

"Johnnie" Johnson Housing Trust Limited

Report And Financial Statements

Year ended 31 March 2007

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Board Members, Executive Directors, Advisors and Bankers

Board

Chairman Mel Hill
Deputy Chair David Goodman

Other Members Alan Bridge (Retired 12 Sept 2006) Barbara Garvey
Pamela Allenby Morris Globe
Derek Ankers Norman Laidler
Les Baker Joe Robinson (co-optee)
Rina Dabhi Kath Lavery (co-optee)
David Evans

Executive Directors

Chief Executive and Secretary Jim Lunney
Director of Finance Richard Coughlan (to 15 September 2006)
Harvey Norton (from 1 February 2007)
Director of Development & Property Services Steven Normansell
Director of Housing Services Peter Daly

Registered office

Astra House
Spinners Lane
Poynton
Cheshire
SK12 1GA

Registered number

Registered as a charitable social landlord under the Industrial and Provident Societies Acts, No: 19198R

Registered by the Housing Corporation, No: L1231

Auditors

RSM Robson Rhodes LLP
Colwyn Chambers
19 York Street
Manchester M2 3BA

Solicitors

Trowers & Hamblins
Heron House
Albert Square
Manchester M2 5HD

Howarth Goodman
8 King Street
Manchester
M60 8HG

Dickinson Dees
112 Quayside
Newcastle Upon Tyne
NE99 1SB

Jones Maidment Wilson
Market Court
20-24 Church Street
Altrincham
Cheshire WA14 4DW

Bankers

National Westminster Bank Plc
Royal Bank Scotland
5th Floor
135 Bishopsgate
London EC2M 3UR

Alliance & Leicester Commercial
Bank
Corporate Charging
Bootle
Merseyside GIR 0AA

Bank of Scotland
Housing Finance
Corporate Banking
Level 7, Bishopsgate Exchange
155 Bishopsgate
London EC2M 3YB

The Housing Finance Corporation Ltd
4th Floor
107 Cannon Street
London
EC4N 5AF

Cheshire Building Society
Castle Street
Macclesfield
Cheshire SK11 6AH

Report of the Board

The Board presents its report and the audited financial statements for the year ended 31 March 2007 for "Johnnie" Johnson Housing Trust Limited and the consolidated accounts of the Group.

"JOHNNIE" JOHNSON HOUSING TRUST

"Johnnie" Johnson Housing Trust Limited (The Trust) is a not for profit organisation which operates throughout northern England with a head office in Poynton, Cheshire, and other offices in Sheffield and Morpeth. The Trust is an exempt charity registered with both the Financial Services Authority and the Housing Corporation. It controls two subsidiary organisations: "Johnnie" Johnson Housing Association Ltd, and "Johnnie" Johnson Developments Ltd.

VISION, MISSION AND VALUES

Our Vision: Social responsibility and business excellence making a positive difference to peoples' lives.

Our Mission: Working together to provide homes and services that people value.

Our Values: Dedicated to our customers. Committed to quality, inclusion and innovation. Honest, open, compassionate and idealistic. Ethical in all our dealings.

GOVERNANCE ARRANGEMENTS

The Board

The Board currently comprises ten full members and two co-optees and is responsible for managing the affairs of the Trust. Board members are drawn from a wide background bringing together professional, commercial and local experience, the Board also has a target to retain three residents as Board members. In addition, a place is reserved on the Board for a member of an ethnic community. The Board meets, formally, at least eight times a year for regular business including meetings devoted to housekeeping issues and Governance. In addition, special awaydays are held to cover strategy and other major issues.

Board Membership Policy

It is the policy of "Johnnie" Johnson Housing Trust Ltd. that it should have a Committee and Membership that can broadly represent the communities and consumers that it serves.

The Board have established guidelines for recruitment and membership of the Board and Committees of the Trust. During the year, the position of Chair of the Board of Management was subjected to external recruitment to ensure the best possible candidate was selected. Following rigorous assessment, Kath Lavery was co-opted to the Board as Chair Designate and Deputy Chair, and has shadowed the incumbent chair during recent months. It is anticipated that she will assume the Chair of the Board from 26th July 2007.

Shareholding membership is open to all those with an active interest in the work of the Trust.

Board members

The present Board members and the executive officers of the Trust are set out on page 1. All members of the Board are either elected in general meeting or co-opted in accordance with the Rules of the Trust.

Report of the Board (continued)

Board Member Remuneration

Remuneration of Board members commenced in 2005, at levels set with reference to NHF guidance. Remuneration levels were reviewed during the year.

Board Members received the following payments in the period to 31 March 2007:

Name	Salary	Total Expenses	Total
Allenby P	750	1,430	2,180
Ankers D	3,000	356	3,356
Baker JTL	-	892	892
Bridge A J	1,000	140	1,140
Dabhi R	3,000	320	3,320
Evans D J	3,000	922	3,922
Garvey B	3,000	712	3,712
Globe M	3,000	600	3,600
Goodman D	3,500	3,426	6,926
Robinson J	2,500	402	2,902
Hill M	7,625	5,098	12,723
Laidler N	3,000	2,317	5,317
Lavery K	2,500	129	2,629
Total	35,875	16,744	52,619

COMMITTEES

The Audit and Risk Management Committee consists of four Board members and two external appointments and meets at least three times each year. It considers in detail the raising of private finance, and reports from the internal and external auditors. It reviews the appointment of internal and external auditors, the scope of their work and their reports. It also reports to the Board on the effectiveness of the Trust's internal control arrangements and oversees the management and monitoring of risk within the organisation.

The Remuneration Committee comprises four Board members and an external expert on salary matters who has been co-opted on to the Committee. The Committee is responsible for establishing the reward strategy and remuneration policy for all the staff of the Trust and negotiating the remuneration of the Executive Staff.

The Governance Improvement Group is a standing working party established to ensure continuous improvement of Board control and governance standards.

The Board and its committees obtain external specialist advice from time to time as necessary.

A Joint Consultative Committee (JCC) exists as a forum for Board Members, management and elected staff representatives to discuss matters of interest and relevance. The Board receives an annual report from the JCC Chairman on the work undertaken by the Committee. Board link members have been assigned specific portfolios of interests on behalf of the Board.

NHF Code of Governance

The Trust complies with the principle recommendations of the NHF Code of Governance (revised 2004), with two exceptions. The Code establishes a maximum term of office for Board members of 9 years, whereas the Trust maximum term is 12 years. The Trust also exceeds the NHF Code recommendations on the use of co-options. The justification for doing so is that co-options are used to create probationary periods for prospective new Board members, to assist succession, and to bring specialist expertise onto committees.

Report of the Board (continued)

NHF Code of Governance (continued)

Expectations for standards of governance in the sector are constantly being raised and the Trust regularly reviews its governance arrangements, and has a Working Party dedicated to the continuous review of the Governance Improvement Plan. During the year, the Board initiated a Board Effectiveness Action Plan based on an analysis of current performance and strengths. This will be reviewed at each Board meeting and at a special awayday in order to ensure improvements are embedded.

Service agreements are in place for all Board members and disciplinary procedures have been established to deal with any breaches of standards. Formal appraisals for individual Board members are held on an annual basis and whole Board appraisal is conducted at an awayday.

The Board is responsible for the Trust's strategy and policy framework. It delegates the day to day management and implementation of that framework to the Chief Executive, Director of Finance, Director of Development and Property Services, and the Housing Services Director. The executive team meets regularly and attends Board meetings as does the Strategic Projects Manager and other senior managers where appropriate.

PRINCIPAL ACTIVITIES

The Trust operates four main business streams:

- retirement housing and housing-related support;
- 'general needs' housing for rent, primarily by families who are unable to rent or buy at open market rates;
- low-cost home ownership, primarily shared ownership, whereby residents purchase a share in the equity of their homes and pay rent to the Trust on the remainder.
- Astraline, which is a social alarm monitoring and out of hours repair service supporting the Trust's residents and over 100,000 customers of other not-for-profit social landlords.

As well as managing over 4,500 properties, the Group is a developer of new affordable housing and is part of a consortium, Northern Lights Group, which through its partnership with the Accent Group has been approved by the Housing Corporation as a development partner.

OPERATIONAL HIGHLIGHTS OF THE YEAR

Among the key activities and achievements this year the following are highlighted:

- The re-award of all four green lights under the Housing Corporation Assessment process.
- The development of a further 66 homes for rent or shared ownership, including the first phases of our regeneration scheme at Montrose Gardens in Morpeth.
- The decanting of residents from Manston Lodge in Stockport preparatory to its remodelling as a mixed tenure retirement scheme.
- Recruitment of a Business Improvement Manager to help the drive for efficiency and the elimination of waste from processes.
- A clear focus on continuous improvement against the Audit Commission Key Lines of Enquiry. Inspection has not yet been scheduled.
- The Trust hosted a highly successful conference on the report of the Rural Housing Commission, showcasing our work in Belford and Seahouses.
- The Trust was one of the shortlisted housing associations to partner the transfer of local authority stock at Berwick-upon-Tweed, but was eventually unsuccessful.
- The roll out of new IT to our retirement Scheme Managers and a comprehensive training package to equip them to make best use of the facility. This forms part of the continuing action plan for the transformation of the retirement and supported housing service.
- The Trust achieved preferred partner status with Manchester and Salford and Rotherham Councils for supported housing.

Report of the Board (continued)

OPERATIONAL HIGHLIGHTS OF THE YEAR (continued)

- A re-launched Business Plan for our Astraline service which secured substantial new business during the year.
- A new approach to community investment, to guide the approach to neighbourhood and social investment.
- An independent diversity health-check was instigated to inform the Diversity Action Plan and an Action Group initiated to give leadership on this.

EXECUTIVE OFFICERS AND STAFF

Executive officers

The executive officers of the Trust are set out on page 1.

The executive staff hold no interest in the Trust's shares and act as executives within the authority delegated by the Board. They are 'directors' as defined by the General Determination 2006 so far as disclosure of interests and emoluments are concerned.

During the year, the position of Director of Finance was advertised following the resignation of Richard Coughlan who has taken up a position with another organisation. Harvey Norton was appointed as Director of Finance from 1st February 2007.

All the Directors hold permanent contracts of employment with the Trust, on similar terms and conditions to all other employees, including the entitlement to membership of the pension scheme. The executive officers are also entitled to other benefits such as the provision of a car under the terms of their contracts of employment. For historical reasons one of the Directors is entitled to non-contributory membership of the pension scheme.

The details of executive staff remuneration are included in note 10 to the audited financial statements. The recommendations on remuneration packages have been drawn up by the Remuneration Committee and approved by the Board.

Employees

The Trust's ability to meet its objectives and commitments to residents in an efficient and effective manner depends on the contribution of employees at all levels. We therefore take investment in our staff development very seriously, and over £100,000 was devoted to training during the past year.

During the financial year the Trust had an average of 264 staff, many of them working part time, and of these 220 were employed in front line or direct customer contact roles.

The Trust recognises that its staff are also stakeholders in its success and involves them in the management of the organisation through the formal structure of the JCC, by briefings following Board meetings, and in numerous less formal ways. A formal Information and Consultation Agreement, developed with the support of staff, is in place.

The Trust is committed to equal opportunities for all its employees and in particular supports the employment of disabled persons where possible, both in recruitment and in the retention of employees who become disabled whilst in our employment. The Positive About Disabled People award recognises this.

Performance in the employment of BME staff has also improved, with recruitment exceeding our 6% target during the year, and the establishment of a Disability Action Group to energise this area. Age discrimination legislation came into force during the year and the Trust has revised its policies to ensure compliance.

The Trust's usual high performance in attaining low sickness absence results has dipped this year with an overall absence level of 4.17%. While this is not out of line with sector norms, it represents an unwelcome move towards the average from a baseline usually considerably below it. Certificated long term absence accounts for much of the increase.

Report of the Board (continued)

Employees (continued)

A similar picture is presented by labour turnover rates for 2006-07 which are above sector norms with a separation rate of 23.7%. This is in part a reflection of the different nature of staffing in the Astraline operation where turnover is more typical of a call centre. Without the call centre figure, the Trust turnover figure for administrative staff reverts to a healthier 7.5%. Measures are already in place to stabilise the Astraline workforce with new management arrangements and more sophisticated recruitment and induction.

Remuneration and employment policies

During the year the salary arrangements for both our administration staff and scheme staff have been reviewed in line with the Remuneration Policy, which is set by the Remuneration Committee. The reward strategy and Remuneration Policy applies to all staff of the Trust.

The Trust endeavours to set salaries that are market related, internally fair and non discriminatory. During 2006 an independent Equal Pay Audit was carried out to provide assurance that salaries were objectively fair and identify any areas requiring action.

Administrative staff positions are ranked using job evaluation to ensure objectivity in allocation of positions to salary grades. The evaluation scheme was revised during the year to remove unnatural sensitivity to minor changes.

During the year, and following consultation with all staff, the Trust's policy on Redundancy and Redeployment was revised to bring it into line with the norms for the sector. Other employment policies were reviewed to comply with changes in employment law.

Pensions

During the year the Trust's pension provider, the Social Housing Pension Scheme, required all member employers to consider options for the basis of their membership in order to address shortfalls in funding. The Trust engaged in a comprehensive consultation exercise with staff at all levels to help make a well-informed decision on the basis of our future participation in the scheme. As a result, the Board committed to remain in the SHPS 1/60th final salary scheme and to match-fund with existing employees to meet the required additional 2.2% contribution; new employees will be offered a 1/70th final salary scheme.

RISKS AND CONTROLS

Internal Controls Assurance

The Board has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute, assurance against material mis-statement or loss.

The process for identifying, evaluating and managing the significant risks faced by the Group is ongoing and has been in place throughout the period commencing 1st April 2006 up to the date of approval of the annual report and financial statements.

The Board receives and considers reports from management on these risk management and control arrangements, and all reports to Board are expected to identify risk implications.

Key elements of the control framework include:

- Approved terms of reference and delegated authorities for audit and risk management and remuneration committees;
- Annual review of the Trust's risk map by the Board;
- Detailed financial budgets and forecasts and regular timely review of management accounts;
- Formal policies and robust procedures for all areas of the Trust's work;

Report of the Board (continued)

Internal Controls Assurance (continued)

- Robust policies and procedures on recruitment, induction, appraisal and staff management;
- Formal appraisal and authorisation procedures for all significant new initiatives and commitments;
- A comprehensive and up-to-date treasury management policy with thorough scrutiny of all commitments;
- Regular monitoring by senior management and the Board of key business objectives, targets and outcomes;
- Comprehensive whistle-blowing policies, and robust arrangements to guard against fraud and money laundering;

The Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the Audit & Risk Management Committee to regularly review the effectiveness of the system of internal control. The Board itself receives regular reports from the Audit & Risk Management Committee.

The means by which the Audit & Risk Management Committee reviews the effectiveness of the system of internal control include considering risk reports, internal audit reports, management assurances, the external audit management letter and specialist reviews where necessary.

As part of its formal review of the effectiveness of the systems of internal control the Board has received the Chief Executive's annual compliance report on internal controls for the Trust and its subsidiaries, together with the annual report of the Audit & Risk Management Committee on its oversight of control procedures.

Health and Safety

The Board is aware of its responsibilities on all matters relating to health and safety. The Trust reviewed and updated its health and safety policies during the year and provided staff training and education on health and safety matters. The Board receives regular reports on health and safety including reports to each meeting of any reportable incidents. A specified Board member has special responsibility for oversight in this area.

Legal Risks

All reports by officers to the Board indicate any legal implications of any action proposed and the Board ensures that professional advice is taken wherever necessary to guard against potential breaches of the law or the regulatory framework. One breach of Schedule 1 of the Housing Act 1996, of a value below £3,000, was reported during the year to the Housing Corporation. The recovery action already in progress was endorsed. No legal action was taken against the Trust during the year and no cases are pending.

CUSTOMERS

Resident Involvement

We have a Residents Involvement Strategy and Action Plan and we actively encourage tenants' involvement in decision making through both formal and informal mechanisms. We have three Board members who are residents. Tenant Panels are active and a Leaseholder Advisory Panel provides an active channel for communication with this customer group. We also use focus groups and on-line forums to engage with residents.

Tenant Satisfaction

No full scale survey of tenant satisfaction was conducted during the year, although local satisfaction surveys took place for specific areas of the service, and were reported to the Board.

Complaints

We have a clear and simple complaints policy that we issue to all tenants. During the year we received 29 complaints. Of these 1 progressed to Board panel stage. None were referred to the Independent Housing Ombudsman.

Report of the Board (continued)

AUDITORS AND ACCOUNTS

External Auditors

RSM Robson Rhodes LLP were first appointed as auditors to the Trust at the 1999 Annual General Meeting and their engagement is to be reviewed during 2007 in accordance with good practice. A resolution to re-appoint RSM Robson Rhodes LLP as external auditors subject to external competition will be proposed at the Annual General Meeting.

RSM Robson Rhodes LLP ("Robson Rhodes") is in the process of merging its audit practice with that of Grant Thornton UK LLP ("Grant Thornton"), with the successor firm being Grant Thornton. Robson Rhodes have therefore indicated their intention to resign as auditors following the Annual General Meeting, but also their willingness to continue in office as Grant Thornton. Their resignation will create a casual vacancy which the directors intend to fill by appointing Grant Thornton pending the Trust's review of auditors in line with good practice.

Going Concern

After making enquiries, the Board has a reasonable expectation that the Trust has adequate resources to continue operating for the foreseeable future. For this reason, it continues to adopt the going concern basis in the financial statements.

Post Balance Sheet Events

There have been no events since the financial year end that have had a significant effect on the financial position of the Group.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 26th July 2006 at Wentworth Castle, Stainborough, Yorkshire.

REPORT APPROVAL

The report of the Board was approved by the Board on 10th July 2007 and signed on its behalf by:

Mel Hill
Chairman

Operating and Financial Review

Background

Activities

"Johnnie" Johnson Housing Trust Ltd. ('the Trust') is the principle registered social landlord in a group which includes "Johnnie" Johnson Housing Association Ltd. and "Johnnie" Johnson Developments Ltd.

The Group's head office is based in Poynton and its properties are primarily in northern England.

The Trust is an exempt charity registered with the Financial Services Authority and the Housing Corporation.

As well as managing over 4,500 properties, the Group is a developer of new affordable housing and is part of a successful development consortium, Northern Lights. This consortium, in partnership with the Accent Group, has been approved by the Housing Corporation as a development partner.

The Trust also provides a social alarm monitoring and out of hours repair service with over 100,000 customers.

The Trust's key focus remains its social housing activities and these are expected to continue to constitute over 90% of activities by turnover.

External influences

The Government has implemented a number of policies intended to raise the standard and availability of social housing and the Trust has been very responsive to these.

The Trust has carried out maintenance works to its properties to ensure that they are compliant with the Decent Homes target as a minimum standard. A number of schemes are also taking place to improve carbon emissions, especially in the use of fuel for heat and light in our properties.

In addition, the Trust has embraced the sector wide drive for efficiencies and has renegotiated a number of contracts during the year to improve the use of financial resources. Our membership of the Northern Lights partnership also enables a more efficient scheme development process for new properties.

The Government continues to put pressure on the Supporting People funding regime and the Trust has had to reflect this by delivering a more cost effective service. The delivery of viable support services will be an ongoing challenge for all providers in the social housing marketplace.

Objectives and strategy

The Trust Board reviews the strategic direction each year and this continues to support the development of high quality new housing while maintaining a value for money service for existing customers. The strategy is also predicated on the basis of continuous improvement, equality of opportunity, excellent customer services, financial success and stability, investment in our staff, customer involvement and sound asset management.

Performance and development

Finance

The Board set a budget to achieve a surplus of £0.5m for the year. Early in the year the Trust reviewed the application of its policy on capitalising major repair works to properties. This had the effect of amending the budget to include c£1.5m of additional expenditure and thereby created a deficit budget of £1m. This change was made in consultation with our lenders who all agreed to modify the covenants in place for Trust borrowings.

The Trust continued to implement the Government's rent restructuring policy and have increased income streams through the Astraline call centre and through new housing developments completed during the year.

The deficit for the Trust at the end of the financial year was significantly better than the amended budget at £193,000 deficit. This was achieved through ensuring that revenues were maximised while expenditure was closely managed.

Operating and Financial Review (continued)

Development

The Trust achieved its development targets with 66 new homes transferred into management during the year and a further 200 homes in the development pipeline.

Asset management

The Trust continues to improve its properties to a very high standard and is carrying out remodelling works at schemes where a prevalence of bedsits have made it difficult to let as the expectations of our existing and potential customers change. We have invested £3.9m during the year to ensure all our homes continue to meet the decent homes standard.

Rent losses from voids and bad debts

Our target for the year was to keep rent losses below 3.0% of rental income receivable. We fell short of the target with rent losses of 3.7% (2006: 3.25%). This increase was principally due to decisions to hold property vacant for maintenance and remodelling works. The focus for our housing and asset management staff in the coming year will be to reduce the length of time between a property becoming vacant and being let. Further remodelling works are planned for next year and the target will be to achieve a void loss overall of 3.5%. Bad debts amounted to £51,000 in the year.

Rent arrears

Overall rent arrears for current tenants remained stable at 3.5% which was on target.

Repair response times

Performance against this indicator has a direct impact on the Trust's service to its customers and we are pleased to report that customer satisfaction remains high at 89% (2006: 89%). Performance against repairs targets dipped at the year end with 84% of emergency repairs completed on time, 82% of urgent repairs completed on time and 98% of routine repairs completed on time. The proportion of repairs treated as an emergency represented 25% of the overall number against a target of 10%. The approach to delivery of repairs is due to change in 2007/08 as a result of a procurement exercise. The Trust will work with the new contractors to improve on service delivery.

Staff turnover

The Board recognises that the success of our business depends on the quality of our managers and staff. Our target for staff turnover, calculated as number of leavers in the year divided by the permanent staff headcount at the end of the year, is no more than 16%.

Last year saw the second phase of implementation for a review of retirement services staff and changes to the front end delivery to tenants. In addition, the growth of the Astraline part of the business has generated a number of changes and increased staff turnover. Therefore staff turnover has been relatively high at 23.7%. However, changes have been made in a managed way and have provided an opportunity to improve the value for money approach to staffing decisions.

Risks and uncertainties

The Trust regularly reviews its risk map and the key risks facing the organisation. In order to further embed this process within the Trust, the development of a performance management tool is underway. The new system will allow comprehensive risk monitoring and risk planning to take place.

Key risks for the Trust include the following:

Key risk	Work to mitigate potential impact
Failure to deliver consistently high services	The Trust monitors its performance against key indicator targets and addresses performance downturns through remedial actions. More recently the Trust has joined Housemark in order to improve the use of performance benchmarking.
Reductions in levels of grant for new developments	The Trust has had a successful year as part of the Northern Lights Group and continues to develop cost effective and high quality schemes. In addition, the Trust is committed to using its balance sheet strength to support future development. This should ensure that the Trust is well placed to receive capital and other grants.

Operating and Financial Review (continued)

Key risk	Work to mitigate potential impact
New legislation	The Trust constantly monitors new legislation and assesses its impact on the overall business plan.
Loss of key staff	The Trust is an accredited "Investor in People" and actively develops its policies to ensure that staff are motivated and delivering high levels of performance. In addition, the Trust reviews salaries against industry benchmarks each year to ensure that high calibre staff are attracted to the Trust.
Increases to the cost of long term financing	The Trust has good relationships with its funders and has agreed competitive financing on its borrowings. The average cost of funds is just over 6.5%.
Changes to the operation of the wider housing market and to demographics	The Trust continues to develop high quality housing stock which is attractive to our customers. The Trust also reacts quickly to address issues at housing schemes which have become less popular either through local demand issues or because of the nature of the stock. Additionally, the Trust has a diverse housing portfolio which continues to expand. This also mitigates the risk of future changes.

Financial position

The Group income and expenditure account and balance sheet are summarised in Table 1 (page 13) and the following paragraphs highlight key features of the Group's financial position at 31 March 2007.

Accounting policies

The Group's principal accounting policies are set out on pages 23 to 25 of the financial statements. The policies that are most critical to the financial results relate to accounting for housing properties and include: capitalisation of interest and development administration costs; deduction of capital grant from the cost of assets; housing property depreciation; and treatment of shared ownership properties. Each of these policies has remained unchanged during the period under review.

Housing properties

At 31 March 2007 the Group managed 4,517 housing properties (2006: 4,451).

The Group had a triennial valuation carried out by external professional valuers in March 2005. This is due to be updated in March 2008. The value of the properties, on an existing use for social housing basis, was £79.4million as at March 2005, and this has been reflected in the valuation of properties in the financial statements. On valuation, the surplus over the carrying value was taken to the property revaluation reserve.

Our investment in housing properties this year was funded through a mixture of social housing grant, loan finance and working capital where we continue to show a strong current asset balance, an important indicator of liquidity. The Trust's treasury management arrangements are considered below.

Pension costs

The Trust participates in the Social Housing Pension Scheme (SHPS). This is a final salary scheme, offering good benefits for our staff. The Trust has contributed to the scheme in accordance with the level set by the actuaries, of 11.7%. This will rise in 2007/08 to 12.9%.

The last formal valuation of the scheme took place as at 30 September 2005 and this revealed a deficit for the scheme overall of £283m, equivalent to a past service funding level of 82%. The scheme actuary has reviewed the valuation as at 30 September 2006 to provide an approximate update. This indicates that the equivalent funding level has increased to 87% and the deficit thereby reduced to £235m.

As a result of the indicated deficit in the scheme, the trustees offered member organisations options for continuing membership or leaving the scheme. Following staff consultation, the Trust will continue to operate the SHPS scheme on the basis of a 1/60th accrual for each year of service. However, the Trust recognises that some staff may find this option expensive and is also offering membership of the SHPS on the basis of a 1/70th accrual rate.

The Board remain committed to the SHPS as a part of the package of benefits for staff.

Operating and Financial Review (continued)

Reserves

After transfer of the deficit for the year of £0.2m (2006: surplus £0.3m), Group reserves amounted to £53.8m (2006: £54.0m). This includes an accumulated £41.6m (2006: £42.0m) revaluation surplus on housing properties.

Post balance sheet events

There have been no balance sheet events since the year end that have had a significant effect on the Trust's financial position.

Payment of creditors

Our policy is to pay purchase invoices within 30 days of receipt, or earlier if agreed with suppliers.

Capital structure and treasury policy

The Trust borrowed a further £4 million during the year, to develop new accommodation. By the year end Group borrowings amounted to £37.6million of which £0.7million falls due to be paid within the next year as shown below.

Maturity	2007	2006
	£m	£m
Within one year	0.7	0.6
Between one and two years	0.7	0.6
Between two and five years	2.0	1.7
After five years	34.2	31.3
	<hr/>	<hr/>
	37.6	34.2
	<hr/>	<hr/>

The Trust borrows, principally from banks and building societies, at both fixed and floating rates of interest. The Trust's policy is to keep a minimum of 70 per cent of its borrowings at fixed rates of interest. At the year-end, 88% per cent of the Group's borrowings were at fixed rates.

The fixed rates of interest range from 5.5% to 11.5% but averaging just above 6.5%. In the current market, where long term fixed rates are just below 6% and are unlikely to rise to 11.5%, this means that the Group is paying interest at rates in line with market levels.

The trend information in Table 1 (page 13) shows that gearing, calculated as total loans as a percentage of capital grants and reserves, had increased to 25.6% by 31 March 2007. During the next twelve months further planned borrowings to finance new developments could increase the gearing to 28.0%. This is likely to be reduced as a result of the stock revaluation to be carried out in 2007/08. The Trust borrows and lends only in sterling and so is not exposed to currency risk.

Cash flows

Cash inflows and outflows during the year are shown in the consolidated cash flow statement (page 22).

The cash inflow arising from operating activities was £2.3m (2006: £3.8m). The reduction reflects the increases in major repair works. Interest payments totalled £2.2m (2006: £2.0m), the increase being due to additional borrowing arising to fund new property development. The Trust invested £7.5m in new housing properties and fixed asset acquisition during the year against which £2.6m of housing corporation grant was received. The Trust received additional loan finance of £4m during the year.

Future developments

A key influence on the timing of borrowings is the rate at which development activity takes place. The Board has approved plans to spend £6.5million during the next financial year to develop housing and remodel existing accommodation. Almost £4million of the investment will be through new borrowings with the balance funded through social housing grant. Undrawn loan facilities of £16.6million are available under existing arrangements.

Statement of compliance

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

Operating and Financial Review (continued)

Table 1 – Group highlights, five-year summary

For the year ended 31 March	2007 £'000	2006 £'000	2005 £'000	2004 £'000	2003 £'000
Group Income and Expenditure account					
Total turnover	15,775	15,182	14,271	13,440	12,536
Income due from lettings	13,688	12,844	12,056	11,443	12,268
Operating surplus	1,869	2,252	2,497	2,477	2,611
Surplus / (Deficit) for the year transferred to reserves	(193)	327	615	847	812
Group Balance Sheet					
Housing properties	87,572	85,813	79,446	73,852	71,661
Other fixed assets	4,846	4,279	3,627	2,969	3,106
Fixed assets	92,418	90,092	83,073	76,821	74,767
Net current assets / (liabilities)	(1,890)	(2,608)	499	1,887	3,510
Total assets less current liabilities	90,528	87,484	83,572	78,708	78,277
Creditors (due over one year)	36,728	33,491	29,906	28,956	29,370
Reserves : goodwill	475	480	485	490	497
: designated	4,080	4,080	4,080	3,568	4,739
: revenue	7,007	6,818	6,160	6,052	3,734
: revaluation	42,238	42,615	42,941	39,642	39,937
: total	53,800	53,993	53,666	49,752	48,907
	90,528	87,484	83,572	78,708	78,277
Accommodation figures					
Total housing stock owned & managed at year end (<i>number of dwellings</i>):	4,517	4,451	4,474	4,486	4,456
Statistics					
Surplus for the year as % of turnover	(1.2%)	2.2%	4.3%	6.3%	6.5%
Surplus for the year as % of income from lettings	(1.4%)	2.5%	5.1%	7.4%	6.6%
Rent losses (<i>void losses as % of rent and service charges receivable</i>)	3.7%	3.3%	2.1%	2.7%	3.2%
Interest cover (<i>surplus before interest payable divided by interest payable and capitalised interest</i>)	0.9	1.1	1.3	1.24	1.29
Liquidity (<i>current assets divided by current liabilities</i>)	0.54	0.55	1.11	1.47	2.06
Gearing (<i>total loans as % of capital grants plus reserves</i>)	25.6%	23.7%	21.9%	22.3%	22.2%

Statement of Responsibilities of the Board

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

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

The Industrial and Provident Societies Acts and registered social landlord legislation in the United Kingdom require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and Trust at the end of the year and of the surplus or deficit of the Group and Trust for the year then ended.

In preparing those financial statements the Board is required to:

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

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Trust and enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, paragraph 16 of Schedule 1 to the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. It is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

Independent Auditors' Report to the Members of "Johnnie" Johnson Housing Trust Limited

We have audited the Group and Trust financial statements of "Johnnie" Johnson Housing Trust Limited for the year ended 31 March 2007, which comprise the Group and Trust income and expenditure accounts, the Group and Trust balance sheets, the Group cash flow statement, the Group and Trust statements of total recognised surpluses and deficits and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Trust's members, as a body, in accordance with regulations made under section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Trust's members those matters we are required to state in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Trust's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. We also report to you if, in our opinion, the Report of the Board is not consistent with the financial statements, if the Trust has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group and Trust'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 mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent Auditors' Report to the Members of "Johnnie" Johnson Housing Trust Limited (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Group and Trust as at 31 March 2007 and of its deficit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditors
Manchester

2007

Consolidated Income and Expenditure Account

For the year ended 31 March 2007

	Note	2007 £ '000	2006 £ '000
Turnover: continuing activities	3	15,775	15,182
Operating costs	3	(13,904)	(12,755)
		<hr/>	<hr/>
		1,871	2,427
Exceptional operating costs – restructure costs	28	(2)	(175)
		<hr/>	<hr/>
Operating surplus: continuing activities	5	1,869	2,252
Surplus on sale of fixed assets – housing properties	6	209	149
Interest receivable and other income	7	37	65
Interest payable and similar charges	8	(2,308)	(2,139)
		<hr/>	<hr/>
(Deficit)/Surplus on ordinary activities before taxation		(193)	327
Tax on surplus on ordinary activities	11	-	-
		<hr/>	<hr/>
(Deficit)/Surplus for the financial year	22	(193)	327
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 23 to 49 form part of these financial statements.

Trust Income and Expenditure Account

For the year ended 31 March 2007

	Note	2007 £ '000	2006 £ '000
Turnover: continuing activities	3	15,627	15,059
Operating costs	3	(13,594)	(12,478)
		<hr/>	<hr/>
		2,033	2,581
Exceptional operating costs – restructure costs	28	(2)	(175)
		<hr/>	<hr/>
Operating surplus: continuing activities	5	2,031	2,406
Surplus on sale of fixed assets – housing properties	6	209	149
Interest receivable and other income	7	26	57
Interest payable and similar charges	8	(2,308)	(2,139)
		<hr/>	<hr/>
(Deficit) / Surplus on ordinary activities before taxation		(42)	473
Tax on surplus on ordinary activities	11	-	-
		<hr/>	<hr/>
(Deficit)/Surplus for the financial year	22	(42)	473
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 23 to 49 form part of these financial statements.

Statement of Total Recognised Surpluses and Deficits

For the year ended 31 March 2007

	Group		Trust	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
(Deficit)/Surplus for the financial year	(193)	327	(42)	473
Unrealised surplus on revaluation of housing properties	-	-	-	-
Total recognised surpluses and deficits relating to the year	<u>(193)</u>	<u>327</u>	<u>(42)</u>	<u>473</u>

Note of Historical Cost Surpluses and Deficits

For the year ended 31 March 2007

	Group		Trust	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Reported surplus on ordinary activities before taxation	(193)	327	(42)	473
Excess of actual depreciation charge over historical cost depreciation	377	343	374	342
Historical cost surplus on ordinary activities before taxation	<u>184</u>	<u>670</u>	<u>332</u>	<u>815</u>

Reconciliation of Movements in Group's and Trust's Funds

For the year ended 31 March 2007

	Group		Trust	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Opening total funds	53,993	53,666	54,094	53,621
Total recognised surpluses and deficits relating to the year	<u>(193)</u>	<u>327</u>	<u>(42)</u>	<u>473</u>
Closing total funds	<u>53,800</u>	<u>53,993</u>	<u>54,052</u>	<u>54,094</u>

Consolidated Balance Sheet

at 31 March 2007

	Note	2007 £'000	2006 £'000
Tangible fixed assets			
Housing properties	12	87,572	85,813
Other tangible fixed assets	13	4,846	4,279
		<hr/>	<hr/>
		92,418	90,092
		<hr/>	<hr/>
Current assets			
Debtors	15	1,076	1,330
Investments	16	14	943
Cash at bank and in hand		1,116	862
		<hr/>	<hr/>
Creditors: Amounts falling due within one year	17	2,206 (4,096)	3,135 (5,743)
		<hr/>	<hr/>
Net current liabilities		(1,890)	(2,608)
		<hr/>	<hr/>
Total assets less current liabilities		90,528	87,484
		<hr/>	<hr/>
Creditors: Amounts falling due after more than one year	18	36,728	33,491
		<hr/>	<hr/>
Capital and reserves			
Revaluation reserve for housing properties	22	41,593	41,970
Revaluation reserve for other fixed assets	22	645	645
Designated reserve	22	4,080	4,080
Revenue reserve	22	7,007	6,818
Goodwill reserve	22	475	480
		<hr/>	<hr/>
Consolidated funds	22	53,800	53,993
		<hr/>	<hr/>
		90,528	87,484
		<hr/>	<hr/>

The financial statements were approved by the Board on 10th July 2007 and signed on its behalf by:

Mel Hill
Chairman

David Goodman
Deputy Chair

Jim Lunney
Secretary

Trust Balance Sheet

at 31 March 2007

	Note	2007 £'000	2006 £'000
Tangible fixed assets			
Housing properties	12	87,946	86,036
Other tangible fixed assets	13	4,846	4,279
		<hr/>	<hr/>
		92,792	90,315
Investment in subsidiaries	14	-	-
		<hr/>	<hr/>
		92,792	90,315
Current assets			
Debtors	15	1,567	1,675
Investments	16	14	943
Cash at bank and in hand		510	242
		<hr/>	<hr/>
		2,091	2,860
Creditors: Amounts falling due within one year	17	(4,103)	(5,590)
		<hr/>	<hr/>
Net current liabilities		(2,012)	(2,730)
		<hr/>	<hr/>
Total assets less current liabilities		90,780	87,585
		<hr/> <hr/>	<hr/> <hr/>
Creditors: Amounts falling due after more than one year	18	36,728	33,491
		<hr/>	<hr/>
Capital and reserves			
Revaluation reserve for housing properties	22	41,240	41,614
Revaluation reserve for other fixed assets	22	645	645
Designated reserve	22	4,080	4,080
Revenue reserve	22	7,612	7,275
Goodwill reserve	22	475	480
		<hr/>	<hr/>
Trust funds	22	54,052	54,094
		<hr/>	<hr/>
		90,780	87,585
		<hr/> <hr/>	<hr/> <hr/>

The financial statements were approved by the Board on 10th July 2007 and signed on its behalf by:

Mel Hill
Chairman

David Goodman
Deputy Chair

Jim Lunney
Secretary

Consolidated Cash Flow Statement

For the year ended 31 March 2007

	Note	2007 £ '000	2006 £ '000
Net cash inflow from operating activities	25	2,282	3,832
Returns on investments and servicing of finance		37	65
Interest received		(2,218)	(1,993)
Interest paid		(2,181)	(1,928)
Taxation paid		-	-
Corporation tax paid		-	-
Capital expenditure		(6,311)	(10,212)
Purchase and construction of housing properties		2,559	2,675
Social housing grant – received		864	1,081
Sale of housing properties		(1,227)	(1,156)
Purchase of other fixed assets		9	43
Sales of other fixed assets		(4,106)	(7,569)
Management of liquid resources		929	1,507
Cash withdrawn from money market deposit accounts		-	-
Financing		4,000	4,000
Loans received		(670)	(924)
Housing loans repaid		3,330	3,076
Increase / (decrease) in cash	26	254	(1,082)

Notes to the Financial Statements

31 March 2007

1. Legal Status

The Trust is registered under the Industrial and Provident Societies Act 1965 and is registered with the Housing Corporation as a social landlord.

2. Accounting Policies

Basis of accounting

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

Turnover

Turnover represents rental income receivable, income from property sales, sundry income from housing and non housing services and revenue grants.

Value added tax

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

Interest payable

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

- a) interest on borrowings specifically financing the development programme after deduction of interest on social housing grant (SHG) in advance; or
- b) interest on borrowings of the Group as a whole after deduction of interest on SHG in advance to the extent that they can be deemed to be financing the development programme.

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

Pensions

The Trust participates in the Social Housing Pension Scheme, a defined benefit final salary pension scheme managed by The Pension Trust. Contributions are based on pension costs across the various participating associations taken as a whole. The assets of the scheme are invested and managed independently of the finances of the Trust.

Pension costs are assessed in accordance with the advice of an independent qualified actuary. Costs include the regular cost of providing benefits which it is intended should remain a substantially level percentage of current and expected future earnings of the employees covered. Variations from the regular pensions costs are spread evenly through the income and expenditure account over the average remaining service lives of current employees.

Housing properties

Housing properties are properties available for rent and properties subject to shared ownership leases.

Completed housing properties are stated at Existing Use Value for Social Housing (EUV-SH) and the valuations are kept up to date.

Housing properties under construction are stated at cost less related social housing grant and other capital grants. The cost of shared ownership properties is stated net of first tranche sale proceeds.

Notes to the Financial Statements

31 March 2007

2. Accounting Policies (continued)

Housing properties (continued)

Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

Improvements are works which result in an increase in the net rental income, such as an increase in rental income, a reduction in future maintenance costs, or result in a significant extension of the useful economic life of the property in the business. Only the direct overhead costs associated with new developments or improvements are capitalised.

Social housing grant

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

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

Other grants

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

Depreciation of housing properties

The Board is of the view that whilst our properties may well have a physical life of another 125 years or more, given regular repair and maintenance, it is unlikely that their useful life will exceed 100 years for properties built since 1999 and a further 80 years for our early sheltered schemes built before 1999. Changes in demand for social housing have been a feature of recent years and the Board expects demand for our houses to change over the coming years. Accordingly, the Board is of the view that it would be appropriate not to overstate the expected useful lives of its housing assets.

Freehold land is not depreciated. Depreciation is charged so as to write down the net book value of housing properties to their estimated residual value, on a straight line basis, over their estimated useful economic lives. The depreciable amount is arrived at on the basis of current value less residual value; the latter has been the subject of re-evaluation as part of the 2005 revaluation exercise. The Trust's housing properties are being depreciated over the following periods from 1st April 1999.

New build homes and bungalows	100 years
Flats built after 1980	100 years
Flats built prior to 1980	80 years
Refurbished properties	100 years
Listed properties	150 years

Impairment

Housing properties which are depreciated over a period in excess of 50 years are subject to impairment reviews annually. Other assets are reviewed for impairment if there is an indication that impairment may have occurred.

Where there is evidence of impairment, fixed assets are written down to the recoverable amount. Any such write down is charged to operating surplus unless it represents a reversal of a past revaluation surplus in which case it is taken to the statement of total recognised gains and losses.

Notes to the Financial Statements

31 March 2007

2. Accounting Policies (continued)

Other tangible fixed assets

Depreciation is charged so as to write-off the cost of the assets on a straight line basis over their anticipated useful lives at the following rates:

Office furniture and equipment	15% per annum
Computer Equipment	20% per annum
Maintenance equipment	33.33% per annum
Motor vehicles	33.33% per annum
Freehold office property	3.33% per annum of value, exclusive of land
Scheme equipment	10% per annum (excl. lifts at 4% per annum)

Properties for sale

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

Reserves

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

Revaluation reserves

The difference between the valuation of housing properties and the historical cost carrying value (net of capital grants and depreciation) is credited to the revaluation reserve – housing property.

The difference between the market value of other fixed assets and the historical cost carrying value is credited to the revaluation reserve - other fixed assets.

Notes to the Financial Statements

31 March 2007

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

GROUP – continuing activities

	2007			
	Turnover £ '000	Operating costs £ '000	Exceptional items £ '000	Operating surplus £ '000
Social housing lettings	13,197	(11,504)	-	1,693
Other social housing activities				
Supporting people	1,262	(1,251)	-	11
Development services	91	(2)	-	89
Care and support services	936	(954)		(18)
Other	289	(193)	(2)	94
	<u>2,578</u>	<u>(2,400)</u>	<u>(2)</u>	<u>176</u>
	<u>15,775</u>	<u>(13,904)</u>	<u>(2)</u>	<u>1,869</u>

	2006			
	Turnover £ '000	Operating costs £ '000	Exceptional items £ '000	Operating surplus £ '000
Social housing lettings	12,427	(10,408)	-	2,019
Other social housing activities				
Supporting people	1,378	(1,316)	-	62
Development services	292	(39)	-	253
Care and support services	751	(820)	-	(69)
Other	334	(172)	(175)	(13)
	<u>2,755</u>	<u>(2,347)</u>	<u>(175)</u>	<u>233</u>
	<u>15,182</u>	<u>(12,755)</u>	<u>(175)</u>	<u>2,252</u>

Notes to the Financial Statements

31 March 2007

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

TRUST – continuing activities

	2007			
	Turnover	Operating costs	Exceptional items	Operating surplus
	£ '000	£ '000	£ '000	£ '000
Social housing lettings	13,074	(11,350)	-	1,724
Other social housing activities				
Supporting people	1,262	(1,251)	-	11
Development services	91	(2)	-	89
Care and support services	936	(954)	-	(18)
Other	264	(37)	(2)	225
	2,553	(2,244)	(2)	307
	15,627	(13,594)	(2)	2,031

	2006			
	Turnover	Operating costs	Exceptional items	Operating surplus
	£ '000	£ '000	£ '000	£ '000
Social housing lettings	12,325	(10,277)	-	2,048
Other social housing activities				
Supporting people	1,378	(1,316)	-	62
Development services	292	(39)	-	253
Care and support services	751	(820)	-	(69)
Other	313	(26)	(175)	112
	2,734	(2,201)	(175)	358
	15,059	(12,478)	(175)	2,406

Notes to the Financial Statements

31 March 2007

3. Turnover, cost of sales, operating costs and operating surplus (continued) Particulars of income and expenditure from social housing lettings

GROUP

				2007	2006
	General needs housing £'000	Supported housing and housing for older people £'000	Low cost Home ownership £'000	Total £'000	Total £'000
Rent receivable net of identifiable service charges	3,250	6,918	318	10,486	9,699
Service income	93	2,220	390	2,703	2,728
Net rental income	<u>3,343</u>	<u>9,138</u>	<u>708</u>	<u>13,189</u>	<u>12,427</u>
Other Housing Corporation revenue grants	-	8	-	8	-
Turnover from social housing lettings	<u>3,343</u>	<u>9,146</u>	<u>708</u>	<u>13,197</u>	<u>12,427</u>
Management	855	2,854	204	3,913	3,813
Services	97	2,423	277	2,797	2,984
Routine maintenance	313	687	28	1,028	1,294
Planned maintenance	387	2,497	69	2,953	1,496
Bad debts	32	19	-	51	91
Depreciation of housing properties	207	495	60	762	730
Operating costs on social housing lettings	<u>1,891</u>	<u>8,975</u>	<u>638</u>	<u>11,504</u>	<u>10,408</u>
Operating surplus on social housing lettings	<u>1,452</u>	<u>171</u>	<u>70</u>	<u>1,693</u>	<u>2,019</u>
Void losses	<u>(43)</u>	<u>(456)</u>	<u>-</u>	<u>(499)</u>	<u>(417)</u>

Notes to the Financial Statements

31 March 2007

3. Turnover, cost of sales, operating costs and operating surplus (continued) Particulars of income and expenditure from social housing lettings

TRUST

				2007	2006
	General needs housing £'000	Supported housing and housing for older people £'000	Low cost Home ownership £'000	Total £'000	Total £'000
Rent receivable net of identifiable service charges	3,250	6,918	297	10,465	9,679
Service income	93	2,220	288	2,601	2,646
Net rental income	3,343	9,138	585	13,066	12,325
Other Housing Corporation revenue grants	-	8	-	8	-
Turnover from social housing lettings	3,343	9,146	585	13,074	12,325
Management	855	2,854	154	3,863	3,763
Services	97	2,423	199	2,719	2,915
Routine maintenance	313	687	24	1,024	1,290
Planned maintenance	387	2,497	52	2,936	1,491
Bad debts	32	19	-	51	91
Depreciation of housing properties	207	495	55	757	727
Operating costs on social housing lettings	1,891	8,975	484	11,350	10,277
Operating surplus on social housing lettings	1,452	171	101	1,724	2,048
Void losses	(43)	(456)	-	(499)	(417)

Notes to the Financial Statements

31 March 2007

4. Accommodation in management and development

Group and Trust

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

	Group		Trust	
	2007 No	2006 No	2007 No	2006 No
Social housing				
General housing	1,291	1,238	1,291	1,238
Supported housing and housing for older people	2,640	2,637	2,640	2,637
Shared Ownership	565	555	475	465
	<hr/>	<hr/>	<hr/>	<hr/>
Total owned	4,496	4,430	4,406	4,340
Accommodation managed for others	21	21	21	21
	<hr/>	<hr/>	<hr/>	<hr/>
Total managed	4,517	4,451	4,427	4,361
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Accommodation in development at the year end	111	100	111	100
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The Group and Trust manages a small number of properties on behalf of a charitable organisation based in the North East of England.

Notes to the Financial Statements

31 March 2007

5. Operating Surplus

This is arrived at after charging/(crediting):

	Group		Trust	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Depreciation of housing properties	762	730	758	727
Impairment of housing properties		-		-
Depreciation of other tangible fixed assets	660	498	660	498
Surplus on disposal of other tangible fixed assets	(9)	(36)	(9)	(36)
Operating lease rentals				
- office equipment and computers	15	-	15	-
Auditors' remuneration (including VAT)				
- for audit services	21	20	18	18
- for non-audit services:				
- tax compliance	7	4	7	4
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

6. Surplus on sale of fixed assets – housing properties

	Group		Trust	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Disposal proceeds	864	1,081	864	1,081
Carrying value of fixed assets	(655)	(932)	(655)	(932)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	209	149	209	149
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

7. Interest receivable and other income

	Group		Trust	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Interest receivable and similar income	37	65	26	57
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	37	65	26	57
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Notes to the Financial Statements

31 March 2007

8. Interest payable and similar charges

	Group		Trust	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Loans and bank overdrafts	2,378	2,175	2,378	2,175
Interest payable capitalised on housing properties under construction	(70)	(36)	(70)	(36)
	<u>2,308</u>	<u>2,139</u>	<u>2,308</u>	<u>2,139</u>
Capitalisation rate used to determine the finance costs capitalised during the period	<u>5%</u>	<u>5%</u>	<u>5%</u>	<u>5%</u>

9. Employees

Average monthly number of employees expressed in full time equivalents:

	Group		Trust	
	2007 No	2006 No	2007 No	2006 No
Administration	32	35	32	35
Development	10	11	10	11
Housing, support and care	144	142	143	141
	<u>186</u>	<u>188</u>	<u>185</u>	<u>187</u>

Employee costs:

	Group		Trust	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Wages and salaries	3,707	3,648	3,690	3,630
Social security costs	279	265	278	264
Other pension costs	245	248	244	246
	<u>4,231</u>	<u>4,161</u>	<u>4,212</u>	<u>4,140</u>

Notes to the Financial Statements

31 March 2007

9. Employees (continued)

The Trust participates in the Social Housing Pension Scheme (SHPS). The Scheme is jointly funded by the employer and its employees and is contracted out of the state scheme.

SHPS is a multi-employer defined benefit scheme. Employer participation in the Scheme is subject to adherence with the employer responsibilities and obligations as set out in the "SHPS House Policies and Rules Employer Guide".

The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate, to March 2007. From April 2007 there are three benefit structures available, namely:

- Final salary with a 1/60th accrual rate.
- Final salary with a 1/70th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

The Trust has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 01/04/07 and the final salary with a 1/70th accrual rate benefit structure for new entrants from 01/04/07.

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, in respect of each benefit structure, so that the Scheme can meet its pension obligations as they fall due. From April 2007 the split of the total contribution rate between member and employer is set at individual employer level, subject to the employer paying no less than 50% of the total contribution rate.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period the Trust paid contributions at the rate of 11.7%. Member contributions varied between 3.1% and 6.1% depending on their age.

As at the balance sheet date there were 110 active members of the Scheme employed by the Trust. The Trust continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30 September 2005 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £1,278 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £283 million, equivalent to a past service funding level of 82%.

Notes to the Financial Statements

31 March 2007

9. Employees (continued)

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2006. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £1,515 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £235 million, equivalent to a past service funding level of 87%. Annual funding updates of the SHPS Scheme are carried out using approximate actuarial techniques rather than member by member calculations, and will therefore not produce the same results as a full actuarial valuation. However, they will provide a good indication of the financial progress of the scheme since the last full valuation.

Since the contribution rates payable to the Scheme have been determined by reference to the last full actuarial valuation the following notes relate to the formal actuarial valuation as at 30 September 2005.

The financial assumptions underlying the valuation as at 30 September 2005 were as follows:

	% pa
- Investment return pre retirement	7.2
- Investment return post retirement	4.8
- Rate of salary increases to 30 September 2010	5.0
- Rate of salary increases from 1 October 2010	4.0
- Rate of pension increases	2.5
- Rate of price inflation	2.5

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

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

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

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

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

Following consideration of the results of the actuarial valuation it was agreed that the shortfall of £283 million would be dealt with by the payment of deficit contributions of 4.4% of pensionable salaries with effect from 1 April 2007. These deficit contributions are in addition to the long-term joint contribution rates set out in the table above.

Notes to the Financial Statements

31 March 2007

9. Employees (continued)

With effect from 1 April 2007 the employer and employee contribution rates for the Trust will be 12.9% and 7.6% to 9.6% of pensionable salaries respectively.

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

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

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

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

If the valuation assumptions are borne out in practice this pattern of contributions should be sufficient to eliminate the past service deficit by 30 September 2020.

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

The next full actuarial valuation will be carried out as at 30 September 2008. An Actuarial Report will be prepared as at 30 September 2007 in line with statutory regulations.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

The Trust has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme based on the financial position of the Scheme as at 30 September 2005. As of this date the estimated employer debt for the Trust was £10.3m.

The Trust remains committed to its membership of the Social Housing Pension Scheme.

Notes to the Financial Statements

31 March 2007

10. Board members and executive directors

	Basic Salary £'000	Benefits In kind £'000	Pension Contr'ns £'000	2007 Total £'000	2006 Total £'000
Chief Executive & Directors	269	28	35	332	344
Board Members	36	-	-	36	32
	<u>305</u>	<u>28</u>	<u>35</u>	<u>368</u>	<u>376</u>

Board members received emoluments totaling £36,000 (2006: £32,000). These are fully detailed within the Report of the Board.

The emoluments of the highest paid director, the Chief Executive, excluding pension contributions, were £81,668 (2006: £78,431).

The Chief Executive is a member of the Social Housing Pension Scheme. He is an ordinary member of the pension scheme and no enhanced or special terms apply. The Trust does not make any further contribution to an individual pension arrangement for the Chief Executive.

The former Director of Finance, Richard Coughlan, left during the year and received no enhancement to his contracted salary or pension.

Notes to the Financial Statements

31 March 2007

11. Tax on surplus on ordinary activities

	Group		Trust	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Current tax				
UK corporation tax on surplus for the year	-	-	-	-
Adjustments in respect of prior years	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred tax				
Net origination and reversal of timing differences	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

	Group		Trust	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Current tax reconciliation				
Surplus on ordinary activities before tax	(193)	327	(42)	473
	<u>(193)</u>	<u>327</u>	<u>(42)</u>	<u>473</u>
Theoretical tax at UK corporation tax rate 30% (2006: 30%)	(58)	98	(13)	142
- surplus attributable to charitable activities	58	(98)	13	(142)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Current tax charge	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Notes to the Financial Statements

31 March 2007

12. Tangible fixed assets – properties

GROUP – Housing properties	Social housing properties held for letting £'000	Social housing properties under construction £'000	Completed shared ownership housing properties £'000	Shared ownership properties under construction £'000	Total £'000
Cost or valuation					
At 1 April 2006	162,109	1,848	11,633	1,091	176,681
Additions	-	3,770	-	581	4,351
1 st Tranche Sales			(585)		(585)
Properties acquired	-	904	-	63	967
Works to existing properties	535	-	-	-	535
Interest capitalised	-	48	-	23	71
Schemes completed	1,422	(1,422)	764	(764)	-
Disposals	-	-	(70)	-	(70)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2007	164,066	5,148	11,742	994	181,950
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At 1 April 2006	(843)	-	(58)	-	(901)
Depreciation charged in year	(703)	-	(59)	-	(762)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2007	(1,546)	-	(117)	-	(1,663)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciated cost					
At 31 March 2007	162,520	5,148	11,625	994	180,287
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2006	161,266	1,848	11,575	1,091	175,780
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Social Housing and other Grant					
At 1 April 2006	(82,209)	(829)	(6,573)	(356)	(89,967)
Additions	(235)	(2,227)	-	(321)	(2,783)
Schemes completed	(96)	96	-	-	-
Disposals	-	-	35	-	35
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2007	(82,540)	(2,960)	(6,538)	(677)	(92,715)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 March 2007	79,980	2,188	5,087	317	87,572
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2006	79,057	1,019	5,002	735	85,813
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Notes to the Financial Statements

31 March 2007

12. Tangible fixed assets – properties (continued)

TRUST – Housing properties	Social housing properties held for letting £'000	Social housing properties under construction £'000	Completed shared ownership housing properties £'000	Shared ownership properties under construction £'000	Total £'000
Cost or valuation					
At 1 April 2006	162,525	1,990	10,965	1,091	176,571
Additions	-	4,821	-	644	5,465
1 st Tranche Sales	-	-	(585)	-	(585)
Works to existing properties	535	-	-	-	535
Interest capitalised	-	48	-	23	71
Schemes completed	1,564	(1,564)	764	(764)	-
Disposals	-	-	(70)	-	(70)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2007	164,624	5,295	11,074	994	181,987
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At 1 April 2006	(843)	-	(55)	-	(898)
Depreciation charged in year	(703)	-	(55)	-	(758)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2007	(1,546)	-	(110)	-	(1,656)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciated cost					
At 31 March 2007	163,078	5,295	10,964	994	180,331
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2006	161,682	1,990	10,910	1,091	175,673
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Social Housing Grant					
At 1 April 2006	(82,209)	(829)	(6,243)	(356)	(89,637)
Additions	(235)	(2,227)	-	(321)	(2,783)
Schemes completed	(96)	96	-	-	-
Disposals	-	-	35	-	35
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2007	(82,540)	(2,960)	(6,208)	(677)	(92,385)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 March 2007	80,538	2,335	4,756	317	87,946
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2006	79,473	1,161	4,667	735	86,036
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Notes to the Financial Statements

31 March 2007

12. Tangible fixed assets – properties (continued)

Completed housing properties are stated at Existing Use Value for Social Housing (EUV-SH), including notional directly attributable acquisition costs, as at 31 March 2005. Additions since that date are updated at cost. The Group's completed housing properties have been valued by professional external valuers, Countrywide Chartered Surveyors. The full valuation of the properties was undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors as follows:

	£ '000
Completed properties at valuation	
"Johnnie" Johnson Housing Trust Limited	78,240
"Johnnie" Johnson Housing Association Limited	337
Housing properties under construction at cost net of SHG and other grants	869
	<hr/>
Consolidated at valuation date	79,446
	<hr/> <hr/>

In valuing housing properties, discounted cash flow methodology was adopted with key assumptions:

Discount rate	6.5 - 7.0%
Annual inflation rate	2.5%
Level of annual rent increase	0.5%

The carrying value of the housing properties that would have been included in the financial statements had the assets been carried at historical cost less SHG and depreciation is as follows:

	Group		Trust	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Historical cost	141,131	139,905	140,963	139,437
Social housing grant	(92,715)	(90,539)	(92,385)	(90,209)
Depreciation and impairment	(2,486)	(387)	(2,478)	(385)
	<hr/>	<hr/>	<hr/>	<hr/>
	45,930	48,979	46,100	48,843
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Social housing grant

	Group		Trust	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Total accumulated SHG receivable at 31 March:				
Capital grant	92,715	89,967	92,385	89,637
Revenue grant	361	353	361	353
	<hr/>	<hr/>	<hr/>	<hr/>
	93,076	90,320	92,746	89,990
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements

31 March 2007

12. Tangible fixed assets – properties (continued)

Housing properties book value, net of depreciation and grants comprises:

	Group		2007 £'000	Trust 2006 £'000
	2007 £'000	2006 £'000		
Freehold land and buildings	68,390	66,581	68,764	66,804
Long leasehold land and buildings	19,182	19,232	19,182	19,232
	<u>87,572</u>	<u>85,813</u>	<u>87,946</u>	<u>86,036</u>

Expenditure on works to existing properties

	Group		2007 £'000	Trust 2006 £'000
	2007 £'000	2006 £'000		
Amounts capitalised	535	3,247	535	3,247
Amounts charged to income and expenditure account	3,981	2,790	3,960	2,781
Total	<u>4,516</u>	<u>6,037</u>	<u>4,495</u>	<u>6,028</u>

13. Tangible fixed assets – other

GROUP AND TRUST

	Freehold offices £'000	Furniture Fixtures and fittings £'000	Computers and office equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 April 2006	1,512	4,050	823	178	6,563
Additions	5	1,001	179	42	1,227
Disposals	-	-	-	(22)	(22)
	<u>1,517</u>	<u>5,051</u>	<u>1,002</u>	<u>198</u>	<u>7,768</u>
Depreciation					
At 1 April 2006	(153)	(1,756)	(291)	(84)	(2,284)
Charged in year	(62)	(404)	(146)	(48)	(660)
Released on disposal	-	-	-	22	22
	<u>(215)</u>	<u>(2,160)</u>	<u>(437)</u>	<u>(110)</u>	<u>(2,922)</u>
Net book value					
At 31 March 2007	<u>1,302</u>	<u>2,891</u>	<u>565</u>	<u>88</u>	<u>4,846</u>
At 31 March 2006	<u>1,359</u>	<u>2,294</u>	<u>532</u>	<u>94</u>	<u>4,279</u>

Notes to the Financial Statements

31 March 2007

14. Investment in subsidiaries

As required by statute, the financial statements consolidate the results of "Johnnie" Johnson Housing Association Limited and "Johnnie" Johnson Developments Limited which were subsidiaries of the Trust at the end of the year. The Trust has the right to appoint members to the Boards of the two subsidiaries and thereby exercises control over them. "Johnnie" Johnson Housing Association Limited is a registered social landlord. "Johnnie" Johnson Housing Trust Limited is the ultimate parent undertaking.

During the year the Trust provided management services for "Johnnie" Johnson Housing Association Limited and charged £44,064 (2006: £42,843).

15. Debtors

	Group		Trust	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Due within one year				
Rent and service charges receivable	829	765	829	765
Less: Provision for bad and doubtful debts	(194)	(219)	(194)	(219)
	<hr/>	<hr/>	<hr/>	<hr/>
Social housing grant receivable	635	546	635	546
Amounts owed by subsidiary undertakings	-	464	-	464
Other debtors	-	-	496	352
Prepayments and accrued income	396	274	391	267
	28	25	28	25
	<hr/>	<hr/>	<hr/>	<hr/>
	1,059	1,309	1,550	1,654
Due after more than one year				
Prepayments and accrued income	17	21	17	21
	<hr/>	<hr/>	<hr/>	<hr/>
	1,076	1,330	1,567	1,675
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

16. Current asset investments

	Group		Trust	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Money market deposits	14	943	14	943
	<hr/>	<hr/>	<hr/>	<hr/>

Notes to the Financial Statements

31 March 2007

17. Creditors: amounts falling due within one year

	Group		Trust	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Debt (note 20)	658	564	658	564
Rent and service charges received in advance	415	362	415	362
Social housing grant received in advance	-	1,134	-	1,134
Other capital creditors	618	395	618	395
Funds held on behalf of residents	626	626	470	501
Recycled capital grant fund (note 19)	98	286	98	271
Amounts owed to Group undertakings	-	-	177	-
Other creditors	541	440	534	434
Accruals and deferred income	1,140	1,936	1,133	1,929
	<u>4,096</u>	<u>5,743</u>	<u>4,103</u>	<u>5,590</u>

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

	Group		Trust	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Debt (note 20)	36,959	33,673	36,959	33,673
Less loan issue costs	(231)	(182)	(231)	(182)
	<u>36,728</u>	<u>33,491</u>	<u>36,728</u>	<u>33,491</u>

Notes to the Financial Statements

31 March 2007

19. Recycled capital grant fund

	Group		Trust	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
At 1 April	286	259	271	245
Grants recycled	36	27	36	26
Interest accrued	19	-	15	-
Transfers from other Group members	-	-	19	-
Major repairs and works to existing stock	(243)	-	(243)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March	98	286	98	271
	<hr/>	<hr/>	<hr/>	<hr/>
Amount due for repayment to Housing Corporation	10	-	10	-
	<hr/>	<hr/>	<hr/>	<hr/>

Notes to the Financial Statements

31 March 2007

20. Debt analysis

	Group		2007 £'000	Trust 2006 £'000
	2007 £'000	2006 £'000		
Due within one year				
Bank loans	648	554	648	554
Local authority loans	10	10	10	10
	<hr/>	<hr/>	<hr/>	<hr/>
	658	564	658	564
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	Group		2007 £'000	Trust 2006 £'000
	2007 £'000	2006 £'000		
Due after more than one year				
Bank loans	36,288	32,994	36,288	32,994
Local authority loans	671	679	671	679
	<hr/>	<hr/>	<hr/>	<hr/>
	36,959	33,673	36,959	33,673
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	Group		2007 £'000	Trust 2006 £'000
	2007 £'000	2006 £'000		
Within one year	658	564	658	564
Between one and two years	657	574	657	574
Between two and five years	2,082	1,784	2,082	1,784
After five years	34,220	31,315	34,220	31,315
	<hr/>	<hr/>	<hr/>	<hr/>
	37,617	34,237	37,617	34,237
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Local authority and other loans are secured by fixed charges on individual properties.

Loans from local authorities represented £681,000 of the total debt at the year end. Interest payable on local authority loans range from 6% to 16.3%. The more expensive of the loans were drawn in the 1980s and 1990s when interest rates were significantly higher.

The bank and other loans are a combination of bullet repayments and payments by instalment. The loans are agreed at fixed rates of interest ranging from 5½% to 11½%. The earliest full repayment of any of the current loans would be for £4m in 2016. It is likely that a re-financing will take place before then.

At 31 March 2007 the Group had undrawn loan facilities of £16.5m (2006: £20.5m).

Notes to the Financial Statements

31 March 2007

21. Non-equity share capital

	2007 £'000	2006 £'000
Shares of £1 each issued and fully paid		
At 1 April	99	124
Shares issued during the year	2	3
Shares surrendered during the year	(1)	(28)
	<hr/>	<hr/>
At 31 March	100	99
	<hr/> <hr/>	<hr/> <hr/>

The shares provide members with the right to vote at general meetings, but do not provide any rights to dividends or distributions on a winding up.

22. Reserves

Group	Revaluation Reserve Housing Properties £'000	Revaluation Reserve - Other Fixed Assets £'000	Goodwill Reserve £'000	Major Repairs Reserve £'000	Revenue Reserve £'000	Total Reserves £'000
At 1 April 2006	41,970	645	480	4,080	6,818	53,993
Deficit for the year	-	-	-	-	(193)	(193)
Transfers to revenue reserve	(377)	-	(5)	-	382	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2007	41,593	645	475	4,080	7,007	53,800
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Trust	Revaluation Reserve Housing Properties £'000	Revaluation Reserve - Other Fixed Assets £'000	Goodwill Reserve £'000	Major Repairs Reserve £'000	Revenue Reserve £'000	Total Reserves £'000
At 1 April 2006	41,614	645	480	4,080	7,275	54,094
Deficit for the year	-	-	-	-	(42)	(42)
Transfers to revenue reserve	(374)	-	(5)	-	379	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2007	41,240	645	475	4,080	7,612	54,052
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements

31 March 2007

23. Financial commitments

Capital expenditure commitments were as follows:

	2007 £'000	Group	2006 £'000	2007 £'000	Trust	2006 £'000
Capital expenditure						
Expenditure contracted for but not provided in the accounts	3,714		3,642	2,042		1,089
Expenditure authorised by the Board, but not contracted	1,028		1,566	-		1,566
	<u>4,742</u>		<u>5,208</u>	<u>2,042</u>		<u>2,655</u>

The above commitments will be financed primarily through borrowings (£2.1m), which are available for draw-down under existing loan arrangements, with the balance funded through social housing grant (£1.7m) and property sales (£0.9m).

Operating leases

The payments which the Group and Trust are committed to make in the next year under operating leases are as follows:

	2007 £'000	2006 £'000
Office equipment and computers expiring		
Within one year	-	-
One to five years	17	-
Beyond five years	3	-
	<u>20</u>	<u>-</u>

24. Contingent liabilities

The Group and Trust had no contingent liabilities at 31 March 2007 (2006: nil).

Notes to the Financial Statements

31 March 2007

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

	2007	2006
	£ '000	£ '000
Operating surplus	1,869	2,252
Depreciation of tangible fixed assets	1,422	1,227
Impairment of tangible fixed assets	-	-
(Surplus) on disposal of tangible fixed assets	(9)	(36)
	<hr/>	<hr/>
	3,282	3,443
Working capital movements		
Debtors	254	(564)
Creditors	(1,254)	953
	<hr/>	<hr/>
Net cash inflow from operating activities	<u>2,282</u>	<u>3,832</u>

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

	2007	2006
	£ '000	£ '000
Increase / (decrease) in cash	254	(1,082)
Cash flow from (decrease) in liquid resources	(929)	(1,507)
Cash inflow from increase in debt and lease finance	(3,330)	(3,077)
	<hr/>	<hr/>
Total changes in net debt for the period	(4,005)	(5,666)
Net debt at 1 April	(32,250)	(26,584)
	<hr/>	<hr/>
Net debt at 31 March	<u>(36,255)</u>	<u>(32,250)</u>

Notes to the Financial Statements

31 March 2007

27. Analysis of net debt

	1 April 2006 £'000	Cash Flow £'000	Non-cash Movement £'000	31 March 2007 £'000
Cash at bank and in hand	862	254	-	1,116
Bank overdraft	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Changes in cash	862	254	-	1,116
	<hr/>	<hr/>	<hr/>	<hr/>
Current asset investment	943	(929)	-	14
Loans	(34,055)	(3,316)	(14)	(37,385)
	<hr/>	<hr/>	<hr/>	<hr/>
Changes in net debt	(32,250)	(3,991)	(14)	(36,255)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

28. Exceptional charges – restructure costs

During 2005/06 the Trust carried out a restructuring exercise and costs of £175,000 were incurred. Further costs amounting to £2,000 were incurred in 2006/07. These amounts include redundancy payments.

29. Related Parties

The Board routinely appoints Trust residents to their membership. Where members are tenants or leaseholders the contractual terms of their tenancies or lease agreements are consistent with those of other tenants and leaseholders and they are unable to use their position to personal advantage.