designated and restricted reserves	26	-	(7,119)
Transfer of realised revaluation reserves	28	650	483
Revenue reserves at 31 March	25	124,640	106,806

All amounts relate to continuing operations.

There is no difference between the profit on ordinary activities after taxation and the profit for the period stated above, and their historical cost equivalents.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 March

	2005	2004
	£'000	£'000
Surplus for the financial year	13,475	11,815
Unrealised surplus on revaluation of investments (Note 28)	6,732	5,962
Total gains and losses recognised since the last annual report	20,207	17,777

The notes on pages 20 to 48 form an integral part of these financial statements.

Places for People Group Limited

COMPANY INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 March

	Notes	2005 £'000	2004 £'000
Turnover	2	15,690	13,166
Operating Costs		<u>(15,706)</u>	<u>(13,197)</u>
Operating Loss		(16)	(31)
Interest receivable and similar income	7	21	31
Interest Payable and similar charge	8	(5)	-
Profit / (Loss) on Ordinary Activities before Taxation		<u>-</u>	<u>-</u>
Taxation		-	-
Profit for the year		<u>-</u>	<u>-</u>
Retained profit brought forward		-	-
Retained profit carried forward		<u><u>-</u></u>	<u><u>-</u></u>

The notes on pages 20 to 48 form an integral part of these financial statements.

There is no difference between the profit on ordinary activities after taxation and the profit for the period stated above, and their historical cost equivalents.

There are no other recognised gains and losses other than those reported above, therefore a separate statement of Recognised Gains and Losses has not been prepared.

Places for People Group Limited

CONSOLIDATED BALANCE SHEET
As at 31 March

2005

2004

	Notes	£'000	£'000	£'000 As Restated	£'000
Fixed assets					
Tangible fixed assets	11		2,068,709		1,980,798
Less: SHG and other capital grants	11	(1,037,512)		(1,012,845)	
: Depreciation	11	(67,569)	(1,105,081)	(58,860)	(1,071,705)
			963,628		909,093
Investments	14		29,410		27,774
Investments in joint ventures:	15				
: Share of gross assets		771		970	
: Share of gross liabilities		(411)	360	(440)	530
			993,398		937,397
Current assets					
Stock	16	75,223		52,514	
Debtors: amounts due after one year	17	1,758		1,789	
Debtors: amounts due within one year	18	20,022		22,779	
Investments	19	28,029		134,984	
Cash at bank and in hand		11,890		13,474	
		136,922		225,540	
Creditors: amounts falling due within one year	20	(72,822)		(82,685)	
Net current assets			64,100		142,855
Total assets less current liabilities			1,057,498		1,080,252
Creditors: amounts falling due after more than one year					
Provisions for liabilities and charges	21	830,319		873,224	
	24	1,745		1,359	
			832,064		874,583
Capital and reserves					
Revenue reserves	25	124,640		106,806	
Designated and restricted reserves	26	44,804		48,513	
Negative goodwill	27	31,065		31,507	
Revaluation reserves	28	24,925		18,843	
Capital contribution	38	-		-	
Total capital and reserves			225,434		205,669
			1,057,498		1,080,252

The notes on pages 20 to 48 form an integral part of these financial statements.

The financial statements on pages 15 to 48 were approved by the Board of Directors on 20 July 2005, and signed on its behalf by:

Ms Z Atkins
Group Chairman

D Cowans
Director

G A R Fordyce
Company Secretary

Places for People Group Limited

COMPANY BALANCE SHEET

As at 31 March

		2005	2004
	Notes	£'000	£'000
Fixed assets			
Investments	14	1	1
Total assets less current liabilities		<u>1</u>	<u>1</u>
Current assets			
Debtors: amounts due after one year	18	927	232
Investments	19	-	654
Cash at bank and in hand		-	(98)
		<u>927</u>	<u>788</u>
Creditors: amounts falling due within one year	20	<u>(927)</u>	<u>(788)</u>
Net current liabilities		-	-
Total assets less current liabilities		<u>1</u>	<u>1</u>
Creditors: amounts falling due after more than one year		-	-
Provisions for liabilities and charges		-	-
Capital and reserves			
Reserves	42	1	1
Total capital and reserves		<u>1</u>	<u>1</u>
		<u>1</u>	<u>1</u>

The notes on pages 20 to 48 form an integral part of these financial statements.

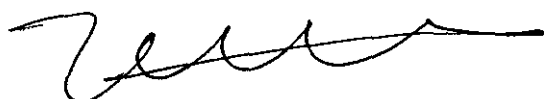
The financial statements on pages 15 to 48 were approved by the Board of Directors on 20 July 2005, and signed on its behalf by:



Ms Z Atkins
Group Chairman

D Cowans
Director

G A R Fordyce
Company Secretary



CONSOLIDATED CASHFLOW STATEMENT

For the year ended 31 March

		2005	2004 As Restated
	Note	£'000	£'000
Net cash inflow from operating activities	30	56,019	66,829
Returns on investments and servicing of finance			
Interest received		5,383	5,817
Interest paid		(60,795)	(60,662)
Net cash outflow from returns on investments and servicing of finance		(55,412)	(54,845)
Taxation			
Corporation tax paid		(2,232)	(3,620)
Capital expenditure and financial investment			
Acquisition and construction of housing properties		(95,006)	(65,832)
Social housing and other capital grants received		24,627	25,844
Sales of housing properties		21,917	15,042
Sales of initial tranche of shared ownership properties		1,670	2,506
Expenditure on other tangible fixed assets		(8,049)	(6,198)
Investments held in trust		(1,649)	(13,723)
Investments in third parties repaid		13	4,561
Sales of other tangible fixed assets		170	1,217
Net cash outflow for capital expenditure and financial investments		(56,306)	(36,583)
Net cash outflow before management of liquid resources and financing		(57,932)	(28,219)
Management of liquid resources			
(Decrease) / Increase in short-term investments		106,955	(97,285)
Financing			
Loans received		115,504	282,800
Loan principal repaid		(166,110)	(149,991)
Net cash inflow from financing		(50,606)	132,809
(Decrease)/increase in cash	31	(1,583)	7,305

NOTES TO THE FINANCIAL STATEMENTS
for the year ending 31 March 2005

1. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards and the Statement of Recommended Practice for Registered Social Landlords (SORP). A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared under the historical cost convention and comply with the Companies Act 1985, Accounting Requirements for Registered Social Landlords General Determination 2000, and the SORP, published in November 2003.

Recent Accounting Standards

FRS17 replaced SSAP24 and has a phased implementation commencing 22 June 2001. The transitional implementation period has been extended and full adoption is now mandatory from 1 January 2005. The Association has adopted the transitional disclosure requirements within these statements.

The ASB has published the Operating and Financial Review (OFR) Statement which recommends disclosures in the OFR statement, and the Group has complied with these recommendations.

Basis of Consolidation

The financial statements are Group statements and have been prepared by consolidating the results of the subsidiary bodies within the Places for People Group in accordance with Financial Reporting Standard 2 (FRS 2) and joint ventures in accordance with FRS8.

The bodies within the consolidation are:-

**Registered under the
Industrial & Provident Societies Act 2002:**

Bristol Churches Housing Association Limited
Edinvar Housing Association Limited
Kush Housing Association Limited
New Leaf Supporting Independence Limited
North British Housing Limited

**Registered under the
Companies Act 1985:**

blueroom properties Limited
Capital City Homes Limited
Edinvar Community Care Limited
Edinvar Housing Trust Limited
Edinvar Trust Limited
Emblem Homes Limited
JVCo Limited
PfP Regeneration
North British Landscapes Limited
PfP Developments Limited
Places for Children (PfP) Limited
Southdoyle Limited
Technotots (Holdings) Limited
Westminster City Homes Limited
blueroom investments Limited
Routes to Sustainability Limited

Details of the subsidiary bodies' undertakings are included in Note 36 to the financial statements.

Independence and Responsibility Agreements exist between the Group parent and the subsidiaries, which are the basis of the Group structure, and enable the Board of Directors to control the Group. All subsidiaries have coterminous year ends apart from Technotots (Holdings) Limited whose year end is 31 August 2005. New Leaf Supporting Independence Limited, PfP Regeneration, Bristol Churches Housing Association Limited, Kush Housing Association Limited, Edinvar Trust Limited and Edinvar Community Care Limited each have charitable status.

Turnover

Turnover represents rental and service charge income receivable, income from the sale of properties, fees and revenue grants from local authorities and The Housing Corporation and other income.

Revenue Grants

The Group has a substantial programme of major repairs expenditure, the majority of which is treated as an operating cost. A limited amount of this is funded from Social Housing Grant (SHG), with the majority being met from rental income. The SHG is shown as turnover along with other revenue grants received.

NOTES TO THE FINANCIAL STATEMENTS
for the year ending 31 March 2005

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Taxation and Deferred taxation

The Group is liable to United Kingdom Corporation Tax.

The charge for taxation for the year is based on the surplus for the year end and includes current tax on the taxable surplus for the year and deferred taxation. Deferred taxation is recognised in respect of all timing differences between the treatment of certain items for taxation and for accounting purposes which have arisen but not reversed by the Balance Sheet date, except as otherwise required by FRS19.

In accordance with FRS19 deferred tax is not provided on the gains on the sale of non-monetary assets, if the taxable gain will probably be rolled over, or on revaluation gains on housing properties unless there is a binding agreement to sell them at the balance sheet date.

VAT

The majority of the Group's turnover is exempt from VAT. However certain activities are subject to VAT and give rise to a small amount of VAT recovery. Where appropriate costs are stated including irrecoverable VAT.

Pensions

There are three defined benefit pension schemes based on final pensionable salary, one of which is a Group-wide scheme. Details of the schemes are set out in Note 6. Contributions from the Group and participating employees are paid into independently administered funds. These payments are made in accordance with triennial calculations by professionally qualified independent actuaries. In the intervening years, the actuary reviews the continuing appropriateness of the rates of contribution.

The Places for People Retirement Group Benefit Scheme (formerly North British Housing Association Limited Retirement Scheme) is a defined benefit scheme and was closed to new members as of 1 September 2004. New employees joining the Group from 1 September 2004 have the option of joining a Stakeholder scheme to which the company will contribute.

The cost of pensions to the Group is charged to the Income and Expenditure Account over the remaining service lives of employees.

Housing land and properties

Housing land and properties are stated at cost for all companies except blueroom properties limited. The cost of properties is their purchase price together with costs of acquisition and improvements, including related development costs and interest payable. Properties purchased for improvement for sale are treated as current assets and all other housing properties are treated as tangible fixed assets. The properties in blueroom properties limited are treated as investment properties and shown at valuation.

Depreciation of housing properties

Freehold land is not depreciated. Depreciation is calculated on the cost of the asset, net of social housing grant and other capital grants, and is charged so as to write down the value of freehold housing properties, other than freehold land, to their estimated residual value on a straight line basis over their remaining expected useful economic lives. The expected useful economic lives of the majority of rented, shared ownership and care stock are estimated by independent surveyors to be 100 years.

Impairment

For assets with a remaining economic life greater than 50 years an impairment review is carried out on an annual basis in accordance with FRS 11. For those with a lower economic life an impairment review is undertaken when there is an indication the asset may be impaired. If assets are found to be impaired the amount of impairment is disclosed in the Note 3 analysis to the income and expenditure account.

NOTES TO THE FINANCIAL STATEMENTS
for the year ending 31 March 2005

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Social Housing Grant and other capital grants

Where developments have been financed wholly or partly by SHG or any other form of capital grant subsidy, the cost of those developments is reduced by the grant received.

When SHG in respect of housing properties in the course of construction exceeds the total cost to date of those housing properties, the excess is shown as a current liability.

Where SHG or housing association grant is retained following the disposal of property, it is shown under the disposal proceeds and recycling capital grant funds in creditors: amounts falling due after more than one year. These funds will be used for the provision of new social housing for rent and sale.

Capitalisation of interest and administrative costs

Interest is capitalised on loans financing schemes in development up to their completion. This is calculated by reference to the Group's cost of borrowing and the development costs.

Administration costs relating to development activities are capitalised based on an apportionment of the staff time directly spent on this activity.

Other tangible fixed assets

Other tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided on a straight line basis over the estimated useful economic lives of the assets at the following annual rates:

Office Buildings (Acquisitions and subsequent upgrades)	Between 1% and 10% of cost.
IM&T Equipment	20% of cost
Furniture and Equipment	20% to 25% of cost
Motor Vehicles	20% of cost

Leasing and Hire Purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets, and are depreciated over the shorter of the lease term and their economic useful lives. Obligations under finance leases are included in creditors net of the finance charge allocated to future periods. The finance element of the rental is charged to the income and expenditure account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Improvements to property

The Group capitalises expenditure on housing properties which results in an increase in either the existing use value of the property or the disposal value of the property.

Investments

Investments in Group subsidiaries and short term investments are shown at cost. The investments in gilts are shown at cost.

Stock

The cost of stock includes acquisition and development costs together with capitalised interest and administration costs. Stock is stated at the lower of cost and net realisable value.

Finance Issue Costs

The cost of raising loans is amortised over the period of the loan. The deferred cost is offset against the liability and included within creditors: amounts falling due after more than one year, in accordance with FRS4: Capital Instruments.

NOTES TO THE FINANCIAL STATEMENTS
for the year ending 31 March 2005

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Low Start Loans

The Group has a number of low start loans where the principal outstanding increases during the year. The increase is recognised in the Income and Expenditure account in the accounting period in which it is charged to the loan account, unless there is a formal guarantee from a third party to finance any deficit arising. Where such a guarantee is in place, the interest deferred is shown in the deferred financing account.

Discounted bonds

Discounted bonds are shown at their redemption value less deferred interest. Deferred interest represents the discount on the issue of the discounted bonds, and is written off through the Income and Expenditure Account at a constant rate on the carrying amount of the debt.

Assets leased to other bodies

The Group has developed a number of housing properties which have been leased to other organisations. These are shown as stock whilst in development, and as long-term debtors once lease agreements are in place. The lease income is shown as turnover.

Special Needs Housing managed by Voluntary Agents on behalf of the Group

Because of the nature of the relationship between the Group and its managing agents, these financial statements exclude the financial performance of the projects managed by our agents.

Leaseholder Service Charge Sinking Fund

The Group is required to set aside sums in respect of future maintenance of certain properties subject to leasehold arrangements. These sums are held in a separate bank account to which interest is added and tax deducted. Amounts accumulated in the fund are included within cash at bank and in hand, and within creditors: falling due within one year.

Provisions

Provisions are made to the extent that the Group has no discretion to avoid the expenditure provided for.

Restricted reserves

The Group has reserves which are only expendable in accordance with the wishes of the funder. The transfers to/from restricted reserves are shown in the Income and Expenditure Account.

The Housing Corporation requires that the surplus, before major repairs expenditure, on properties developed between 1974 and 1989 is set aside by the Group. The Housing Corporation requires the Group to account for the value of this surplus in a Rent Surplus Fund (RSF). Regulations on the RSF require the Group to set aside previous surpluses generated, net of eligible major repairs expenditure, and 90% of future surpluses calculated to accrue to the fund, in a restricted reserve to finance future major repairs expenditure. A transfer from the restricted reserve is made when such expenditure occurs. Schedule 11 of the Housing Act 2004 has abolished the Rent Surplus Fund with effect from 18th January 2005 for Registered Social Landlords (RSL's). RSL's within The Places for People Group have transferred the balances of Rent Surplus Fund to Revenue Reserves.

The Grace Gillett Legacy represents a bequest to the Group for future support of a particular scheme in Bristol.

Designated reserves

The Group designates all those reserves which have been earmarked for a specific use. The transfers to/from designated reserves are shown in the Income and Expenditure Account.

Reserves have been earmarked based on management judgement, as follows:

- To finance planned increases in major repairs expenditure.
- To replace tenant service items at the end of their useful life.
- To finance costs arising from defects, litigation or liquidation on a property development.
- To generate annual investment income to finance the Robert Brotherton Award. This award enables the selected staff member to support a housing related project.

NOTES TO THE FINANCIAL STATEMENTS
for the year ending 31 March 2005

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Revaluation reserve

The revaluation reserve represents the increase in value of the investment properties held by blueroom properties limited.

Operating leases

Costs in respect of operating leases are charged to the income and expenditure account on a straight line basis over the lease term.

Places for People Group Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

2. GROUP TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

	Group 2005				Group 2004 restated			
	Turnover	Cost of Sales	Operating costs	Operating surplus/(deficit)	Turnover	Cost of Sales	Operating Costs	Operating surplus/(deficit)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Lettings Activities								
Income and expenditure from social housing lettings (note 3)	161,092	-	(111,245)	49,847	155,074	-	(102,115)	52,959
Income and expenditure from non-social housing lettings	13,683	-	(7,780)	5,903	13,288	-	(6,775)	6,513
Total	174,775	-	(119,025)	55,750	168,362	-	(108,890)	59,472
Other Social Housing Activities								
Property Sales (Development for sale)	1,779	(1,462)	(338)	(21)	20,990	(20,545)	(26)	419
Leased schemes	966	-	-	966	971	-	-	971
Management services	504	-	(406)	98	524	-	(546)	(22)
Other	3,045	(1,258)	(997)	790	2,569	(1,259)	(851)	459
Total	6,294	(2,720)	(1,741)	1,833	25,064	(21,804)	(1,423)	1,827
Other Non-social Housing Activities								
Commercial properties	201	-	-	201	201	-	(93)	108
Other	27,431	(18,344)	(5,373)	3,714	16,362	(12,005)	(4,783)	(426)
Total	27,632	(18,344)	(5,373)	3,915	16,563	(12,005)	(4,876)	(318)
Total other activities	33,926	(21,064)	(7,114)	5,748	41,617	(33,809)	(6,299)	1,509
Total	208,701	(21,064)	(126,139)	61,498	209,979	(33,809)	(115,189)	60,981
Further Analysis of Turnover from Non-social housing activities								
Market Renting	£'000	Turnover	2005	Turnover	2004	Turnover	2004	Turnover
Student Accommodation	11,754	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Total turnover from non-social lettings activities (as above)	1,929	11,754	11,754	11,372	11,372	11,372	11,372	11,372
Other (as above)	13,683	1,929	1,929	1,916	1,916	1,916	1,916	1,916
Community Care Services Income	4,489	13,683	13,683	13,288	13,288	13,288	13,288	13,288
Sale of Non-social Housing	23,143							
Other	-							
Total		27,632	27,632	16,563	16,563	16,563	16,563	16,563
		41,315	41,315	29,851	29,851	29,851	29,851	29,851

The surplus on operating costs relating to Non-Social Housing Activities includes property sales in blueroom properties limited of £1.6M (2004:£0.6M). The property sales (development for sale) activities relate primarily to developments carried out for third parties which are carried out at cost.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2005

3. GROUP INCOME AND EXPENDITURE FROM HOUSING LETTINGS

	General Needs Housing	Supported Housing	Temporary Social Housing	Key Worker Accommodation	Group 2005 Residential Care Homes	Shared Ownership	Other	Total Social	Non Social	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income from housing lettings activities										
Rent receivable net of service charges	118,242	4,259	1,590	-	1,039	4,853	545	131,128	11,021	142,749
Supporting People Block Grant	2,119	254	-	-	-	84	218	2,675	7	2,682
Service charges receivable	8,499	2,371	80	-	607	387	323	12,217	343	12,560
Gross rents receivable	128,830	6,884	1,670	-	2,246	5,304	1,086	146,020	11,971	157,991
LESS: Rent losses from voids	(3,084)	(250)	(189)	-	(40)	-	(1)	(3,560)	(515)	(4,075)
Net rents receivable	125,736	6,628	1,501	-	2,206	5,304	1,085	142,460	11,456	153,916
Revenue grants from local authorities and other agencies	5,843	1,983	-	-	(312)	-	181	7,495	-	7,495
Supported People Grant (Short Stay)	-	4,227	-	-	116	-	-	4,343	-	4,343
Revenue grants from the Housing Corporation	-	-	-	-	-	-	-	-	-	-
Revenue grants received for major repairs	-	-	-	-	-	-	-	-	-	-
Other income	1,748	1,868	-	-	21	98	3,059	6,704	2,227	9,021
Total income	133,127	14,706	1,501	-	2,031	5,402	4,325	161,092	13,683	174,775
Expenditure on housing lettings activities										
Services	(8,926)	(4,077)	(1,212)	-	(1,640)	(391)	(298)	(16,544)	(978)	(17,522)
Supporting People Costs	(2,222)	(4,031)	-	-	(107)	(87)	(77)	(6,504)	(6)	(6,510)
Management	(24,371)	(2,120)	(255)	-	(292)	(1,177)	(892)	(29,107)	(1,706)	(30,813)
Routine Maintenance	(16,301)	(693)	(145)	-	(27)	(190)	(175)	(17,531)	(810)	(18,341)
Planned Maintenance	(16,707)	(660)	(137)	-	(190)	(1,189)	(712)	(18,595)	(857)	(19,452)
Rent losses from bad debts	(1,375)	(191)	(43)	-	(2)	(5)	(1)	(1,617)	(130)	(1,747)
Major repairs expenditure	(9,408)	(143)	(1)	-	(28)	(3)	(5)	(9,588)	(587)	(10,175)
Depreciation on housing assets	(5,201)	(155)	-	-	(5)	(249)	(1,526)	(7,136)	(686)	(7,825)
Property lease charges	-	-	-	-	-	-	-	-	-	-
Impairment of housing properties	(248)	(88)	-	-	-	-	-	(334)	(39)	(373)
Other costs	(1,718)	(2,198)	(21)	-	(11)	(7)	(336)	(4,291)	(1,978)	(6,269)
Total expenditure	(55,474)	(14,354)	(1,814)	-	(2,302)	(3,278)	(4,023)	(111,245)	(7,780)	(119,025)
Operating Surplus (Deficit)	47,653	352	(313)	-	(271)	2,124	302	49,847	5,903	55,750

Places for People Group Limited

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2005

3. GROUP INCOME AND EXPENDITURE FROM HOUSING LETTINGS

	General Needs Housing	Supported Housing	Temporary Social Housing	Key Worker Accommodation	Residential Care Homes	Group 2004 Shared Ownership	Other	Total Social	Non Social	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income from housing lettings activities										
Rent receivable net of service charges	113,497	4,092	1,106	-	1,806	4,986	538	126,025	11,522	137,547
Supporting People Block Grant	1,966	150	-	-	-	82	86	2,284	6	2,290
Service charges receivable	8,682	2,094	21	-	606	437	365	12,185	304	12,489
Gross rents receivable	124,125	6,336	1,127	-	2,412	5,505	989	140,494	11,832	152,326
LESS: Rent losses from voids	(3,289)	(247)	(166)	-	(92)	(11)	-	(3,785)	(723)	(4,508)
Net rents receivable	120,836	6,089	961	-	2,320	5,494	989	136,709	11,109	147,818
Revenue grants from local authorities and other agencies										
Supported People Grant (Short Stay)	5,759	2,068	-	-	93	-	153	8,073	-	8,073
Revenue grants from the Housing Corporation	21	3,778	-	-	299	-	-	4,098	-	4,098
Revenue grants received for major repairs	-	-	-	-	-	-	-	-	-	-
Other income	1,699	1,442	10	-	3	98	2,942	6,194	2,179	8,373
Total income	128,335	13,377	971	-	2,715	5,692	4,084	155,074	13,288	168,362
Expenditure on housing lettings activities										
Services	(7,211)	(3,463)	(775)	-	(3,019)	(424)	(257)	(15,149)	(872)	(16,021)
Supporting People Costs	(2,043)	(3,532)	-	-	(275)	(64)	(78)	(5,992)	(6)	(5,998)
Management	(21,365)	(1,618)	(218)	-	(308)	(1,115)	(757)	(25,381)	(1,463)	(26,844)
Routine Maintenance	(13,672)	(644)	(55)	-	(68)	(196)	(136)	(14,671)	(645)	(15,316)
Planned Maintenance	(15,310)	(806)	(53)	-	(177)	(1,235)	(557)	(18,137)	(937)	(19,074)
Rent losses from bad debts	(1,881)	(205)	(94)	-	(5)	(7)	(3)	(2,195)	(186)	(2,381)
Major repairs expenditure	(8,901)	(77)	(2)	-	(39)	102	(3)	(8,920)	(217)	(9,137)
Depreciation on housing assets	(5,166)	(135)	-	-	-	(274)	(1,505)	(7,080)	(697)	(7,777)
Property lease charges	-	-	-	-	-	-	-	-	-	-
Impairment of housing properties	(392)	(6)	-	-	(49)	-	-	(447)	-	(447)
Other costs	(1,649)	(2,303)	(6)	-	(109)	(8)	(68)	(4,143)	(1,752)	(5,895)
Total expenditure	(77,490)	(12,786)	(1,203)	-	(4,049)	(3,221)	(3,364)	(102,115)	(6,775)	(108,890)
Operating Surplus / (Deficit)	50,845	589	(232)	-	(1,334)	2,371	720	52,959	6,513	59,472

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2005

	2005			2004		
	Turnover	Cost of Sales	Operating costs	Operating surplus	Turnover	Cost of Sales
	£'000	£'000	£'000	£'000	£'000	£'000
Property Sales income and expenditure						
Sale of housing accommodation	26,364	(18,846)	(1,223)	6,295	24,722	(19,211)
						(953)
						4,558

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

5. DIRECTORS EMOLUMENTS

The Group is administered by a Board of Directors. The non-executive members received remuneration of £103,000 during the year (2004: £Nil) and received the following reimbursements for expenses.

	GROUP 2005	2004
	£	£
Expenses not chargeable to United Kingdom income tax reimbursed to directors	<u>15,146</u>	<u>27,530</u>

These amounts are not included in the disclosure below.

For the purpose of this note, directors are defined as the members of the Board of Directors and the Executive Directors of the Group (see page 3). They are responsible for the day to day management of the Group.

In addition to the amounts directly reimbursed to directors, the Group paid £9,578 (2004: £5,969) for travel, subsistence and conference facilities. In addition £134,185 was paid in board recruitment fees in 2005

	2005	2004
	£	£
Aggregate emoluments (excluding pension contributions)	<u>1,025,288</u>	<u>647,607</u>

Retirement benefits are accruing to 5 directors under the Group's defined benefit scheme.

Highest paid director:

Aggregate emoluments (excluding pension contributions) include amounts paid to the Group Chief Executive	<u>314,804</u>	<u>179,473</u>
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During 2004/5 the board took the decision to consolidate the Chief Executive's bonus with basic pay and include it within the current year's salary; accordingly the 2004/5 charge reflects the current year bonus and bonus paid in arrears in respect of 2003/4. In addition, backdated payments were made to the Chief executive to compensate for pension contributions not paid because of the operation of the pension cap. Adjusting for backdated pension payments and bonus payments gives the following pro forma amounts.

	<u>235,575</u>	<u>205,763</u>
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The Group Chief Executive is an ordinary member of the Group's pension scheme, and does not receive any enhanced or special terms or contributions to any individual pension arrangement.

Defined benefit pension scheme:

Accrued pension at end of year	41,544	39,084
Accrued lump sum at end of year	23,906	19,491

The number of directors who received emoluments (excluding pension contributions and compensation for loss of office) in the following ranges was:

	2005	2004
	Number	Number
£Nil - £20,000	10	9
£100,001-£110,000	-	1
£110,001-£120,000	-	1
£120,001-£130,000	2	2
£160,001-£170,000	2	-
£170,001-£180,000	-	1
£300,001- £315,000	1	-
The Group has no contracts in which a Director has an interest.	<u>15</u>	<u>14</u>

Places for People Group Limited

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2005

6. EMPLOYEE INFORMATION

	GROUP		COMPANY	
	2005	2004	2005	2004
The average number of employees expressed as full time equivalents (including the Executive Directors) employed during the year was:				
Managing housing services	841	801	-	-
Developing and selling houses	58	59	-	-
Central administration services	207	210	159	158
Care services	601	559	-	-
	<u>1707</u>	<u>1,629</u>	<u>159</u>	<u>158</u>
Staff costs (for the above persons)				
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Wages and salaries	36,257	32,583	5,347	4,544
Severance costs	-	-	-	-
Social security costs	2,572	2,199	448	360
Other pension costs	3,624	2,760	557	500
	<u>42,453</u>	<u>37,542</u>	<u>6,352</u>	<u>5,404</u>

Pension obligations

The total pension cost for the Places for People Group Limited was £3,624,404 (2004 :£2,759,764). This is related to three schemes of which employees are members; the Places for People Group Retirement Benefit Scheme, the Social Housing Pension Scheme and The Scottish Federation of Housing Associations Retirement Death and Benefit Scheme.

Places for People Group Retirement Benefit scheme.

The North British Housing Association Limited Retirement Benefit Scheme was closed to new employees as of 1 September 2004 and is now known as Places for People Group Retirement Benefit Scheme. New employees joining the Group from 1 September 2004 have the option of joining a Stakeholder scheme to which the company contributes.

Places for People Group Retirement Benefit Scheme is an independently administered pension scheme. It is a defined benefits scheme based on final pensionable salary. As at 31 March 2005 there were 1,051 employees participating in this scheme. The pension cost is assessed in accordance with the advice of an independent professionally qualified actuary using the projected accrued benefit method and is not materially different from that arising from the current employer's contribution rate. The level of funding by the Company was 14.2% of pensionable salary. These figures are based on a full actuarial valuation at 31 December 2003. The assumptions which have the most significant effect on the results of the valuation are those relating to the differences between the rate of return on investments and the rate of increase in salaries.

It was assumed for the actuarial valuation that the expected rate of return on long term bonds was 5.0 per cent, whilst the expected return on equities would be 7.0 % per annum, the return for other investments would be 4.0 per cent per annum and that the general level of salaries would increase by 3.75% per annum. The market value of the scheme's assets was £44,674,000 at 31 December 2003, based on the valuation undertaken by the actuary. At the calculation date the deficit in the Scheme on the FRS17 basis was £34,408,000 this is a slightly improved position from last year due mainly to strong investment performance. The next full actuarial valuation is on 31 December 2006.

To address the deficit, in addition to closing the scheme to new employees, from 1 April 2005 the rate of contribution by employers has been increased to 15% (2004 : 14.2%) and from 1 September 2004 the rate of contribution by employees was increased from 5% to 6%. A one off payment to the scheme of £500,000 was also made during the year (2004 : nil). If the valuation assumptions are borne out in practice this pattern of contributions should be sufficient to eliminate the past service deficit by 31 March 2022.

	2005	2004
The major assumptions used by the actuary were:		
Price inflation	2.75%	2.75%
Rate of increase in salaries	3.75%	3.75%
Rate of increase in pensions in payment	2.75%	2.75%
Discount Rate	5.30%	5.40%

The expected rates of return on assets are:

	2005		2004	
	Expected long term return	Value at 31 March £'000	Expected long term return	Value at 31 March £'000
Equities	7.00%	36,724	7.00%	31,688
Bonds	5.00%	13,602	5.00%	12,140
Cash	4.00%	2,631	4.00%	846
		<u>52,957</u>		<u>44,674</u>
Total Market of Assets		52,957		44,674
Present value of the scheme's liabilities		(87,365)		(79,378)
Deficit in the scheme		(34,408)		(34,704)
Related Tax asset @ 30%		10,322		10,411
Net Pension Liability		<u>(24,086)</u>		<u>(24,293)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

6. EMPLOYEE INFORMATION (Continued)

Under the transitional arrangements of FRS17 no provision has been made in these financial statements for the deficit of the Places for People Retirement Benefit Scheme. If provision were made the following entries would have been made in the financial statements:

Balance Sheet presentation at 31 March 2005	2005 £'000	2004 £'000
Net assets	222,797	204,221
Net Pension liability	(24,086)	(24,293)
Net Assets including FRS17 pension liability	198,711	179,928

Capital and Reserves	222,797	204,221
Pension Reserve	(24,086)	(24,293)
Capital and Reserves including FRS17 pension liability	198,711	179,928

Analysis of amounts charged to operating surplus

Current service costs	2,101	2,470
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Amount charged to other finance income

Expected return on assets	2,975	2,245
Interest on scheme liabilities	(4,348)	(3,837)
Net charge	(1,373)	(1,592)

Amount recognised in Statement of Total Recognised Gains and Losses

Actual less expected return on assets	1,692	5,808
Experience gains/(losses) on liabilities	658	(3,249)
Effect of change in assumptions on liabilities	(2,032)	(61)
Total Gain/(loss) recognised in Statement of Total Recognised Gains and Losses	318	2,498

Movement in surplus/(deficit) during the year

Surplus/(deficit) in scheme at beginning of period	(34,704)	(35,843)
Current service cost (excluding members' contributions)	(2,101)	(2,470)
Cash Contribution (excluding members' costs)	3,452	2,703
Other Finance income/(expenditure)	(1,373)	(1,592)
Actuarial gain/(loss)	318	2,498
Surplus/(deficit) in scheme at end of period	(34,408)	(34,704)

History of experience gains and losses

	2005 £'000	% of assets	2004 £'000	% of assets
Difference between expected and actual returns on scheme asset:	1,692	3.20%	5,808	13.00%
Experience gains on scheme liabilities	658	0.08%	(3,249)	-4.10%
Total actuarial gain/(loss)	318	0.04%	2,498	3.10%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

The Social Housing Pension Scheme

The Group has 17 employees that participate in the Social Housing Pension Scheme which is a member of the Pension Trust for Charities and Voluntary Organisations. It is a defined benefits final salary scheme, which is contracted out of the state pension scheme. Contributions to the scheme are based on applicable pension costs across the participating associations taken as a whole and are charged to the Income and Expenditure Account so as to spread the costs over the members' working lives. The contributions are determined by independent qualified actuaries on the basis of triennial valuations using the projected unit credit method. The latest full valuation of the scheme was as at 30 September 2002. The market value of the assets at the valuation date totalled £650 million. The result of this valuation at September 2002 shows a deficit in respect of service to the date of valuation of £117 million (equivalent to a past service funding level of 85%). The next valuation will be as at 30 September 2005.

Following consideration of the results of the actuarial valuation it has been agreed that, with effect from 1 April 2004 standard employer contribution rate will be increased from 10.6% to 11.7% pensionable salaries and member contributions will also be increased by 1.1% from 2.0-5.0% to 3.1-6.1% of pensionable salaries depending on age. If the valuation assumptions are borne out in practice this pattern of contributions should be sufficient to eliminate the past service deficit by 31 March 2017.

Due to the nature of the Scheme, it has not been possible to identify the Association's share of scheme assets and liabilities attributable to the North British Housing Association Limited, and the charge to Income and Expenditure account for the period under FRS17 represents the Employer contribution payable.

The Financial Assumptions underlying the valuation were as follows:-

Rate of Increase in Salaries	4.5% p.a.
Price Inflation	2.5% p.a.
Rate of increase of pensions in payment	2.5% p.a.
Rate of Return on accumulated assets	7.2% p.a.
Rate of Return on future contributions.	6.6% p.a.

The accumulated assets of the Scheme were assumed to bear the same return as if they had been invested in a portfolio comprising 100% UK equities for non-pensioner liabilities and 25% UK equities/75% Index linked Gilts for pensioner liabilities.

The Scottish Federation of Housing Associations Retirement and Death Benefit Scheme

As of 31 March 2005 the Group had 43 employees participating in this scheme. The scheme is funded and is contracted out of the state scheme. The last formal valuation was performed at 30 September 2003 by a professionally qualified actuary using the 'projected unit credit' method. The market value of the assets at the valuation date was £128.7million. Edinvar HA Ltd paid contributions at the rate of 12.2% during the year. Member contributions were 5% up to 31 March 2003 and increased to 6% from 1 April 2003. It is not possible to identify the share of underlying assets and liabilities belonging to individual participating employees. Due to the nature of the Scheme the income and expenditure account charge for the period under both SSAP 24 and FRS17 represents the employer contribution payable. The underlying financial assumptions for the valuation were a 6.6% rate of return on future contributions, a 5.2% return on accumulated assets, a 4.5% rate of salary increases, a 2.5% rate of pension increases (for leavers prior to 1 October 1993 5%), and a price inflation rate of 2.5%. The accumulated assets of the Scheme were assumed to bear the same return as if they had been invested in a portfolio comprising 100% UK equities for non-pensioner liabilities and 50% UK equities/50% index-linked gilts for pensioner liabilities. The valuation revealed a shortfall of assets compared with the value of liabilities of some £24million (equivalent to a past service funding level of 84%). The employer's ongoing future service contribution rate, after allowing for changes in benefits, was assessed as 9% of pensionable salaries. In view of the past shortfall most employers (including Edinvar HA Ltd) are required to contribute a rate of 12.2% of pensionable salaries in order to bring the value of assets and liabilities into balance. A small number of employers that have closed the Scheme to new members are required to contribute at the rate of 14.2% to reflect the higher costs of a closed arrangement. On the basis of the valuation assumptions this pattern of contributions will be sufficient to eliminate the past service deficit by 30 September 2016. The next valuation will be as at 30 September 2006.

Other Pension arrangements

Kush Housing Association Limited does not operate its own pension scheme. Instead it contributes through, a preferred supplier, between 7.0 % and 10.5% of the employees taxable salaries to their personal pension plans.

Summary of the Group's Pension arrangements

Group Company:	Pension Cost £'000	Number of Group Employees				
		PfP Group Retirement Scheme	PfP Group Pension Plan	SHPS	SFHA	Other
blueroom properties limited	37	4	-	-	-	-
Bristol Churches Housing Association Limited	84	27	3	6	-	-
Capital City Homes Ltd	1	-	-	-	-	-
Edinvar Community Care Ltd	60	-	-	-	27	-
Edinvar Housing Association Ltd	58	-	-	-	16	1
JVCo Limited	34	9	-	-	-	-
Kush Housing Association Ltd	24	-	-	-	-	7
New Leaf Supporting Independence Limited	535	250	3	3	-	-
North British Housing Limited	1367	522	9	6	-	1
North British Landscapes Limited	108	52	-	-	-	-
Places for Children (PfP) Ltd	29	7	2	-	-	-
Places for People Group Limited	557	138	1	-	-	-
Places for People Development	230	42	1	2	-	-
	3124	1051	19	17	43	9

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2005

7. INTEREST RECEIVABLE AND SIMILAR INCOME	GROUP		COMPANY	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Interest on short term investments	-	-	16	27
Other interest receivable from deposits	4,896	6,432	5	4
	<u>4,896</u>	<u>6,432</u>	<u>21</u>	<u>31</u>

8. INTEREST PAYABLE AND SIMILAR CHARGES	GROUP		COMPANY	
	2005	2004	2005	2004
	£'000	Restated £'000	£'000	£'000
On bank loans and overdrafts:				
Repayable within 5 years	3,511	3,354	5	-
Repayable wholly or partly in more than 5 years	14,084	18,711	-	-
On other loans:				
Repayable within 5 years	8,248	3,921	-	-
Repayable wholly or partly in more than 5 years	34,499	34,114	-	-
	<u>60,342</u>	<u>60,100</u>	<u>5</u>	<u>-</u>
On discounted bonds:				
Interest paid	304	305	-	-
Amortisation of discount	107	96	-	-
	<u>60,753</u>	<u>60,501</u>	<u>5</u>	<u>-</u>
Financing Costs	3	-	-	-
Less: Capitalised interest	(2,994)	(2,180)	-	-
	<u>57,762</u>	<u>58,321</u>	<u>5</u>	<u>-</u>

9. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION	GROUP		COMPANY	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Surplus on ordinary activities before taxation is stated after charging/(crediting):				
Depreciation and Impairment:				
Tangible fixed assets	11,443	10,732	-	-
Amortisation of negative and positive goodwill	(387)	(309)	-	-
Auditors' remuneration:				
In their capacity as auditors	140	129	13	13
In respect of other services	46	51	-	-
(Surplus)/Deficit on disposal of tangible fixed assets other than housing properties	26	6	-	-
Payments under operating leases				
Office equipment	5	-	-	-
Housing properties	1,230	828	-	-

The auditors' remuneration in respect of other services includes special needs and low cost home ownership scheme audit fees and the audit of grants and returns 2005: £39,000 (2004: £43,746)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2005

10. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

	2005		2004 Restated	
(a) Analysis of charge in period	£'000	£'000	£'000	£'000
Current Tax				
United Kingdom corporation tax on profits of the period	1,094		692	
Adjustments in respect of prior periods	<u>(148)</u>	946	<u>-</u>	692
Group relief		(1)		-
Tax on profit on ordinary activities (note 10b)		<u>945</u>		<u>692</u>
Deferred Tax				
Origination and reversal of timing differences	457		1,167	
Increase in discount	<u>-</u>	457	<u>-</u>	1,167
Total Deferred Tax (note 10c)		457		1,167
Tax on profit on ordinary activities		<u><u>1,402</u></u>		<u><u>1,859</u></u>

(b) Factors affecting tax charge for period

The tax assessed is different than the standard rate of corporation tax in the UK (30%).
The differences are explained below:

	2005	2004 Restated
Profit on ordinary activities before tax	13,416	13,674
(deduct non tax paying group members)	<u>(9,733)</u>	<u>(10,994)</u>
Taxable Group profit	3,683	2,680
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%.	1,105	804
Expenses not deductible for tax purposes	2,741	1,879
Group relief surrendered	38	-
Capital allowances for period in excess of depreciation	(271)	(469)
Other short term timing differences	7	1
Capitalised interest allowed as incurred for tax purposes	(645)	-
Capital allowances for period in excess of depreciation	-	-
Impairment of investments	228	-
Non trade deficits carried forward	101	-
Tax Relief on Capital Gains	(1,922)	(1,283)
Tax losses not recognised in deferred tax	-	7
Adjustments to tax charge in respect of prior periods	(147)	(18)
*Fixed Assets profit on disposal offset by capital losses	(290)	(230)
Current tax charge for period (note 10a)	<u><u>945</u></u>	<u><u>691</u></u>

*NBH Limited a Group subsidiary has capital losses which have been offset against the capital gains of other Group subsidiaries

(c) Factors that may affect future tax charges

A deferred tax liability of £1.2m exists in the Places for People Group Limited and this has been recognised for the period (above)

Provision for Deferred Tax

Accelerated capital allowances	1,460	1,140
Other short term timing differences	(1,272)	(1,207)
Capitalised interest	<u>4,847</u>	<u>4,050</u>
Undiscounted provision for deferred tax	5,035	3,983
Discount	(3,367)	(2,816)
Discounted provision for deferred tax	<u><u>1,668</u></u>	<u><u>1,167</u></u>
Provision at start of period	1,211	44
Deferred tax charge in profit and loss account for period (note a)	457	1,167
Provision at end of period	<u><u>1,668</u></u>	<u><u>1,211</u></u>

Places for People Group Limited

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2005

11. GROUP TANGIBLE FIXED ASSETS

	Total Housing Properties (Note 12)	Total Other Fixed Assets (Note 13)	Total
	£'000	£'000	£'000
Cost			
At 1 April 2004	1,928,825	51,972	1,980,797
Transfer to Current Assets	(565)	-	(565)
Additions	103,914	8,049	111,963
Sales of initial tranche	(1,670)	-	(1,670)
Transfer to completed schemes	-	(4)	(4)
Transfers to sales assets on disposal	(20,844)	(968)	(21,812)
At 31 March 2005	2,009,660	59,049	2,068,709
Less : SHG and other capital grants			
At 1 April 2004	(1,009,093)	(3,751)	(1,012,844)
Reclassification of assets	-	-	-
Sales of initial tranche	-	-	-
Transfer to current assets	27	-	27
Received during year	(33,410)	(1,356)	(34,766)
Disposals	10,071	-	10,071
Transfer to completed schemes	-	-	-
At 31 March 2005	(1,032,405)	(5,107)	(1,037,512)
Less: Depreciation			
At 1 April 2004	(36,410)	(22,445)	(58,855)
Charge for year			
Depreciation	(7,822)	(3,272)	(11,094)
Impairment	(373)	-	(373)
Eliminated on disposals			
Depreciation	539	798	1,337
Impairment	1,416	-	1,416
At 31 March 2005	(42,650)	(24,919)	(67,569)
Net book value at 31 March 2005	934,605	29,023	963,628
Net book value at 31 March 2004	883,322	25,776	909,098

Included in Housing Properties are the investment properties owned by blueroom properties limited. These are shown at a valuation of £97.6m and their original cost was £73.1m.

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For the year ended 31 March 2005

12. GROUP HOUSING PROPERTIES

	Completed Housing Properties	LSE & Shared Ownership Housing Properties	Housing Properties in the course of Construction	LSE & Shared Ownership Properties in the course of Construction	Total Housing Properties
Cost	£'000	£'000	£'000	£'000	£'000
At 1 April 2004	1,812,597	89,425	25,274	1,529	1,928,825
Transfer to Current Assets	345	-	(910)	-	(565)
Additions	24,008	-	53,141	26,765	103,914
Sales of initial tranche	-	(1,670)	-	-	(1,670)
Transfer to completed schemes	34,648	15,767	(34,648)	(15,767)	-
Transfer to sales assets on disposal	(15,319)	(5,525)	-	-	(20,844)
At 31 March 2005	1,856,279	97,997	42,857	12,527	2,009,660
Social housing grant	£'000	£'000	£'000	£'000	£'000
At 1 April 2004	(907,801)	(52,483)	(15,808)	(734)	(976,826)
Sales of initial tranche	-	-	-	-	-
Reclassification of assets	-	-	-	-	-
Received during year	(1,533)	-	(27,971)	(2,798)	(32,302)
Transfer to completed schemes	(17,248)	(2,121)	17,248	2,121	-
Disposals	5,887	2,784	-	-	8,671
Transfer to Current Assets	-	27	-	-	27
At 31 March 2005	(920,695)	(51,793)	(26,531)	(1,411)	(1,000,430)
Other capital grants	£'000	£'000	£'000	£'000	£'000
At 1 April 2004	(31,401)	(43)	(823)	-	(32,267)
Transfer to Current Assets	-	-	-	-	-
Received during year	-	-	(1,025)	(83)	(1,108)
Transfer to completed schemes	(1,112)	(83)	1,112	83	-
Disposals	1,399	1	-	-	1,400
At 31 March 2005	(31,114)	(125)	(736)	-	(31,975)
Total grants at 31 March 2005	(951,809)	(51,918)	(27,267)	(1,411)	(1,032,405)
Total grants at 31 March 2004	(939,202)	(52,526)	(16,631)	(734)	(1,009,093)
Depreciation	£'000	£'000	£'000	£'000	£'000
At 1 April 2004	(35,196)	(1,214)	-	-	(36,410)
Charge for year	-	-	-	-	-
Depreciation	(7,547)	(275)	-	-	(7,822)
Impairment	(373)	-	-	-	(373)
Eliminated on disposal	-	-	-	-	-
Depreciation	436	103	-	-	539
Impairment	1,416	-	-	-	1,416
At 31 March 2005	(41,264)	(1,386)	-	-	(42,650)
Net book value at 31 March 2005	863,206	44,693	15,590	11,116	934,605
Net book value at 31 March 2004	838,199	35,685	8,643	795	883,322

LSE denotes Leasehold Schemes for the Elderly.

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For the year ended 31 March 2005

12. GROUP HOUSING PROPERTIES (Continued)

	2005	2004
	£'000	£'000
Housing properties comprise:		
Freehold	1,703,037	1,650,280
Long leasehold	306,623	278,545
	<u>2,009,660</u>	<u>1,928,825</u>
Total accumulated SHG received and receivable at 31 March	2005	2004
	£'000	£'000
Revenue grants	11,549	11,548
Capital Grants	1,000,430	976,826
	<u>1,011,979</u>	<u>988,374</u>

SHG is only repayable on the sale of the property to which it relates.

Property costs include an apportionment of staff time directly spent on the administration of development activities amounting to £2.9m (2004: £1.9m).

Additions to housing properties in the course of construction during the year included capitalised interest of £3.0m (2004: £2.2m).

13. GROUP OTHER FIXED ASSETS

	Motor Vehicles	Furniture and Equipment	Commercial and Office Properties Freehold Offices	Long Leasehold	Short Leasehold	Total
Cost	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2004	2,467	22,761	24,809	964	971	51,972
Completed in the year	-	-	-	-	-	-
Additions	359	2,529	1,626	3,531	-	8,045
Disposals	(948)	(20)	-	-	-	(968)
At 31 March 2005	<u>1,878</u>	<u>25,270</u>	<u>26,435</u>	<u>4,495</u>	<u>971</u>	<u>59,049</u>
Government Grants						
At 1 April 2004	-	-	(3,751)	-	-	(3,751)
Additions	-	-	(458)	(898)	-	(1,356)
At 31 March 2005	<u>-</u>	<u>-</u>	<u>(4,209)</u>	<u>(898)</u>	<u>-</u>	<u>(5,107)</u>
Less: Depreciation						
At 1 April 2004	(1,385)	(13,348)	(6,082)	(768)	(862)	(22,445)
Charge for year						
Depreciation	(309)	(2,331)	(549)	(56)	(27)	(3,272)
Eliminated on disposal						
Depreciation	778	20	-	-	-	798
At 31 March 2005	<u>(916)</u>	<u>(15,659)</u>	<u>(6,631)</u>	<u>(824)</u>	<u>(889)</u>	<u>(24,919)</u>
Net book value at 31 March 2005	<u>962</u>	<u>9,611</u>	<u>15,595</u>	<u>2,773</u>	<u>82</u>	<u>29,023</u>
Net book value at 1 April 2004	<u>1,082</u>	<u>9,413</u>	<u>14,976</u>	<u>196</u>	<u>109</u>	<u>25,776</u>

Places for People Group Limited

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2005

14. FIXED ASSETS - INVESTMENTS

	GROUP		COMPANY	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Cost at 1 April	27,774	18,597	1	1
Additions in year	1,641	13,723	-	-
Repayments in year	(16)	(4,561)	-	-
Cost at 31 March	29,399	27,759	1	1
Cash	3	-	-	-
Revaluation surplus (Note 28)	-	15	-	-
Transfer from/(to) Revaluation Reserve	8	-	-	-
	29,410	27,774	-	-
Valuation at 31 March	29,410	27,774	1	1
External loans and cash deposits	29,410	27,774	-	-

	GROUP 2005	GROUP 2004
	Total £'000	Total £'000
Sinking Fund Account 7% Debenture Stock 2009	1,663	1,449
Debt Service Reserve £80 million loan	6,399	6,117
Debt Service Reserve 5.09% Secured Bond 2024	11,124	10,714
Debt Service Reserve 6.625% Eurobond 2038	8,433	8,000
Local Authority	-	16
Grace Gillett Trust	143	136
Debt Service Reserve Abbey National Treasury Services loan for blueroom properties limited	1,568	1,264
Emblem Homes Limited Warranty Reserve	80	78
	29,410	27,774

In addition to the above investments, share capital of £23 is held in the Spitalfields Cloisters Management Company Limited

The parent company, Places for People Group Limited does not have any external investments.

The external loans and cash deposits are as follows:-

Funds from the European Coal and Steel Community which are lent on by North British Housing Association to local authorities for the benefit of workers in the coal and steel industries.

An investment in a sinking fund account is held in trust for the Group and charged in favour of The Housing Finance Corporation (THFC), to be used for the repayment of the 7% Debenture 2009. The investment is shown at cost.

Investments in Debt Servicing Reserves are held in trust for the Group by the Prudential Trustee Company as security against the 6.625% Eurobond 2038, the 5.09% secured Bond 2024, and by Abbey National Treasury Services as security against a fixed rate loan of £80 million and the loan for blueroom properties limited. The reserves equate to one year's payment of interest and principal and are shown at cost.

The Grace Gillett Trust is an investment valued at £143,000 held by the Group from a bequest to support a particular scheme.

£80,288 is held in a separate fund in trust for Emblem Homes Ltd to safeguard warranties against new homes.

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For the year ended 31 March 2005

	GROUP		COMPANY	
15. INVESTMENTS IN JOINT VENTURES	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Share of assets				
Share of fixed assets	669	662	-	-
Share of current assets	102	308	-	-
	<u>771</u>	<u>970</u>	<u>-</u>	<u>-</u>
Share of liabilities				
Liabilities due within one year or less	(93)	(125)	-	-
Liabilities due after more than one year	(318)	(315)	-	-
	<u>(411)</u>	<u>(440)</u>	<u>-</u>	<u>-</u>
Share of net assets	<u>360</u>	<u>530</u>	<u>-</u>	<u>-</u>
Share of operating surplus during the year	<u>(50)</u>	<u>24</u>	<u>-</u>	<u>-</u>

16. STOCK	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Land	1,240	10,116	-	-
Properties in Construction	50,337	24,973	-	-
Completed Properties	23,615	17,385	-	-
Total Housing Stock	<u>75,192</u>	<u>52,474</u>	<u>-</u>	<u>-</u>
Landscape Stock	31	40	-	-
Total Stock	<u>75,223</u>	<u>52,514</u>	<u>-</u>	<u>-</u>

Stock of housing properties comprises acquisition and development expenditure on housing improved for sale and agency schemes in development.

17. DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

The long term debtors are agency leases which relate to assets transferred to other organisations under lease, and which are being accounted for in accordance with the requirements of Statement of Standard Accounting Practice No 21.

	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Agency leases	<u>1,758</u>	<u>1,789</u>	<u>-</u>	<u>-</u>

18. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005	2004	2005	2004
	£'000	Restated £'000	£'000	£'000
Amounts falling due within one year:				
Rental/Sales debtors	9,177	9,319	15	3
Less: Provision for bad and doubtful debts	<u>(3,552)</u>	<u>(3,983)</u>	<u>-</u>	<u>-</u>
	<u>5,625</u>	<u>5,336</u>	<u>15</u>	<u>3</u>
Other trade debtors	4,710	6,927	-	-
Amounts due from Group Undertakings	-	-	302	-
Sundry debtors, prepayments and accrued income	9,591	10,330	610	229
Loans to employees	96	186	-	-
	<u>20,022</u>	<u>22,779</u>	<u>927</u>	<u>232</u>

Included in Sundry debtors is a deferred tax asset of £4,500 (2004:£50,000).

19. CURRENT ASSET INVESTMENTS

	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Bank deposits repayable within:-				
one month	28,029	117,828	-	654
between two and three months	-	17,156	-	-
	<u>28,029</u>	<u>134,984</u>	<u>-</u>	<u>654</u>

NOTES TO THE FINANCIAL STATEMENTS
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20. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP 2005	2004 Restated	COMPANY 2005	2004
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	-	1	-	-
Housing Loans principal payable within one year	24,314	35,242	-	-
Interest on Housing Loans	4,021	4,981	-	-
Trade creditors	3,671	4,143	158	38
Other creditors and accruals	21,635	21,826	769	750
Payments received on account	13,560	10,847	-	-
Prepaid rent	5,260	5,645	-	-
Tenant Services Replacement Creditor	361	-	-	-
	<u>72,822</u>	<u>82,685</u>	<u>927</u>	<u>788</u>

The average number of days between receipt and payment of purchase invoices during the year is 48 days (2004: 36.6 days).

21. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2005	2004 Restated	2005	2004
	£'000	£'000	£'000	£'000
Debt				
Debenture Stock / Bonds	422,827	424,000	-	-
Discounted bonds (note 23)	3,690	3,583	-	-
Housing and bank loans	425,568	476,681	-	-
Deferred financing (note 22)	(5,523)	(7,289)	-	-
	<u>846,562</u>	<u>896,975</u>	<u>-</u>	<u>-</u>
Other financial liabilities				
Obligations under finance leases	95	196	-	-
Recycling capital grant funds	7,064	11,074	-	-
Cost of raising finance	(209)	(224)	-	-
Disposal Proceeds Fund	1,121	445	-	-
	<u>854,633</u>	<u>908,466</u>	<u>-</u>	<u>-</u>
Less : payable within one year	<u>(24,314)</u>	<u>(35,242)</u>	<u>-</u>	<u>-</u>
	<u>830,319</u>	<u>873,224</u>	<u>-</u>	<u>-</u>

The total value of the loans subject to a guarantee is £119.8m (2004: £124.7m). These guarantees are provided by Financial Security Assurance, London Borough of Camden, Northern Rock and Co-operative Bank.

All loans are secured by specific charges on the Group's housing properties and are repayable at varying rates of interest from, 5.000% - 15.875%, in instalments.

Included within Housing and bank loans is the amount of £6m (2004: £6.4m) which relates to the cost of debt issue.

Analysis of debt and other financial liabilities

These are repayable as follows:-

	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
<i>In less than one year</i>	24,314	35,242	-	-
<i>In one year or more but less than two years</i>	22,692	7,321	-	-
<i>In two years or more but less than five years</i>	170,876	137,033	-	-
<i>In more than five years</i>				
By instalments	407,432	476,556	-	-
Not by instalments	229,319	252,314	-	-
	<u>854,633</u>	<u>908,466</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
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22. DEFERRED FINANCING COSTS

	GROUP		COMPANY	
	2005	2004 Restated	2005	2004
	£'000	£'000	£'000	£'000
At 1 April	7,289	6,974	-	-
Mortgage interest	920	1,193	-	-
Transfer to income and expenditure account	(771)	(878)	-	-
Loan Redemption	(1,915)	-	-	-
At 31 March	<u>5,523</u>	<u>7,289</u>	<u>-</u>	<u>-</u>

In accordance with the accounting policies set out in note 1, deferred interest is released to the Income and Expenditure Account over the period to maturity of each of the loans.

23. ANALYSIS OF DISCOUNTED BONDS

	GROUP		COMPANY	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Discounted bonds Issued:				
7% Debenture Stock 2009	4,350	4,350	-	-
In Issue at 31 March	<u>4,350</u>	<u>4,350</u>	<u>-</u>	<u>-</u>
Less: Deferred interest				
Deferred at 1st April	767	863	-	-
Transfer to income and expenditure account	(107)	(96)	-	-
Deferred at 31 March	<u>660</u>	<u>767</u>	<u>-</u>	<u>-</u>
Net value at 31 March	<u>3,690</u>	<u>3,583</u>	<u>-</u>	<u>-</u>

Discounted bonds are secured by charges on the assets of the Group.

24. PROVISIONS FOR LIABILITIES AND CHARGES

	As at 1 April 2004	Change in Provision	Expenditure in year	As at 31 March 2005
	£'000	£'000	£'000	£'000
Committed maintenance costs	99	-	-	99
Provision for Deferred Taxation	1,260	386	-	1,646
	<u>1,359</u>	<u>386</u>	<u>-</u>	<u>1,745</u>

The committed maintenance costs relate to work contracted and partially completed at the year end on rented accommodation and special projects. They represent a legal liability to the Group.

Places for People Group Limited

NOTES TO THE FINANCIAL STATEMENTS
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25. REVENUE RESERVES

	GROUP		COMPANY	
	2005	2004 Restated	2005	2004
	£'000	£'000	£'000	£'000
As at 1 April	106,806	99,822		
Prior Year Adjustment	-	(2,736)		
At 1 April restated	106,806	97,086	-	-
Surplus for the year before designations	13,475	11,815	-	-
Transfers from designated reserves	757	4,541	-	-
Transfers from restricted reserves	2,952	(7,119)	-	-
Transfers to revaluation reserves	650	483	-	-
At 31 March	124,640	106,806	-	-

26. GROUP DESIGNATED AND RESTRICTED RESERVES

	Major repairs and Tenants' Services Capital £'000	Other Designated Reserves £'000	Rent Surplus Fund	Other Restricted Reserves £'000	Total 2005 £'000	Total 2004 £'000
At 1 April	44,311	1,250	2,977	(25)	48,513	46,294
Transfer to Income and Expenditure Account	(757)	-	(2,977)	25	(3,709)	(4,541)
Transfer From Income and Expenditure Account	-	-	-	-	-	7,119
Transfer to Creditors within one year	-	-	-	-	-	(359)
At 31 March	43,554	1,250	-	-	44,804	48,513

Schedule 11 of the Housing Act 2004 has abolished the Rent Surplus Fund with effect from 18th of January 2005 for Registered Social Landlords (RSL's). RSL's within The Places for People Group have transferred the balances of Rent Surplus Fund to Revenue Reserves.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2005

27. ACQUISITIONS

The Group has made the following acquisitions. The details of the Goodwill or Negative Goodwill arising, and the amounts to be amortised, are set out below. For Registered Social Landlords, the Negative Goodwill arising is amortised over the remaining useful lives of the underlying housing properties. The Negative Goodwill arising on Edinvar Community Care Limited has been amortised over 10 years, over which the benefit is expected to accrue.

The goodwill arising on the acquisition of Southdoyle Ltd. has been amortised in the year it arose.

Company	Book Values £'000	Fair Values Adjustments £'000	Fair Values £'000
Southdoyle Ltd (formerly Practical Environment Limited)	120	-	120
Consideration paid for £100,000 £1 Ordinary Shares	-	-	(175)
Goodwill arising on acquisition	120	-	(55)

Date of Acquisition	Company	At 1 April 2004 £'000	Goodwill Arising in Year £'000	Amortised in the Year £'000	At 31 March 2005 £'000
1 October 1999	Bristol Churches HA, Limited	15,085	-	(203)	14,882
4 July 2001	Edinvar Housing Association Limited	8,654	-	(113)	8,541
4 July 2001	Edinvar Community Care Limited	291	-	(40)	251
4 July 2001	Kush Housing Association Limited	7,477	-	(86)	7,391
19 July 2004	Southdoyle Ltd	-	(55)	55	-
		31,507	(55)	(387)	31,065

28. REVALUATION RESERVES

	Investment Properties	Listed Investments	Total	Total
	2005	2005	2005	2004
	£'000	£'000	£'000	£'000
At 1 April	18,828	15	18,843	13,364
Revaluation surplus	6,732	-	6,732	5,962
Transfer of realised revaluation surplus	(655)	5	(650)	(483)
At 31 March	24,905	20	24,925	18,843

NOTES TO THE FINANCIAL STATEMENTS
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29. FINANCIAL INSTRUMENTS

The Group's borrowings reduced from £900 million to £853 million (net of provisions/RCGF) during the year. The ratio of net loans to tangible assets at cost, after adjusting for the direct costs of fund raising was 39.6% (2004: 38.5%) which is within the strategy target maximum of 50%. The Group's policy is to retain minimal cash whilst ensuring that sufficient loan facilities are available and immediately accessible to finance a minimum 1 year's cashflow together with a maximum of 6 months sales slippage and a buffer £30 million to resource opportunistic investment. Cash projections cover a 3 year period to continuously monitor future borrowing requirements. The borrowing strategy is to aim over time to contain interest rate risk to within 20% of the loan book, with the Board exercising a strict control over derivative transactions. Currently 71% (2004: 70%) of debt is at fixed rates of interest, whilst a further 7% (2004: 8%) is hedged against adverse rate movements. The Group's investment activity is governed by strict counterparty credit criteria and investment limits, the primary objective being the preservation of capital, as opposed to maximisation of returns.

Short-term debtors and creditors

Short-term debtors and creditors have been excluded from all the following disclosures as allowable under FRS13.

Fair values of financial assets

The following table provides a comparison by category of the carrying amounts and the fair values of the Group's financial assets at 31 March 2005.

Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than a forced or liquidation sale and excludes accrued interest. Where available market rates have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting expected cashflows at prevailing interest rates.

	2005		2004	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Fixed asset investments	29,410	29,410	27,774	27,774
Current asset investments	28,029	28,029	134,984	134,984
Cash at bank and in hand	11,880	11,880	13,475	13,474
Long term debtors	1,758	1,758	1,789	1,789
Hedging instrument	-	(364)	-	(876)
	<u>71,077</u>	<u>70,713</u>	<u>178,022</u>	<u>177,145</u>

The Group has interest rate collar and swap transactions which mature beyond 12 months and which hedge its exposure to interest rate movements on debt of £60 million (2004: £72 million). At 31 March 2005 the instruments were marked-to-market at a cost of £364,360 (2004: £876,095), reflecting potential losses were the Group to unwind the position.

Interest rate risk profile of financial assets

	2005	2004
	£'000	£'000
Fixed Rate	28,764	20,163
Floating Rate	42,313	157,859
At 31 March	<u>71,077</u>	<u>178,022</u>

The fixed rate financial assets represent sterling denominated investments in UK treasury gilts and THFC bonds. The weighted average interest rate on these investments is 5.7 %. The floating rate financial assets comprise sterling denominated deposits that bear interest rates based on overnight to three months LIBOR.

NOTES TO THE FINANCIAL STATEMENTS
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29. FINANCIAL INSTRUMENTS (Continued)

Fair values of financial liabilities

The following table provides a comparison by category of the carrying amounts and the fair values of the Group's financial liabilities at 31 March 2005. The fair values have been calculated in accordance with FRS13, and show the notional effect of marking fixed rate debt to the market rates of tradeable debt instruments at 31 March 2005.

	2005		2004	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
10.125% Debenture stock 2018	19,000	27,088	19,000	26,617
8.625% Debenture stock 2016-2020	105,000	143,693	105,000	143,651
5.09% Secured Bonds 2024	200,000	196,220	200,000	191,620
6.625% Eurobond 2038	98,282	115,244	100,000	114,340
	425,568	-	470,883	485,379
Non Housing loans	-	-	-	-
Discounted Bonds (THFC 2009)	3,690	3,690	3,583	3,583
Cost of raising finance	(209)	(209)	(224)	(224)
Recycling capital grant funds	7,064	7,064	11,074	11,074
Disposal Proceeds Fund	1,121	1,121	445	445
Obligations under Finance Leases	95	95	196	196
Provisions	1,358	1,358	1,359	1,359
	860,969	495,364	911,316	978,040
Deferred financing	(5,523)	(5,523)	(7,289)	(7,289)
	<u>855,446</u>	<u>489,841</u>	<u>904,028</u>	<u>970,751</u>

Interest rate risk profile of financial liabilities

	2005	2004
	£'000	£'000
Floating Rate	235,640	257,546
Fixed Rate	604,535	625,877
Index-Linked Rate	20,794	27,893
	<u>860,969</u>	<u>911,316</u>

The weighted average period for which interest rates were fixed was 21.5 years, and the weighted average fixed interest rate was 7.1%.

Of the fixed rate debt £7.7 million requires refinancing between 2005 and 2010. The floating rate financial liabilities comprise sterling denominated bank borrowings and overdrafts that bear interest rates based on one to twelve months LIBOR.

Borrowing Facilities

As at 31 March 2005, the Group had undrawn committed borrowing facilities expiring as follows:-

	2005	2004
	£'000	£'000
In one year or less, or on demand	25,000	21,000
In more than one year but not more than two years	-	17,800
In more than two years	40,212	107,800
	<u>65,212</u>	<u>146,600</u>

Of the undrawn committed borrowing facilities, £11.7 million (2004: £57.8 million) requires fixed charge security to be placed with lenders. All other facilities are immediately accessible.

Places for People Group Limited

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30. RECONCILIATION OF NET OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	GROUP	
	2005	2004
	£'000	£'000
Operating surplus for the year before interest and taxation	61,498	60,981
Depreciation and impairment	11,467	10,732
Provisions - (release)/charge	386	(1,080)
Provisions - expenses	-	(70)
(Increase) in stock and work in progress	(22,170)	(6,796)
Decrease / (Increase) in debtors	2,390	(981)
Decrease/(increase) in long term debtors	31	4,618
Increase / (Decrease) in creditors	2,855	(268)
Amortisation of negative goodwill	(442)	(309)
Net cash inflow from operating activities	<u>56,015</u>	<u>66,827</u>

31. RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET DEBT

	2005	2004
	£'000	Restated £'000
(Decrease)/increase in cash in the period	(1,582)	7,305
Cash outflow / (inflow) from net increase in debt	50,605	(132,811)
Cash (inflow) / outflow from change in liquid resources	<u>(106,955)</u>	<u>97,284</u>
Change in net debt resulting from cashflows	<u>(57,932)</u>	<u>(28,222)</u>
Amortisation of discount	<u>(107)</u>	<u>(96)</u>
	<u>(58,039)</u>	<u>(28,318)</u>
Opening net debt	<u>(748,200)</u>	<u>(719,882)</u>
Closing net debt	<u><u>(806,239)</u></u>	<u><u>(748,200)</u></u>

32. ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 2004	Cashflows	Other changes	On Acquisitions	At 31 March 2005
	£'000	£'000	£'000	£'000	£'000
2004/05					
Cash at bank and in hand	13,474	(1,584)	-	-	11,890
Overdrafts	<u>(1)</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>
	13,473	(1,583)	-	-	11,890
Debt due within 1 year	(35,242)	10,928	-	-	(24,314)
Debt due after 1 year	<u>(861,415)</u>	<u>39,678</u>	<u>(107)</u>	<u>-</u>	<u>(821,844)</u>
Current asset investments	134,984	(106,955)	-	-	28,029
Total	<u><u>(748,200)</u></u>	<u><u>(57,932)</u></u>	<u><u>(107)</u></u>	<u><u>-</u></u>	<u><u>(806,239)</u></u>

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33. CAPITAL COMMITMENTS	GROUP		COMPANY	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000

Capital expenditure that has been authorised and contracted for but has not been provided for in the financial statements

104,930	45,019	-	-
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Capital expenditure that has been authorised by the Board of Directors

134,521	121,461	-	-
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The Group has the necessary financing in place to meet these commitments.

The commitments under non-cancellable operating leases for the following year, analysed according to the period in which each lease expires, are set out below.

	GROUP		COMPANY	
	Housing	Office Equipment	Housing	Office Equipment
	2005	2005	2004	2004
	£'000	£'000	£'000	£'000
In one year or less	-	145	-	145
Between one and two years	25	57	25	202
Between two and five years	-	-	-	-
In five years or more	-	-	-	-
	25	202	25	347

The housing operating leases relate to housing leased from private landlords under the Housing Association as Managing Agents (HAMA) initiative. No more leases are being entered into under the HAMA project and existing leases will terminate in the next few years. The office operating leases relate to leased photocopiers, franking machines and similar equipment.

34. CONTINGENT LIABILITIES

As at 30th September 2004, NBH Ltd. had a contingent liability totalling £1m (2004: £1m) in respect of its entire holding of 8 3/4% Treasury stock 2017. The stock is held by the Trustee for Funding for Homes Limited, subject to certain rights, and could be sold should a fellow group borrower fail to service the interest or repay the stock.

The Group is party to certain legal actions arising in the ordinary course of business. While the outcome of these cases is uncertain, the directors believe, on the basis of advice received, that no material loss to the Group will occur. Having made due enquiries the directors are not aware of any further contingent liabilities.

Places for People Group Limited

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35. RELATED PARTY TRANSACTIONS

One tenant served on the Board of Places for People Group Limited during the year. The tenancy is on normal commercial terms, and the tenant may not use the position to the tenant's advantage.

36. DISCLOSURE OF GROUP ACTIVITY

Places for People Group Limited is the parent company of the Group and is required by statute to prepare consolidated accounts. All the group bodies are incorporated in England and Wales, or in Scotland.

	Subsidiaries of Places For People Group Limited	Related Companies of JVCo Limited	Related Companies of North British Housing Limited	Housing Associations registered with the Housing Corporation/Communities Scotland	Bodies incorporated under the Industrial & Provident Societies Act 1965	Companies incorporated under the Companies Act 1985
blueroom properties limited	*			*	*	*
Bristol Churches Housing Association Limited	*			*Scotland	*	*
Capital City Homes	*					*
Edinvar Community Care Ltd	I			*Scotland	*	*
Edinvar Housing Association Ltd	*					*
Edinvar Housing Trust Ltd	DI					T
Edinvar Trust Ltd	I					*
Emblem Homes Limited	*					*
JVCo Limited	*					*
Kush Housing Association Ltd	*			*	*	*
New Leaf Supporting Independence Limited	*			*	*	*
North British Housing Limited	*			*	*	*
PFP Regeneration	*					*
North British Landscapes Limited	*		S			*
PFP Developments Limited	*					*
Places for Children (PFP) Ltd	*					*
Places for People Group Limited				*		*
Routes to Sustainability Limited	D					*
Southdoyle Limited			S			*
Technotots (Holdings) Limited			J			*
Westminster City Homes Ltd		J				*

"S" denotes a wholly owned subsidiary; "J" denotes a 50% joint venture

All group bodies are incorporated in England and Wales or Scotland

"I" denotes an indirect subsidiary - these entities are wholly owned subsidiaries of Edinvar Housing Association Ltd

"T" denotes an entity constituted by a Trust deed

"D" denotes dormant during the financial period to 31 March 2005

"DI" Edinvar Housing Trust Ltd was dissolved on 30 July 2004

37. FIXED ASSETS - INVESTMENTS OF PLACES FOR PEOPLE GROUP LIMITED

	2005	GROUP	2004
	£'000		£'000
Cost at 1 April	1		1
Additions in year	-		-
At 31 March	<u>1</u>		<u>1</u>

This represents a capital contribution from Places for People Group Limited for a fixed asset investment of shares in JVCo Limited, Emblem homes Limited, PFP Developments Limited, blueroom investments limited and blueroom properties limited.