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'AMENDING'

PLACES *for* PEOPLE **Group Limited**

FINANCIAL STATEMENTS

For the year ended 31 March 2004



Places for People Group Limited
Financial Statements for the period ending 31 March 2004

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Places for People Group Limited

GROUP CONSOLIDATED HIGHLIGHTS - FIVE YEAR SUMMARY

For the year ended 31 March

	2004	2003	2002	2001	2000
Group Income and Expenditure account (£'000)					
Total turnover	209,979	197,236	164,540	153,103	133,346
Gross rents receivable from Social Housing Lettings	137,366	144,021	132,868	122,959	123,233
Operating surplus before interest	60,981	57,704	56,347	52,345	48,398
Surplus on ordinary activities	14,593	13,478	8,565	5,727	8,393
Group Balance Sheet (£'000)					
Tangible fixed assets	1,980,798	1,931,581	1,871,988	1,685,524	1,617,378
Investment in new housing properties during the year	73,959	79,250	88,601	86,375	111,272
Expenditure on repairs and improvements	41,726	42,479	37,033	33,302	31,600
Social Housing Grant and other capital grants	1,012,845	994,495	986,961	889,617	874,448
Tangible assets net of Social Housing Grant	937,397	906,937	862,150	786,049	739,343
Loans	892,147	761,022	700,469	642,037	624,709
Reserves	209,050	191,296	170,680	146,508	140,225
Accommodation Figures					
Total housing stock owned (number of dwellings)	51,547	51,070	51,203	49,831	48,500
Group Statistics					
Surplus on ordinary activities as % of turnover	6.9%	6.8%	5.2%	3.7%	6.3%
Operating surplus before interest per home owned	£1,183	£1,130	£1,100	£1,050	£998
Total reserves per home owned	£4,055	£3,745	£3,333	£2,940	£2,891
Interest cover before depreciation (surplus before charging depreciation and interest payable, divided by net interest payable)	1.3	1.3	1.3	1.2	1.3
Interest cover after depreciation (surplus after charging depreciation but before interest payable, divided by net interest payable)	1.2	1.2	1.1	1.1	1.2
Liquidity (current assets divided by current liabilities)	2.9	1.6	1.4	1.4	1.3
Gearing (total loans less current asset investments as % of tangible fixed assets)	38.2%	37.4%	37.0%	37.2%	37.3%
Voided and bad debts as % of rent and service charge receivable	4.3%	4.5%	4.7%	5.3%	5.9%

Note

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

The surplus of £14.6 million (2003:£13.5million) has been achieved after charging depreciation on Housing properties of £7.9million (2002:£7.5 million) .

The total reserves per home owned includes negative goodwill on acquisitions of £31.5million (Note 27).

Places for People Group Limited

Financial Statements

For the year ending 31 March 2004

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
D Cowans: Group Chief Executive
K Heaton : Group Director (Organisation)
S Binks : Group Director (Finance and Information)
J Belcher (Appointed 24/10/03)
J C Dennis (Appointed 24/09/03)
G S Watson OBE (Appointed 24/09/03)
V Owen OBE (Appointed 01/06/04)
R Turner (Appointed 01/06/04)
B Kilgallon OBE (Appointed 01/06/04)
N Dakin (Co-optee)

S L Cox OBE: Group Chairman (Resigned 01/05/04)
J Middleton (Appointed 24/10/03 / Resigned 28/04/04)
J E Harris Jones (Resigned 24/09/03)
P Leith OBE (Resigned 25/09/03)
D F Walker (Resigned 24/09/03)
A J Burford (Resigned 24/09/03)
D A Main (Resigned 16/02/04)

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

KPMG LLP
St James Square
Manchester
M2 6DS

Bankers

Co-operative Bank Plc
147 Church Street
Preston
PR1 3UD

Dresdner Kleinwort Wasserstein
20 Fenchurch Street
London
EC3P 3DB

Principal Solicitors

Bevan Ashford Bristol	Trowers & Hamlins London
Devonshires London	Dickinson Dees Newcastle Upon Tyne

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.

Places for People Group Limited

Financial Statements

For the year ending 31 March 2004

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors is pleased to present its report and the audited consolidated financial statements for the period ending 31 March 2004.

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 communities, 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 develops partnerships with other organisations to make a wider contribution to the communities where the Group works.

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, Edinvar Housing Trust Ltd, and Edinvar Trust, 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. It commenced trading in April 2002.

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.

As at 31 March 2004 the consolidated Group owned or managed 53,179 properties. At 31 March 2004 it employed 1,848 people and had tangible fixed assets of £1,981 million.

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 and which is financially sustainable in the long term;

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

- ❖ 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.

The Group has published a Group Strategy Statement which describes how it will meet these challenges.

Results

The Group's surplus for the year before taxation and transfers to reserves was £14.6 million. The equivalent figure in 2003 was £13.5million. It should be noted that the current year's surplus is after a charge for housing property depreciation of £7.9 million (2003: £7.5million). £74 million (2003: £79.3million) was spent on additional housing and £41.7 million (2003: £42.5million) was reinvested in stock through maintenance, major repairs and improvements. Further details appear in the Operating and Financial Review on pages 10 and 11.

Future Developments

The Group had 1,070 properties in development at the year end and it is anticipated that a further £79.1million will be spent completing these properties. Of the £79.1million, £26m will be spent by the Group's housing for sale company and £14 million by the Group's market rented company.

Corporate Governance

In October 2003 the Housing Corporation placed the Group under supervision, following differences of view in the boardroom which resulted in two non executive directors failing to be re-elected at the Group's Annual General Meeting and the subsequent resignation of two more non executive directors.

Using its regulatory powers, the Housing Corporation appointed two non executive directors to assist the Group to review its governance arrangements at board level. The Housing Corporation expressed confidence in the Group's financial strength and strong management, their only concern being one of governance.

The two statutory appointees have assisted the Board to undertake a comprehensive governance review, the outcomes of which have addressed the Housing Corporation's concerns. The Board has also been assisted by consultants from the Institute of Directors and the Office of Public Management.

As part of the governance review process the Board has recruited three new non executive directors with the skills knowledge and expertise to make a valuable contribution to the Group's governance in an ever more complex, challenging and competitive environment. In addition, a new Chairman has been appointed following the current Chairman's decision to stand down.

The Board of Directors has adopted a Scheme of Remuneration in respect of the payment of the Group Chairman and non executive directors. The levels of remuneration reflect the payments made by the Group's peers and are within the limits set by the Housing Corporation.

A Code of Governance was published by the National Housing Federation in November 2002. 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 Code. The Code applies for reporting years beginning on or after 1 November 2003. The Board has decided to meet all relevant code provisions from April 2004.

Financial Statements

For the year ending 31 March 2004

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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.

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 on a regular basis.

Group Audit Committee Members:-

G S Watson OBE	C Blakey
The Ven R W B Atkinson OBE	J Belcher
B Kilgallon OBE	

Officers who attend the meeting:-

Group Chief Executive	Head of Group Risk & Compliance
Group Director (Finance & Information)	Group Financial Controller

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

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:-

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

The Group Director (Organisation) attends the meetings.

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	J C Dennis
N Dakin	
C Blakey	

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. Bristol Churches Housing Association has a similar arrangement and Edinvar and Kush Housing Associations are planning the introduction of such arrangements.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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 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 with 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.

Performance monitoring by all boards, committees and the Group's executive team through monthly reports on key business activities and risks, including Housing Corporation Assessments.

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. 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 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.

Internal Letters of Representation on Internal Control signed by appropriate directors and senior management.

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.

The Group Board of Directors has reviewed the effectiveness of the system of internal control for the year ended 31 March 2004, 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 £208,788 (2003: £63,027). The Group has made no political donations (2003: £nil).

Annual General Meeting

The Annual General Meeting will be held on 22 September 2004 at Novotel London Euston, 100-110 Euston Road, London, NW1 2AJ.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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.

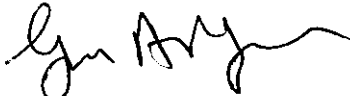
Responsibilities of the Board of Directors

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.

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 period ending 31 March 2004. The Board of Directors also confirms that applicable accounting standards have been followed and that the statements have been prepared on the 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



**G A R Fordyce
Company Secretary**

Preston, 21 July 2004

Financial Statements

For the year ending 31 March 2004

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 £14.6 million (2003: £13.5 million), which the Board of Directors considers meets the objectives detailed above, particularly as £34.1 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 £7.9 million (2003: £7.5 million).

With regard to the Group's main activity, the letting and management of social rented housing, the operating surplus before interest increased by 5.7% to £61 million (2003: £57.7 million). Turnover increased by 6.5% to £210 million (2003: £197.2 million), whilst operating costs decreased by 1.9% to £115.2 million (2003: £117.4 million). The total expenditure on repairs and maintenance, major repairs and improvements was £41.7 million (2003: £42.5 million). In addition £7.8 million (2003: £6.9 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 monthly 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 £209 million (2003: £191.3 million), representing an amount of £4,055 per property (2003: £3,745). 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 £34.1 million (2003: £34.2 million). Secondly, the Group faces significant financial risks, a brief summary of which is provided below.

During the year, £74 million was spent on developing housing and the Group expects to spend a further £79.1 million completing the 1,070 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.

Financial Statements
For the year ending 31 March 2004

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Another area of risk relates to Group borrowings which have increased by £133.5 million during the year, reflecting both the increasing proportion of development costs that are now being met from loans as opposed to grant. 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 £0.4 million per annum.

A further risk to the business related 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.

Post Balance Sheet Events

Cashflow and Liquidity

The net cash inflow from operating activities before interest costs was £66.8 million (2003: £57.2million). Bank balances and short term investments were £148.5 million at the year end (2003 : £43.9 million). In addition to this, the Group had available facilities of £146.6 million, of which £88.8 million was immediately available without the need for additional security.

Treasury Management

Group borrowings increased by £133.5 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 38.2 % (2003: 37.4%) 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. 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 25% of the loan book, with the Board exercising a strict control over derivative transactions (currently 70% of debt is at fixed rates of interest, whilst a further 8% is hedged against adverse rate movements). Refinancing risk (defined as loans which do not include some form of amortisation) is constrained to no more than 50% of the loan book. Currently only 37.4 % of debt carries a refinancing risk, the majority of which matures 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.

Fixed Assets

The cost of the Group's fixed assets is £1,980.8 million (2003: £1,931.6 million). These have been funded from Housing Association and other capital grants of £1,012.8 million (51.1%), loans of £892.1 million (45%) and the Group's own resources of £75.9 million (3.9 %).

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. On 24 March 2004 the Group Board decided to close the existing defined benefit pension scheme to new members and to put in place defined contribution arrangements for new employees. As of 1 September 2004 new employees will be entitled to join a new pension scheme which is a stakeholder scheme to which the company will contribute.


D Cowans
Group Chief Executive

Preston, July 2004

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

We have audited the financial statements on pages 13 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 2004 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

31 July 2004

Places for People Group Limited

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 March

		2004	2003
	Notes	£'000	£'000
Turnover	2	209,979	197,236
Cost of sales	2	(33,809)	(22,139)
Operating costs	2	(115,189)	(117,393)
Operating surplus before interest	2	60,981	57,704
Surplus on sale of housing accommodation	4	4,558	4,185
Interest receivable and similar income	7	6,432	1,936
Interest payable and similar charges	8	(57,402)	(50,413)
Share of operating surplus on joint venture	15	24	66
Surplus on ordinary activities before taxation		14,593	13,478
Taxation	10	(2,135)	(1,692)
Surplus for the year		12,458	11,786
Revenue reserves at 1 April	25	99,822	88,735
Transfer from designated and restricted reserves	26	4,541	(171)
Transfer to designated and restricted reserves	26	(7,119)	(807)
Transfer of realised revaluation reserves	28	483	279
Revenue reserves at 31 March	25	110,186	99,822

All amounts relate to continuing operations.

There is no difference between the surplus as stated above, and the historical cost equivalents for 2003 and 2002.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 March

	2004	2003
	£'000	£'000
Surplus for the financial year	12,458	11,786
Unrealised surplus on revaluation of investments (Note 28)	5,962	9,126
Total gains and losses recognised since the last annual report	18,420	20,912

The notes on pages 18 to 48 form an integral part of these financial statements.

COMPANY INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 March

	Notes	2004 £'000	2003 £'000
Turnover	2	13,166	-
Operating Costs		<u>(13,197)</u>	<u>-</u>
Operating Loss		(31)	-
Interest receivable and similar income	7	31	-
Profit / (Loss) on Ordinary Activities before Taxation		<u>-</u>	<u>-</u>
Taxation	10	-	-
Profit for the year		<u>-</u>	<u>-</u>
Retained profit brought forward		-	-
Retained profit carried forward		<u>-</u>	<u>-</u>

The notes on pages 18 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.

CONSOLIDATED BALANCE SHEET
as at 31 March

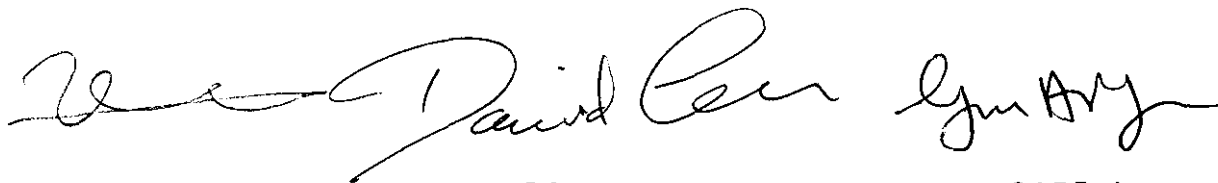
2004

2003

	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Tangible fixed assets	11		1,980,798		1,931,581
Less: SHG and other capital grants	11	(1,012,845)		(994,495)	
: Depreciation	11	(58,860)	(1,071,705)	(49,251)	(1,043,746)
			909,093		887,835
Investments	14		27,774		18,597
Investments in joint ventures:	15				
: Share of gross assets		970		1,138	
: Share of gross liabilities		(440)	530	(633)	505
			937,397		906,937
Current assets					
Stock	16	52,514		34,992	
Debtors: amounts due after one year	17	1,789		6,408	
Debtors: amounts due within one year	18	21,331		19,036	
Investments	19	134,984		37,700	
Cash at bank and in hand		13,474		6,168	
		224,092		104,304	
Creditors: amounts falling due within one year	20	(77,857)		(63,963)	
Net current assets			146,235		40,341
Total assets less current liabilities			1,083,632		947,278
Creditors: amounts falling due after more than one year					
Provisions for liabilities and charges	21	873,223		754,687	
	24	1,359		1,294	
			874,582		755,981
Capital and reserves					
Revenue reserves	25	110,186		99,822	
Designated and restricted reserves	26	48,513		46,294	
Negative goodwill	27	31,507		31,816	
Revaluation reserves	28	18,843		13,364	
Capital contribution		-		-	
Total capital and reserves			209,050		191,297
			1,083,632		947,278

The notes on pages 18 to 48 form an integral part of these financial statements.

The financial statements on pages 13 to 48 were approved by the Board of Directors on 21 July 2004, and signed on its behalf by:



Ms Z Atkins
Group Chairman

D Cowans
Director

G A R Fordyce
Company Secretary

COMPANY BALANCE SHEET
 as at 31 March

		2004	2003
	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	232	-
Investments	19	654	-
Cash at bank and in hand		(98)	-
		<u>788</u>	<u>-</u>
Creditors: amounts falling due within one year	20	(788)	-
Net current liabilities		<u>-</u>	<u>-</u>
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
		<u>-</u>	<u>-</u>
Total capital and reserves		<u>1</u>	<u>1</u>

The notes on pages 18 to 48 form an integral part of these financial statements.

The financial statements on pages 13 to 48 were approved by the Board of Directors on 21 July 2004, 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

		2004	2003
	Note	£'000	£'000
Net cash inflow from operating activities	30	66,828	57,182
Returns on investments and servicing of finance			
Interest received		5,817	1,930
Interest paid		<u>(59,743)</u>	<u>(56,145)</u>
Net cash outflow from returns on investments and servicing of finance		(53,926)	(54,215)
Taxation			
Corporation tax paid		(2,447)	407
Capital expenditure and financial investment			
Acquisition and construction of housing properties		(65,832)	(56,859)
Social housing and other capital grants received		25,844	16,695
Sales of housing properties		15,042	8,766
Sales of initial tranche of shared ownership properties		2,506	1,211
Expenditure on other tangible fixed assets		(6,198)	(7,388)
Investments held in trust		(13,723)	(9,429)
Investments in third parties repaid		4,561	7,038
Sales of other tangible fixed assets		<u>1,217</u>	<u>177</u>
Net cash outflow for capital expenditure and financial investments		(36,583)	(39,789)
Net cash outflow before management of liquid resources and financing		<u>(26,128)</u>	<u>(36,415)</u>
Management of liquid resources			
Increase in short-term investments		(97,285)	(29,282)
Financing			
Loans received		282,800	83,955
Loan principal repaid		<u>(152,083)</u>	<u>(23,490)</u>
Net cash inflow from financing		<u>130,717</u>	<u>60,465</u>
(Decrease)/increase in cash	31	<u><u>7,305</u></u>	<u><u>(5,232)</u></u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ending 31 March 2004

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 Trust Limited
Emblem Homes Limited
JVCo Limited
PfP Regeneration
North British Landscapes Limited
PfP Developments Limited
Places for Children (PfP) Limited
Practical Environment Limited
Technotots (Holdings) Limited
Westminster City Homes Limited

**Registered under the
Companies Act 1985:**
blueroom investments limited
Bonusmill Limited

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 2004. 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, development administration, 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 2004

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 for 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 North British Housing Association Limited Retirement Benefits Scheme is a defined benefit scheme which will be closed to new members as of 1 September 2004. New employees will be entitled to join a new pension scheme which is 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 2004

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.

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 2004

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. Information on the grant paid to them is provided in note 38.

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.

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 2004

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Revaluation reserve

The revaluation reserve represents the increase in value of the investments in gilts, as these are marked to market annually, and the increase in value of the investment properties held by blueroom properties limited.

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2004

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

	Group 2004		Group 2003	
	Turnover	Cost of Sales	Turnover	Cost of Sales
	£'000	£'000	£'000	£'000
Lettings Activities				
Income and expenditure from social housing lettings (note 3)	152,132	-	152,091	-
Income and expenditure from non-social housing lettings	13,288	-	11,193	-
Total	165,420	(105,948)	163,284	(106,881)
Other Social Housing Activities				
Property Sales (Development for sale)	20,990	(20,545)	13,024	(13,126)
Leased schemes	971	-	1,258	-
Management services	524	(546)	549	(468)
Other	2,569	(3,793)	3,564	(3,642)
Total	25,054	(4,365)	18,395	(4,110)
Other Non-social Housing Activities				
Commercial properties	201	(92)	218	(108)
Other	19,304	(4,783)	15,339	(5,172)
Total	19,505	(4,875)	15,557	(5,280)
Total other activities	44,559	(9,241)	33,952	(9,390)
Total	209,979	(115,189)	197,236	(116,271)

	Turnover	Turnover
	£'000	£'000
Further Analysis of Turnover from Non-social housing activities		
Market Renting	11,372	9,327
Student Accommodation	1,916	1,866
Total turnover from non-social lettings activities (as above)	13,288	11,193
Other (as above)		
Community Care Services Income	3,915	3,503
Sale of Non-social Housing	14,320	9,450
Other	1,270	2,604
Total	32,793	26,750

The surplus on operating costs relating to Non-Social Housing Activities includes property sales in blueroom properties limited of £0.6M (2003:£1.4M). The property sales (development for sale) activities relate primarily to developments carried out for third parties which are carried out at cost.

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

Turnover within the trading company of £13.2m represents income received from recharges of management costs to the subsidiaries of the Places for People Group.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2004

3. GROUP INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	General Needs Housing	Supported Housing	Temporary Social Housing	Key Worker Accommodation	Residential Care Homes	Shared Ownership	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income from social housing lettings activities								
Rent receivable net of service charges	110,619	4,317	1,207	-	1,806	5,045	518	123,512
Supporting People Block Grant	-	185	-	-	-	-	-	185
Service charges receivable	10,130	2,097	18	-	606	502	316	13,668
Gross rents receivable	120,749	6,599	1,225	-	2,412	5,547	834	137,366
LESS: Rent losses from voids	(3,236)	(262)	(170)	-	(92)	-	-	(3,760)
Net rents receivable	117,513	6,337	1,055	-	2,320	5,547	834	133,606
Revenue grants from local authorities and other agencies	6,016	5,633	113	-	346	-	-	12,107
Revenue grants from the Housing Corporation	-	-	-	-	-	-	-	-
Revenue grants received for major repairs	252	-	-	-	-	-	-	252
Other income	1,568	1,556	-	-	3	98	2,942	6,167
Total income	125,348	13,526	1,168	-	2,668	5,645	3,776	152,132
Expenditure on social housing lettings activities								
Services	(9,741)	(6,732)	(28)	-	(2,626)	(487)	(322)	(19,936)
Management	(18,347)	(2,165)	(258)	-	(303)	(1,109)	(645)	(22,827)
Routine Maintenance	(13,604)	(704)	(61)	-	(68)	(196)	(128)	(14,761)
Planned Maintenance	(15,263)	(798)	(53)	-	(179)	(1,235)	(516)	(18,043)
Rent losses from bad debts	(1,916)	(208)	(59)	-	(5)	(7)	(3)	(2,198)
Major repairs expenditure	(8,906)	(77)	(2)	-	(39)	102	-	(8,922)
Depreciation on housing assets	(5,128)	(187)	-	-	(0)	(275)	(1,502)	(7,091)
Property lease charges	(60)	(83)	(745)	-	-	-	-	(888)
Impairment of housing properties	(430)	(14)	-	-	(49)	-	-	(493)
Other costs	(1,382)	(259)	(6)	-	(13)	(8)	(2,346)	(4,014)
Total expenditure	(74,776)	(11,226)	(1,212)	-	(3,282)	(3,214)	(5,462)	(99,173)
Operating Surplus / (Deficit)	50,572	2,300	(44)	-	(614)	2,431	(1,686)	52,959

Places for People Group Limited

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2004

3. GROUP INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS:

	General Needs Housing	Supported Housing	Temporary Social Housing	Key Worker Accommodation	Residential Care Homes	Shared Ownership	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income from social housing lettings activities								
Rent receivable net of service charges	112,005	4,380	825	-	1,568	5,074	473	124,325
Service charges receivable	12,274	6,015	6	-	603	494	303	19,695
Gross rents receivable	124,279	10,395	831	-	2,171	5,568	776	144,020
LESS: Rent losses from voids	(3,540)	(262)	(91)	-	(47)	(0)	0	(3,940)
Net rents receivable	120,739	10,133	740	-	2,124	5,568	776	140,080
Revenue grants from local authorities and other agencies	5,535	1,963	-	-	217	-	-	7,715
Revenue grants from the Housing Corporation	345	526	-	-	-	-	-	871
Other income	(850)	1,535	-	-	2	99	2,638	3,424
Total income	125,769	14,157	740	-	2,343	5,667	3,414	152,090
Expenditure on social housing lettings activities								
Services	(11,023)	(6,958)	(501)	-	(2,093)	(491)	(332)	(21,398)
Management	(19,817)	(1,875)	(153)	-	(281)	(1,087)	(577)	(23,790)
Routine Maintenance	(13,695)	(790)	(83)	-	(59)	(183)	(113)	(14,922)
Planned Maintenance	(13,894)	(719)	(51)	-	(242)	(766)	(638)	(16,310)
Rent losses from bad debts	(2,223)	(365)	-	-	(10)	(8)	(1)	(2,607)
Major repairs expenditure	(11,007)	(195)	-	-	(27)	-	(16)	(11,245)
Depreciation on housing assets	(4,828)	(209)	-	-	-	(270)	(1,357)	(6,664)
Property lease charges	(334)	-	-	-	-	-	-	(334)
Impairment of housing properties	(2,067)	(1,919)	-	-	(13)	(64)	(1)	(4,064)
Other costs	-	-	-	-	-	-	-	-
Total expenditure	(78,888)	(13,030)	(788)	-	(2,725)	(2,869)	(3,035)	(101,335)
Operating Surplus / (Deficit)	46,881	1,127	(48)	-	(382)	2,798	379	50,755

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2004

	2004						2003					
	Turnover	Cost of Sales	Operating costs	Operating surplus	Turnover	Cost of Sales	Operating Costs	Operating surplus	Turnover	Cost of Sales	Operating Costs	Operating surplus
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Property Sales income and expenditure												
Sale of housing accommodation	24,722	(19,211)	(953)	4,558	19,919	(14,989)	(745)	4,185	19,919	(14,989)	(745)	4,185
Total	<u>24,722</u>	<u>(19,211)</u>	<u>(953)</u>	<u>4,558</u>	<u>19,919</u>	<u>(14,989)</u>	<u>(745)</u>	<u>4,185</u>	<u>19,919</u>	<u>(14,989)</u>	<u>(745)</u>	<u>4,185</u>

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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2004

5. DIRECTORS EMOLUMENTS

The Group is administered by a Board of Directors. The non-executive members received no remuneration during the year (2003: £Nil) but received the following reimbursements for expenses.

	GROUP	
	2004	2003
	£	£
Expenses not chargeable to United Kingdom income tax reimbursed to directors	<u>27,530</u>	<u>32,653</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 and as of the 1st April 2003 the remuneration of four of them was paid by the Places for People Group which began trading as of this date and one was paid by NBH Limited, previously all remuneration was paid by NBH Limited.

	2004	2003
	£	£
Aggregate emoluments (excluding pension contributions)	<u>647,607</u>	<u>573,788</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>179,473</u>	<u>162,189</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	39,084	37,159
Accrued lump sum at end of year	19,491	15,491

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

	2004	2003
	Number	Number
£NIL	9	10
£80,001-£90,000	-	1
£90,001-£100,000	-	1
£100,001-£110,000	1	1
£110,001-£120,000	1	1
£120,001-£130,000	2	-
£160,001-£170,000	-	1
£179,001-£180,000	1	-

The Group has no contracts in which a Director has an interest.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2004

6. EMPLOYEE INFORMATION**GROUP****COMPANY****2004****2003****2004****2003**

During the year Places for People Group Limited began to trade and the central administration staff were transferred from NBH Limited to this company.

The average number of employees expressed as full time equivalents (including the Executive Directors) employed during the year was:

Managing housing services	811	816	-	-
Developing and selling houses	61	57	-	-
Central administration services	184	183	158	-
Care services	555	544	-	-
	<u>1,611</u>	<u>1,600</u>	<u>158</u>	<u>-</u>

Staff costs (for the above persons)	2004	2003	2004	2003
	£'000	£'000	£'000	£'000

Wages and salaries	32,583	30,255	4,544	-
Severance costs	-	416	-	-
Social security costs	2,199	1,925	360	-
Other pension costs	2,760	2,691	500	-
	<u>37,542</u>	<u>35,287</u>	<u>5,404</u>	<u>-</u>

Pension obligations

The total pension cost for the Places for People Group Limited was £2,759,764 (2003 :£2,690,947). This is related to three schemes of which employees are members; the North British Housing Association Ltd Retirement Benefits Scheme, the Social Housing Pension Scheme and The Scottish Federation of Housing Associations Retirement Death and Benefit Scheme.

The North British Housing Association Ltd Retirement Benefits scheme.

The North British Housing Association Limited Retirement Scheme is a defined benefit scheme which will be closed to new members as of 1 September 2004. New employees will be entitled to join a new pension scheme which is a Stakeholder scheme to which the company will contribute.

The North British Housing Association Limited Retirement Benefits Scheme is an independently administered pension scheme. It is a defined benefits scheme based on final pensionable salary. As at 31 March 2004 there were 1,264 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 is 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 £34,704,000 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.

Under the transitional requirements of FRS 17 the Association is required to disclose further information on the assets and liabilities on a market value basis at the end of the accounting period. The valuations have been prepared by a qualified actuary.

2004**2003**

The major assumptions used by the actuary were:

Price inflation	2.75%	2.50%
Rate of increase in salaries	3.75%	3.50%
Rate of increase in pensions in payment	2.75%	2.50%
Discount Rate	5.40%	5.40%

The expected rates of return on assets are:

	2004		2003	
	Expected long term return	Value at 31 March £'000	Expected long term return	Value at 31 March £'000
Equities	7.00%	31,688	7.00%	23,458
Bonds	5.00%	12,140	5.00%	9,703
Cash	4.00%	846	4.00%	891
		<u>44,674</u>		<u>34,052</u>
Total Market of Assets		44,674		34,052
Present value of the scheme's liabilities		79,378		69,895
Deficit in the scheme		(34,704)		(35,843)
Related Tax asset @ 30%		10,411		10,753
Net Pension Liability		<u>(24,293)</u>		<u>(25,090)</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2004

6. EMPLOYEE INFORMATION (Continued)

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

Balance Sheet presentation at 31 March 2004

	2004 £'000	2003 £'000
Net assets	209,050	191,297
Net Pension liability	(24,293)	(25,089)
Net Assets including FRS17 pension liability	184,757	166,208

Reserves note

Capital and Reserves	209,050	191,297
Pension Reserve	(24,293)	(25,089)
Capital and Reserves including FRS17 pension liability	184,757	166,208

Analysis of amounts charged to operating surplus

Current service costs	2,470	2,699
Amount charged to other finance income		
Expected return on assets	2,245	2,863
Interest on scheme liabilities	(3,837)	(3,661)
Net charge	(1,592)	(798)

Amount recognised in Statement of Total Recognised Gains and Losses

Actual less expected return on assets	5,808	(12,365)
Experience gains/(losses) on liabilities	(3,249)	78
Effect of change in assumptions on liabilities	(61)	(4,689)
Total Gain /(loss) recognised in Statement of Total Recognised Gains and Losses	2,498	(16,976)

Movement in surplus/(deficit) during the year

Surplus/(deficit) in scheme at beginning of period	(35,843)	(17,800)
Current service cost (excluding members' contributions)	(2,470)	(2,699)
Cash Contribution (excluding members' costs)	2,703	2,431
Other Finance income/(expenditure)	(1,592)	(798)
Actuarial gain/(loss)	2,498	(16,976)
Surplus/(deficit) in scheme at end of period	(34,704)	(35,842)

History of experience gains and losses

	2004		2003	
	£'000	% of assets	£'000	% of assets
Difference between expected and actual returns on scheme assets:	5,808	13.00%	(12,365)	-36.30%
Experience gains on scheme liabilities	(3,249)	-4.10%	78	1.00%
Total actuarial gain/(loss)	2,498	3.10%	(16,976)	-24.30%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

The Social Housing Pension Scheme

The Association has 20 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 2004 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 2000 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 2003 and the results will be available after September 2004.

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			
		North British Retirement Scheme	SHPS	SFHA	Other
blueroom properties limited	33	7	-	-	-
Bristol Churches Housing Association Limited	115	45	8	-	-
Capital City Homes Ltd	9	2	-	-	-
Edinvar Community Care Ltd	57	33	-	15	-
Edinvar Housing Association Ltd	63	21	-	28	-
JVCo Limited	40	9	-	-	-
Kush Housing Association Ltd	27	-	-	-	26
New Leaf Supporting Independence Limited	477	266	4	-	-
North British Housing Limited	1333	662	8	-	-
North British Landscapes Limited	102	64	-	-	-
Places for Children (PfcP) Ltd	4	7	-	-	-
Places for People Group Limited	500	148	-	-	-
	<u>2760</u>	<u>1264</u>	<u>20</u>	<u>43</u>	<u>26</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2004

	GROUP		COMPANY	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Interest on short term investments	-	-	27	-
Other interest receivable from deposits	6,432	1,936	4	-
	<u>6,432</u>	<u>1,936</u>	<u>31</u>	<u>-</u>

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
On bank loans and overdrafts:				
Repayable within 5 years	2,435	5,195	-	-
Repayable wholly or partly in more than 5 years	18,711	15,976	-	-
On other loans:				
Repayable within 5 years	3,921	4,504	-	-
Repayable wholly or partly in more than 5 years	34,114	25,669	-	-
	<u>59,181</u>	<u>51,344</u>	<u>-</u>	<u>-</u>
On discounted bonds:				
Interest paid	305	331	-	-
Amortisation of discount	96	86	-	-
	<u>59,582</u>	<u>51,761</u>	<u>-</u>	<u>-</u>
Less: Capitalised interest	<u>(2,180)</u>	<u>(1,348)</u>	<u>-</u>	<u>-</u>
	<u>57,402</u>	<u>50,413</u>	<u>-</u>	<u>-</u>

9. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Surplus on ordinary activities before taxation is stated after charging/(crediting):				
Depreciation and Impairment:				
Tangible fixed assets	10,732	11,094	-	-
Amortisation of negative goodwill	309	575	-	-
Auditors' remuneration:				
In their capacity as auditors	109	103	11	-
In respect of other services	44	34	-	-
(Surplus)/Deficit on disposal of tangible fixed assets other than housing properties	6	18	-	-
Payments under operating leases				
Office equipment	-	-	-	-
Housing properties	828	579	-	-

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 2004: £37,099 (2003: £31,835)

Places for People Group Limited

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2004

10. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

	2004		2003	
(a) Analysis of charge in period	£'000	£'000	£'000	£'000
Current Tax				
United Kingdom corporation tax on profits of the period	968		1,639	
Adjustments in respect of prior periods	-	968	9	1,648
Group relief		-		-
Tax on profit on ordinary activities (note 10b)		<u>968</u>		<u>1,648</u>
Deferred Tax				
Origination and reversal of timing differences	1,167		44	
Increase in discount	-	1,167	-	44
Total Deferred Tax (note 10c)		<u>1,167</u>		<u>44</u>
Tax on profit on ordinary activities		<u><u>2,135</u></u>		<u><u>1,692</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:

	2004	2003
Profit on ordinary activities before tax	14,593	13,478
(deduct non tax paying group members)	(10,994)	(9,672)
Taxable Group profit	<u>3,600</u>	<u>3,806</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%.	1,080	1,142
Expenses not deductible for tax purposes	1,879	1,944
Capital allowances for period in excess of depreciation	(469)	(282)
Abortive Sale Costs	-	8
Other short term timing differences	1	(63)
Impairment/write off of investment in Greenframe	-	(12)
Tax Relief on Capital Gains	(1,283)	(1,048)
Tax losses not recognised in deferred tax	7	36
Group relief - adjustment to reflect amounts paid	-	(82)
Adjustments to tax charge in respect of prior periods	(18)	9
*Fixed Assets profit on disposal offset by capital losses	(230)	(4)
Current tax charge for period (note 10a)	<u><u>968</u></u>	<u><u>1,648</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	1,140	44
Other short term timing differences	(434)	-
Capitalised interest	<u>1,499</u>	<u>-</u>
Undiscounted provision for deferred tax	<u>2,204</u>	<u>44</u>
Discount	(1,038)	-
Discounted provision for deferred tax	<u><u>1,167</u></u>	<u><u>44</u></u>
Provision at start of period	44	-
Deferred tax charge in profit and loss account for period (note a)	1,167	44
Provision at end of period	<u><u>1,211</u></u>	<u><u>44</u></u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2004

11. GROUP TANGIBLE FIXED ASSETS

	Total Housing Properties (Note 12)	Total Other Fixed Assets (Note 13)	Total
	£'000	£'000	£'000
Cost			
At 1 April 2003	1,883,743	47,838	1,931,581
Transfer to Current Assets	(8,637)	-	(8,637)
Additions	73,959	6,198	80,157
Sales of initial tranche	(2,506)	-	(2,506)
Transfer to completed schemes	0	-	0
Transfers to sales assets on disposal	(17,735)	(2,062)	(19,797)
At 31 March 2004	1,928,824	51,974	1,980,798
Less : SHG and other capital grants			
At 1 April 2003	(991,060)	(3,436)	(994,496)
Reclassification of assets	-	-	-
Sales of initial tranche	-	-	-
Transfer to current assets	(2,089)	-	(2,089)
Received during year	(28,348)	(315)	(28,663)
Disposals	12,204	-	12,204
Transfer to completed schemes	199	-	199
At 31 March 2004	(1,009,094)	(3,751)	(1,012,845)
Less: Depreciation			
At 1 April 2003	(28,366)	(20,884)	(49,250)
Charge for year			
Depreciation	(7,897)	(2,412)	(10,309)
Impairment	(423)	-	(423)
Eliminated on disposals			
Depreciation	208	845	1,053
Impairment	69	-	69
At 31 March 2004	(36,409)	(22,451)	(58,860)
Net book value at 31 March 2004	883,321	25,771	909,093
Net book value at 31 March 2003	864,317	23,518	887,835

Included in Housing Properties are the investment properties owned by blueroom properties limited. These are shown at a valuation of £75.9m and their original cost was £54.0m.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2004

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 2003	1,768,058	88,981	24,772	1,932	1,883,743
Transfer to Current Assets	(8,921)	-	(4,967)	5,251	(8,637)
Additions	29,782	-	40,199	3,978	73,959
Sales of initial tranche	-	(2,506)	-	-	(2,506)
Transfer to completed schemes	34,728	9,633	(34,728)	(9,633)	0
Transfer to sales assets on disposal	(11,052)	(6,683)	-	-	(17,735)
At 31 March 2004	1,812,595	89,425	25,276	1,528	1,928,824
Social housing grant	£'000	£'000	£'000	£'000	£'000
At 1 April 2003	(898,487)	(54,714)	(6,328)	(938)	(960,467)
Sales of initial tranche	-	-	-	-	-
Reclassification of assets	-	-	-	-	-
Received during year	(1,533)	-	(23,738)	(1,355)	(26,626)
Transfer to completed schemes	(16,208)	(1,496)	16,346	1,558	199
Disposals	8,428	3,728	-	-	12,157
Transfer to Current Assets	-	-	(2,089)	-	(2,089)
At 31 March 2004	(907,800)	(52,482)	(15,809)	(735)	(976,826)
Other capital grants	£'000	£'000	£'000	£'000	£'000
At 1 April 2003	(30,099)	(46)	(448)	-	(30,593)
Transfer to Current Assets	-	-	-	-	0
Received during year	-	-	(1,722)	-	(1,722)
Transfer to completed schemes	(1,346)	-	1,346	-	0
Disposals	43	4	-	-	47
At 31 March 2004	(31,402)	(42)	(824)	-	(32,268)
Total grants at 31 March 2004	(939,202)	(52,524)	(16,633)	(735)	(1,009,094)
Total grants at 31 March 2003	(928,586)	(54,760)	(6,776)	(938)	(991,060)
Depreciation	£'000	£'000	£'000	£'000	£'000
At 1 April 2003	(27,283)	(1,083)	-	-	(28,366)
Charge for year	-	-	-	-	-
Depreciation	(7,663)	(235)	-	-	(7,897)
Impairment	(423)	-	-	-	(423)
Eliminated on disposal	-	-	-	-	-
Depreciation	104	105	-	-	208
Impairment	69	-	-	-	69
At 31 March 2004	(35,196)	(1,213)	-	-	(36,409)
Net book value at 31 March 2004	838,198	35,689	8,644	794	883,321
Net book value at 31 March 2003	812,189	33,139	17,995	995	864,317

LSE denotes Leasehold Schemes for the Elderly.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2004

12. GROUP HOUSING PROPERTIES (Continued)

	2004	2003
	£'000	£'000
Housing properties comprise:		
Freehold	1,650,280	1,600,688
Long leasehold	278,544	283,056
	<u>1,928,824</u>	<u>1,883,744</u>
Total accumulated SHG received and receivable at 31 March	2004	2003
	£'000	£'000
Revenue grants	5,429	6,119
Capital grants	976,826	960,467
	<u>982,255</u>	<u>966,586</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 £1.9m (2003: £1.9m).

Additions to housing properties in the course of construction during the year included capitalised interest of £2.2m (2003: £1.3m).

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 2003	2,526	19,781	22,712	2,275	543	47,838
Additions	468	3,186	2,115		428	6,198
Disposals	(526)	(206)	(19)	(1,311)		(2,062)
At 31 March 2004	<u>2,468</u>	<u>22,762</u>	<u>24,808</u>	<u>964</u>	<u>971</u>	<u>51,974</u>
Government Grants						
At 1 April 2003	-	-	(3,436)	-	-	(3,436)
Additions	-	-	(315)	-	-	(315)
At 31 March 2004	<u>-</u>	<u>-</u>	<u>(3,751)</u>	<u>-</u>	<u>-</u>	<u>(3,751)</u>
Less: Depreciation						
At 1 April 2003	(1,431)	(12,210)	(5,740)	(1,193)	(310)	(20,884)
Charge for year						
Depreciation	(321)	(1,142)	(359)	(38)	(552)	(2,412)
Eliminated on disposal						
Depreciation	365	-	17	463	-	845
At 31 March 2004	<u>(1,387)</u>	<u>(13,352)</u>	<u>(6,083)</u>	<u>(768)</u>	<u>(862)</u>	<u>(22,451)</u>
Net book value at 31 March 2004	<u>1,082</u>	<u>9,410</u>	<u>14,974</u>	<u>197</u>	<u>109</u>	<u>25,771</u>
Net book value at 1 April 2003	1,095	7,571	13,535	1,083	233	23,517

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2004

14. FIXED ASSETS - INVESTMENTS

	GROUP		COMPANY	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Cost at 1 April	18,597	16,240	1	1
Additions in year	13,723	9,428	-	-
Repayments in year	(4,561)	(7,038)	-	-
Cost at 31 March	27,759	18,630	1	1
Revaluation surplus (Note 29)	15	(33)	-	-
Valuation at 31 March	<u>27,774</u>	<u>18,597</u>	<u>1</u>	<u>1</u>
External loans and cash deposits	<u>27,774</u>	<u>18,597</u>	<u>-</u>	<u>-</u>

	GROUP	GROUP
	2004	2003
	*Loans & Cash Deposit £'000	Total £'000
Sinking Fund Account 7% Debenture Stock 2009	1,449	1,112
Debt Service Reserve £80 million loan	6,117	5,885
Debt Service Reserve 5.09% Secured Bond 2024	10,714	-
Debt Service Reserve 6.625% Eurobond 2038	8,000	10,118
Local Authority	16	48
Grace Gillett Trust	136	133
Debt Service Reserve Abbey National Treasury Services loan for blueroom properties limited	1,264	1,226
Emblem Homes Limited Warranty Reserve	78	76
	<u>27,774</u>	<u>18,597</u>

*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 at £136,000 held by the Group from a bequest to support a particular scheme.

£77,870 is held in a separate fund in trust for Emblem Homes Ltd to safeguard warranties against new homes.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2004

	GROUP		COMPANY	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
15. INVESTMENTS IN JOINT VENTURES				
Share of assets				
Share of fixed assets	662	670	-	-
Share of current assets	308	468	-	-
	<u>970</u>	<u>1,138</u>	<u>-</u>	<u>-</u>
Share of liabilities				
Liabilities due within one year or less	(125)	(393)	-	-
Liabilities due after more than one year	(315)	(240)	-	-
	<u>(440)</u>	<u>(633)</u>	<u>-</u>	<u>-</u>
Share of net assets	<u>530</u>	<u>506</u>	<u>-</u>	<u>-</u>
Share of operating surplus during the year	<u>24</u>	<u>66</u>	<u>-</u>	<u>-</u>
16. STOCK				
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Housing properties for sale	42,358	20,835	-	-
Stock of land for future development	10,116	14,152	-	-
Other	40	5	-	-
	<u>52,514</u>	<u>34,992</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.

	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Agency leases	<u>1,789</u>	<u>6,408</u>	<u>-</u>	<u>-</u>

18. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Rental/Sales debtors	9,319	9,743	3	-
Less: Provision for bad and doubtful debts	<u>(3,983)</u>	<u>(3,753)</u>	<u>-</u>	<u>-</u>
	5,335	5,989	3	-
Other trade debtors	6,927	7,157	-	-
Sundry debtors, prepayments and accrued income	8,883	5,637	230	-
Loans to employees	186	254	-	-
	<u>21,331</u>	<u>19,037</u>	<u>232</u>	<u>-</u>

Included in Sundry debtors is a deferred tax asset of £50,000 (2003: nil).

19. CURRENT ASSET INVESTMENTS

	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Bank deposits repayable within:-				
one month	117,828	26,029	654	-
between two and three months	17,156	11,671	-	-
	<u>134,984</u>	<u>37,700</u>	<u>654</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2004

20. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP		COMPANY	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	1	-	-	-
Housing Loans principal payable within one year	30,414	15,525	-	-
Interest on Housing Loans	4,981	5,239	-	-
Trade creditors	4,143	3,039	38	-
Other creditors and accruals	21,826	26,144	750	-
Payments received on account	10,847	9,866	-	-
Prepaid rent	5,645	4,151	-	-
	<u>77,857</u>	<u>63,963</u>	<u>788</u>	<u>-</u>

The average number of days between receipt and payment of purchase invoices during the year is 36.6 days (2003: 36.2 days).

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

	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
<u>Debt</u>				
Debenture stocks/bonds	424,000	226,030	-	-
Discounted bonds (note 23)	3,583	3,487	-	-
Housing and bank loans	470,883	537,657	-	-
Deferred financing (note 22)	(6,319)	(6,154)	-	-
	<u>892,147</u>	<u>761,020</u>	<u>-</u>	<u>-</u>
<u>Other financial liabilities</u>				
Obligations under finance leases	196	286	-	-
Recycling capital grant funds	11,074	8,862	-	-
Cost of raising finance	(224)	-	-	-
Disposal Proceeds Fund	445	44	-	-
	<u>903,638</u>	<u>770,212</u>	<u>-</u>	<u>-</u>
Less : payable within one year	<u>(30,414)</u>	<u>(15,525)</u>	<u>-</u>	<u>-</u>
	<u>873,223</u>	<u>754,687</u>	<u>-</u>	<u>-</u>

The total value of the loans subject to a guarantee is £124.7m (2003: £124.2m). These guarantees are provided by Financial Security Assurance, the London Borough of Camden, Co-operative Bank, and Bath City Council.

All loans are secured by specific charges on the Group's housing properties and are repayable at varying rates of interest, from 4.426% - 15.875%, in instalments.

Included within Housing and bank loans is the amount of £6.4m (2003: £5.8m) which relates to the cost of debt issue.

Analysis of debt and other financial liabilities

These are repayable as follows:-

	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
In one year or less	30,414	15,525	-	-
In one year or more but less than two years	7,321	6,401	-	-
In two years or more but less than five years	137,033	108,306	-	-
In more than five years				
By instalments	476,556	544,761	-	-
Not by instalments	252,314	95,220	-	-
	<u>903,638</u>	<u>770,213</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2004

22. DEFERRED FINANCING COSTS

	GROUP		COMPANY	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
At 1 April	6,154	6,304	-	-
Mortgage interest	956	628	-	-
Transfer to income and expenditure account	(791)	(778)	-	-
At 31 March	<u>6,319</u>	<u>6,154</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	
	2004	2003	2004	2003
	£'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	863	949	-	-
Transfer to income and expenditure account	(96)	(86)	-	-
Deferred at 31 March	<u>767</u>	<u>863</u>	<u>-</u>	<u>-</u>
Net value at 31 March	<u>3,583</u>	<u>3,487</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 2003	Change in Provision	Expenditure in year	As at 31 March 2004
	£'000	£'000	£'000	£'000
Committed maintenance costs	382	(283)	-	99
Provision for Deferred Taxation	44	1,217	-	1,261
Provision for restructuring costs	868	(798)	(70)	-
	<u>1,293</u>	<u>136</u>	<u>(70)</u>	<u>1,359</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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2004

25. REVENUE RESERVES

	GROUP		COMPANY	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
At 1 April	99,822	88,735	-	-
Surplus for the year before designations	12,458	11,786	-	-
Transfers to/(from) designated reserves	6	(807)	-	-
Transfers from restricted reserves	(2,584)	(171)	-	-
Transfers to revaluation reserves	483	279	-	-
At 31 March	<u>110,186</u>	<u>99,822</u>	<u>-</u>	<u>-</u>

26. GROUP DESIGNATED AND RESTRICTED RESERVES

	Major repairs and Tenants' Services Capital	Other Designated Reserves	Rent Surplus Fund Major Repairs	Other Restricted Reserves	Total 2004	Total 2003
	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 April	44,676	1,250	397	(28)	46,294	45,316
Transfer to Income and Expenditure Account	(198)	-	(4,343)	-	(4,541)	(726)
Transfer From Income and Expenditure Account	192	-	6,924	3	7,119	1,704
Transfer to Creditors within one year	(359)	-	-	-	(359)	-
As at 31 March	<u>44,311</u>	<u>1,250</u>	<u>2,977</u>	<u>(25)</u>	<u>48,513</u>	<u>46,294</u>

The surplus income calculated as part of the Rent Surplus Fund (RSF) return, in the manner determined under section 55(3) of the Housing Act 1988, amounted to £ 7.5m (2003:£7.3m).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2004

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.

Date of Acquisition	Company	At 1 April 2003 £'000	Goodwill Arising in Year £'000	Amortised in the Year £'000	At 31 March 2004 £'000
1 October 1999	Bristol Churches HA. Limited	15,155	-	(70)	15,085
4 July 2001	Edinvar Housing Association Limited	8,767	-	(113)	8,654
4 July 2001	Edinvar Community Care Limited	331	-	(40)	291
4 July 2001	Kush Housing Association Limited	7,563	-	(86)	7,477
		<u>31,816</u>	<u>-</u>	<u>(309)</u>	<u>31,507</u>

28. REVALUATION RESERVES

	Investment Properties 2004 £'000	Listed Investments 2004 £'000	Total 2004 £'000	Total 2003 £'000
At 1 April	13,364	-	13,364	4,238
Revaluation surplus	5,962	-	5,962	9,126
Transfer of realised revaluation surplus	(498)	15	(483)	-
At 31 March	<u>18,828</u>	<u>15</u>	<u>18,843</u>	<u>13,364</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2004

29. FINANCIAL INSTRUMENTS

The Group's borrowings increased from £761 million to £892 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 38.2% (2003: 37.4%) 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 years cashflow. 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 25% of the loan book, with the Board exercising a strict control over derivative transactions. Currently 70% (2003: 56%) of debt is at fixed rates of interest, whilst a further 8% (2003: 9%) 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 2004.

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.

	2004		2003	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Fixed asset investments	27,774	27,774	18,597	18,597
Current asset investments	134,984	134,984	37,700	37,700
Cash at bank and in hand	13,474	13,474	6,168	6,168
Long term debtors	1,789	1,789	6,408	6,408
Hedging instrument	-	(876)	-	(3,298)
	<u>178,022</u>	<u>177,146</u>	<u>68,873</u>	<u>65,575</u>

The Group has interest rate collar and swap transactions which hedge its exposure to interest rate movements on debt of £72 million (2003: £72 million). At 31 March 2004 the instruments were marked-to-market at a cost of £876,095 (2003: £3,297,837), reflecting potential losses were the Group to unwind the position.

Interest rate risk profile of financial assets

	2004	2003
	£'000	£'000
Fixed Rate	20,163	11,230
Floating Rate	<u>157,859</u>	<u>57,643</u>
At 31 March	<u>178,022</u>	<u>68,873</u>

The fixed rate financial assets represent sterling denominated investments in UK treasury gilts. The weighted average interest rate on these investments is 4.12 %. 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 2004. 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 2004.

	2004		2003	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
10.125% Debenture stock 2018	19,000	26,617	19,000	28,092
8.625% Debenture stock 2016-2020	105,000	143,651	105,000	145,687
5.09% Secured Bonds 2024	200,000	191,620	-	-
6.625% Eurobond 2038	100,000	114,340	100,000	116,385
Housing loans	470,883	485,379	538,085	583,978
Non Housing loans	-	-	1,605	1,605
Discounted Bonds (THFC 2009)	3,583	3,583	3,487	3,487
Cost of raising finance	(224)	(224)	-	-
Recycling capital grant funds	11,074	11,074	8,862	8,862
Disposal Proceeds Fund	445	445	44	44
Obligations under Finance Leases	196	196	286	286
Provisions	1,359	1,359	1,293	1,293
	<u>911,316</u>	<u>978,040</u>	<u>777,662</u>	<u>889,718</u>
Deferred financing	<u>(6,319)</u>	<u>(6,319)</u>	<u>(6,154)</u>	<u>(6,154)</u>
	<u>904,998</u>	<u>971,721</u>	<u>771,508</u>	<u>883,564</u>

Interest rate risk profile of financial liabilities

	2004	2003
	£'000	£'000
Floating Rate	257,546	322,462
Fixed Rate	625,877	427,600
Index-Linked Rate	27,893	27,600
	<u>911,316</u>	<u>777,662</u>

The weighted average period for which interest rates were fixed was 22.3 years, and the weighted average fixed interest rate was 7.19%. Of the fixed rate debt £4.2 million requires refinancing between 2004 and 2009. 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 2004, the Group had undrawn committed borrowing facilities expiring as follows:-	2004	2003
	£'000	£'000
In one year or less, or on demand	21,000	3,700
In more than one year but not more than two years	17,800	-
In more than two years	107,800	105,000
	<u>146,600</u>	<u>108,700</u>

Of the undrawn committed borrowing facilities, £57.8 million (2003: £80.1 million) requires fixed charge security to be placed with lenders, all other facilities are immediately accessible.

NOTES TO THE FINANCIAL STATEMENTS
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30. RECONCILIATION OF NET OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	GROUP	
	2004	2003
	£'000	£'000
Operating surplus for the year before interest and taxation	60,981	57,704
Depreciation and impairment	10,732	11,096
Provisions - (release)/charge	(1,080)	1,241
Provisions - expenses	(70)	(2,738)
(Increase) in stock and work in progress	(6,796)	(18,803)
(Increase)/Decrease in debtors	(981)	2,599
Decrease/(increase) in long term debtors	4,618	(440)
(Decrease)/Increase in creditors	(268)	7,097
Amortisation of negative goodwill	(309)	(574)
Net cash inflow from operating activities	<u>66,828</u>	<u>57,183</u>

31. RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET DEBT

	2004	2003
	£'000	£'000
(Decrease)/increase in cash in the period	7,305	(5,232)
Cash (inflow) from net increase in debt	(130,717)	(60,554)
Cash (inflow)/outflow from change in liquid resources	<u>97,285</u>	<u>29,282</u>
Change in net debt resulting from cashflows	<u>(26,128)</u>	<u>(36,504)</u>
Amortisation of discount	(96)	-
	<u>(26,224)</u>	<u>(36,504)</u>
Opening net debt	<u>(717,156)</u>	<u>(680,652)</u>
Closing net debt	<u>(743,380)</u>	<u>(717,156)</u>

32. ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 2003	Cashflows	Other changes	On Acquisitions	At 31 March 2004
	£'000	£'000	£'000	£'000	£'000
2003/04					
Cash at bank and in hand	6,168	7,306	-	-	13,474
Overdrafts	-	(1)	-	-	(1)
	<u>6,168</u>	<u>7,305</u>	<u>-</u>	<u>-</u>	<u>13,473</u>
Debt due within 1 year	(15,525)	14,889	-	-	(636)
Debt due after 1 year	(745,499)	(145,606)	(96)	-	(891,201)
Current asset investments	<u>37,700</u>	<u>97,284</u>	<u>-</u>	<u>-</u>	<u>134,984</u>
Total	<u>(717,156)</u>	<u>(26,128)</u>	<u>(96)</u>	<u>-</u>	<u>(743,380)</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2004

33. CAPITAL COMMITMENTS

	GROUP		COMPANY	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Capital expenditure that has been authorised and contracted for but has not been provided for in the financial statements	<u>45,019</u>	<u>96,082</u>	<u>-</u>	<u>-</u>
Capital expenditure that has been authorised by the Board of Directors	<u>121,461</u>	<u>61,688</u>	<u>-</u>	<u>-</u>

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
	2004	2004	2003	2003
	£'000	£'000	£'000	£'000
In one year or less	-	145	-	145
Between one and two years	25	202	16	163
Between two and five years	-	-	-	184
In five years or more	-	-	-	-
	<u>25</u>	<u>347</u>	<u>16</u>	<u>492</u>

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 31 March 2004, NBH Ltd had a contingent liability totalling £1m (2003: £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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2004

35. HOUSING STOCK

	GROUP		COMPANY	
	2004	2003	2004	2003
Accommodation in management				
Social Housing				
General Needs Housing	41,545	41,013	-	-
Supported Housing	1,657	1,693	-	-
Shared Ownership	3,989	4,128	-	-
Managed for others	1,632	2,083	-	-
	<u>48,823</u>	<u>48,917</u>		
Non-social Housing				
Market Renting	1659	1,606	-	-
Student Accommodation	451	451	-	-
	<u>2,110</u>	<u>2,057</u>		
	<u>50,933</u>	<u>50,974</u>		
Accommodation owned but managed by others				
Social Housing	1,558	1,582	-	-
Non-social Housing	688	597	-	-
Total	<u>53,179</u>	<u>53,153</u>		

Details of the amount payable to third parties in respect of Supported Housing Management Grant are given in note 39.

36. AVERAGE ASSURED TENANCY RENT FOR GENERAL NEEDS ACCOMMODATION FUNDED BY SOCIAL HOUSING GRANT

	GROUP		COMPANY	
	2004	2003	2004	2003
	£	£	£	£
Average assured tenancy rent	<u>57.00</u>	<u>55.72</u>	<u>-</u>	<u>-</u>
Percentage increase in assured tenancy rent	<u>2.30</u>	<u>2.90</u>	<u>-</u>	<u>-</u>

37. ANALYSIS OF HOUSING ACCOMMODATION SERVICE CHARGES ELIGIBLE FOR HOUSING BENEFIT

	GROUP		COMPANY	
	2004	2003	2004	2003
	£	£	£	£
The average weekly housing accommodation service charge eligible for housing benefit	<u>3.58</u>	<u>4.18</u>	<u>-</u>	<u>-</u>
Percentage eligible for housing benefit	<u>98.37</u>	<u>70.91</u>	<u>-</u>	<u>-</u>
	GROUP		COMPANY	
	2004	2003	2004	2003
	£	£	£	£
The average weekly housing accommodation service charge not eligible for housing benefit	<u>3.54</u>	<u>2.98</u>	<u>-</u>	<u>-</u>
Percentage not eligible for housing benefit	<u>1.25</u>	<u>29.09</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

38. AMOUNTS PAYABLE IN RESPECT OF SUPPORTED HOUSING MANAGEMENT GRANT

Under the Registered Social Landlords Accounting Requirements General Determination 2000, the Group is required to disclose details of amounts received in respect of Supported Housing Management Grant from the Housing Corporation, which have been passed on to third parties.

	GROUP		COMPANY	
	2004	2003	2004	2003
Supported Housing Management Grant payable in respect of accommodation managed by third parties:	-	£3.35m	-	-
Total number of units	-	1,203	-	-

39. 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 cannot use the position to the tenant's advantage.

40. 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	Housing Associations registered with the Housing Corporation/C ommunities Scotland	Bodies incorporated under the Industrial & Provident Societies Act 1965 to 2002	Companies incorporated under the Companies Act 1985
blueroom investments limited	D				*
blueroom properties limited	*				
Bonusmill Ltd	D				
Bristol Churches Housing Association Limited	*		*	*	
Capital City Homes Ltd	*		*Scotland		*
Edinvar Community Care Ltd	I				*
Edinvar Housing Association Ltd	*		*Scotland	*	
Edinvar Housing Trust Ltd	I				*
Edinvar Trust Ltd	I				T
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		S			*
Places for People Group Limited			*		*
Practical Environments Limited		J			*
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 2004

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

	GROUP	
	2004	2003
	£'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, PIP Developments Limited, blueroom investments limited and blueroom properties limited.