



**“JOHNNIE” JOHNSON**  
**HOUSING**

**“Johnnie” Johnson Housing Trust Ltd.**  
**Report and Financial Statements**  
**For the year ended 31st March 2009**

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## Report of the Board

The Board presents its report and the audited financial statements for the year ended 31 March 2009 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 the Financial Services Authority as an Industrial and Provident Society. It is also registered with the Tenant Services Authority, which took over the regulatory role formerly exercised by the Housing Corporation from December 2008. It controls two subsidiary organisations: "Johnnie" Johnson Housing Association Ltd, and "Johnnie" Johnson Developments Ltd. The Trust is one of seven housing associations with a shareholding interest in NLG Housing 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 eleven full members and one co-opted member 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. Places are reserved for our own residents, and one place is allotted for a member of a minority ethnic community. The Board meets, formally, at least eight times a year for regular business. In addition, special awaydays are held to cover strategy and other major issues. During the year, the Board commenced a comprehensive review of the Trust's governance structures, with key aims of improving efficiency and effectiveness, and increasing resident engagement at more strategic levels. Resident groups are being consulted on the emerging proposals.

#### **Board Membership Policy**

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

Shareholding membership is open to 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 10. All members of the Board are either elected in general meeting or co-opted in accordance with the Rules of the Trust.

## PORTFOLIOS

Board members have been assigned specific portfolios of interest, which are as follows:

Kath Lavery:	Strategy, Growth and Workforce Development
David Goodman:	Audit and Risk including Performance Reporting
David Evans:	Excellence & Efficiency including Astraline Group
Joe Robinson:	Customer Involvement Strategy; leaseholder liaison
Morris Globe:	Customer Experience including Complaints Convenor
Barbara Garvey:	Governance and Board Development
Rina Dabhi:	Social Responsibility including Diversity and Social Capital
Les Baker:	Information, Knowledge Management and Telehealth
Mel Hill:	Investment in Buildings, Health & Safety, Design
Pamela Allenby:	Sustainability, Ethical Procurement, Green Issues
Derek Ankers:	Older Peoples Champion for Dignity and Independence
Norman Laidler:	North East

## 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, and new scales applied from 1<sup>st</sup> April 2008. At the same time, arrangements for reimbursement of expenses were overhauled to bring them into line with payments for staff. Board remuneration reviews will in future be the responsibility of the Remuneration Committee.

Board Members received the following payments in the period to 31 March 2009:

Name	Salary	Total Expenses
Allenby P	-	2,644
Ankers D	3,300	357
Baker JTL	-	433
Dabhi R	3,300	887
Evans D J	3,300	850
Garvey B	3,300	556
Globe M	3,000	530
Goodman D	5,502	2,798
Robinson J	3,300	1,096
Hill M	3,300	3,111
Laidler N	3,300	2,184
Lavery K	8,802	533
<b>Total</b>	<b>40,404</b>	<b>15,979</b>

## 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 establishing 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. It oversees the Governance Improvement Plan and the Board Effectiveness Action Plan. It has also helped develop proposals for the review of governance structures.

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

For several years the Trust has made use of a Joint Consultative Committee (JCC) as a forum for Board Members, management and elected staff representatives to discuss matters of interest and relevance. While the primary focus of the Committee has been staff welfare and HR policy, it has served as a consultative group on other organisational issues. During the year, the role and purpose of the Committee was reviewed to increase its relevance to staff, and the resulting group was renamed as the Joint Engagement Team.

### NHF Code of Governance

The Trust complies with the recommendations of the NHF Code of Governance - which was revised and reissued in February 2009 - other than in one respect. The Code suggests a maximum term of office for Board members of 9 years. The Trust maximum term is 12 years, and the experience of long-serving members is highly prized, but we will revisit this as part of our current review of governance. Previous editions of the NHF Code have included recommendations on the use of co-options, The Trust has consistently disregarded the limits on co-options suggested by the Code. The justification for doing so is that co-options are used to create probationary periods for new Board members, to assist succession, and to bring specialist expertise onto committees.

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 and the Board Effectiveness Action Plan.

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 and Business Services, Director of Development and Property Services, and the Housing Services Director.

The Executive Team meets regularly and attends Board meetings as do other senior managers where appropriate.

## **PRINCIPAL ACTIVITIES**

The Trust operates four main business streams:

- Retirement housing and housing-related support, principally for elderly residents. During the year this service was extended by the successful bid for a ‘floating support’ extra care service in Stockport. New opportunities in the field of Telehealth and Telecare are being researched for the future.
- ‘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 was initially developed as a social alarm monitoring and out of hours repair service supporting the Trust’s residents. It now has over 200,000 customers of other not-for-profit social landlords, contributing a valuable income stream to support our not-for-profit activities. New services have been developed to provide for Lone Worker Safety Monitoring and for reporting Anti-Social behaviour.

As well as managing over 4,600 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.

## **ACTIVITIES DURING THE YEAR**

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

- The successful tender for a ‘floating support’ extra care service in Stockport.
- Piloting a new repairs appointment system to better cater to tenants’ requirements.
- An excellent result in our STATUS satisfaction survey of leaseholders, with results well ahead of our benchmark peer group.
- Launch of a Resident Involvement Strategy and recruitment of a Resident Involvement Manager to energise the initiative.
- A review of our strategy for the provision of services to older people.
- Introduction of a new operating platform for the Astraline service to allow a greater range of monitoring equipment to be connected and allow increased home working.
- A major service review of our voids turnaround processes to significantly improve performance.
- Recruitment of a new Business Services Manager and strengthening our Marketing and Communications team.
- Re-accredited with Investors in People. The assessor’s report reads: “The Trust is constantly moving on with its learning and development culture. There are many examples of improvements including: vastly expanding and changing the culture of the Astraline business, revamping appraisal and taking a more robust approach to project management and business development.”
- Achieved a one star rating in our first entry in the Sunday Times Best Companies Staff Engagement assessment.
- Roll-out of on-line training in Diversity to all staff and board members.
- Additional resources and training to support the increased priority of Health and Safety.
- Publication of a new resident-friendly Repairs handbook.
- Re-accreditation of the Astraline Service with the TSA.

- An award for our eco-friendly mixed-tenure project at Wath-on-Dearne.
- 92 new homes completed.

The economic downturn which characterised the year did not leave the Trust unscathed but its impact has been minimal. Some anticipated new homes failed to materialise, as developers abandoned schemes where we were to acquire Section 106 properties. We had scaled back our shared ownership programme early in the year and only proceeded with schemes where we were already committed. Nevertheless, the year saw 58 completions of shared ownership properties, and we strengthened our sales team in response to this. As a result, sales momentum has been maintained although perhaps at a slower pace than would once have been the case.

The project most badly affected by the housing market downturn has been the refurbishment of the 1970's Stockport sheltered scheme, Manston Lodge. This was conceived as a vanguard initiative and a model for the future of the retirement housing portfolio. However, its feasibility rested on sales of the refurbished properties, and the market for these has largely evaporated. Alternative tenures are under consideration, even if only as a short to medium term tactic.

## **EXECUTIVE OFFICERS AND STAFF**

### **Executive officers**

The executive officers of the Trust are set out on page 10.

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.

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. During the year, the Remuneration Committee oversaw the introduction of an element of performance related pay into the Executive Team reward packages. This was a partial success, and has been reviewed and amended for a further trial period. 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 staff development very seriously. We have been re-accredited with the Investors in People Award every 3 years, since 1997, most recently in 2008. This year we undertook the Sunday Times staff engagement assessment to help us to better understand our employees' perspective and improve our management. We had not anticipated that completion of the survey would result in a one star rating in the Best Companies guide, and are delighted at this endorsement. We will also be able to extract considerable learning from the results.

During the financial year the Trust had an average of 294 staff, many of them working part time, and of these the majority were employed in front line or direct customer contact roles.

Staff turnover has been constant with 85 staff joining the Trust across all areas, compared with 58 last year. Many of these have been temporary positions, and half the recruits have been to our call centre operation.

The Trust recognises that staff are also stakeholders in our success and via our Information and Consultation Agreement, seeks to inform, consult and involve staff in the management decisions of the organisation and changes taking place. The reformation of the Joint Engagement Team during the year is designed to assist this objective.

The Trust is committed to Diversity and Equal Opportunities for all its employees and in particular supports the employment of disabled people where possible, both through recruitment and in the retention of employees who become disabled whilst in employment. The Positive about Disabled People award recognises this. Our workforce currently comprises 6.71% of people with declared disabilities, significantly above our 5% target.

Performance in the employment of BME staff has improved year on year with 7.05% of our workforce coming from Black or Minority or Ethnic groups. We employ staff from the age of 16 to beyond 65 and the average age across the Trust is currently 48.

A specific effort was made this year to correct the deteriorating picture on sickness absence which had stood at 5.46% in 2007-08. Additional training and support, combined with new procedures, produced an improvement of over 20% on the previous year with absence down to 4.27%. This still represents over seven days lost per head, and we will maintain a robust approach to managing absence.

Our labour turnover rates for 2008-09 are 15.2% which is a marked improvement on last year's 19.3%, and is within our target.

### **Remuneration and employment policies**

The Remuneration Committee met on several occasions to review and monitor the Trust Reward Strategy and Remuneration Policy. A number of revisions to employment policies took place, and a further external Equal Pay Audit was conducted with no significant pay gaps identified.

## **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 misstatement or loss.

The board has established a comprehensive Anti-Fraud and Corruption Policy to cover all aspects of prevention, detection, and reporting of fraud, and the recovery of assets. This links to the existing policies on whistleblowing which apply to both staff and board members. The Fraud Register is reported to every board meeting.

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 2008 up to the date of approval of the annual report and financial statements.

All reports to Board, other than those for information only, are expected to identify risk implications.

There has been a full review of the effectiveness of internal control, which included:

- A review of the adequacy of internal audit, resulting in an extension to the scope and nature of the service.
- A review of the main policies providing effective internal control, and further work to sophisticate the methodology for risk mapping to make it easier to identify areas of concern. The review also had regard to the content of the TSA circular 07/07 “Internal Controls Assurance”.

Key elements of the control framework include:

- Approved terms of reference and delegated authorities for audit and risk management and remuneration committees. These were reviewed during the year and the Statement of Delegation refined on several occasions to encompass further areas of authority.
- The Trust’s risk map is overseen by the Board, and this year members have developed a Performance Dashboard of critical indicators which is reported to each board meeting and aligns with priority areas of the risk map.
- Detailed financial budgets and forecasts and regular timely review of management accounts. These were extended during the year to go beyond financial information, and are now included within a monthly Management Information Pack which is widely distributed to board members and senior managers.
- Formal policies and robust procedures for all areas of the Trust’s work;
- Robust policies and procedures on recruitment, induction, appraisal and staff management, including Criminal Records Bureau checks where required.
- 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 with regular review of the Strategic Destination Statement to ensure the organisation’s short and medium term activities are in service of its longer term goals. This year, the review took full account of the increasingly turbulent financial environment.
- 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.

### **Health and Safety**

The Board is aware of its responsibilities on all matters relating to health and safety. The Trust continues to provide training and education on health and safety matters to staff at all levels, and to board members. 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. There were no reported breaches of Schedule 1 of the Housing Act 1996; no legal action was taken 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. During the year there were three Board members who were 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. This is an area where we are always seeking improvements, and a Resident Involvement Manager has been recruited to ensure that our residents continue to shape our services and our standards.

### **Tenant Satisfaction**

No major “STATUS” survey of tenant satisfaction was undertaken for our rented housing, but the equivalent survey was implemented across our shared ownership stock. The results were very close to the excellent results from rented residents in 2008, with 90% indicating that they would recommend the Trust. We were able to benchmark these results against a peer group of other associations and our results were outstanding in comparison.

### **Complaints**

We encourage people to give us their feedback in order to improve our performance, and we have a clear and simple complaints policy that we issue to all tenants. During the year we received 103 complaints, up from 61 last year. We do not necessarily view this as evidence of a decline in service standards, but of increased promotion of the complaints process. The final internal stage of our complaints process is a hearing by a panel of board members and 2 complaints progressed to this stage.

Complainants who remain dissatisfied have the option of referring their complaint to the Independent Housing Ombudsman Service. A complaint referred to the Independent Housing Ombudsman in 2007-08 received a determination – in our favour – during the current year. One complaint which had been considered by a board panel during the year was referred to the Independent Housing Ombudsman, but a determination has not yet been made.

The Ombudsman also considered a complaint brought by a resident who had been identified as vexatious by the Trust and barred from access to our normal procedures. The Ombudsman found no substance to the complaint.

## **AUDITORS AND ACCOUNTS**

### **External Auditors**

The Trust’s external auditors are PKF, who complete their second year in this role for the year ending March 2009. A resolution to reappoint PKF (UK) LLP as external auditors will be proposed at the Annual General Meeting.

### **Internal Auditors**

TIAA were appointed to provide internal audit services to the Trust in 2008, and have completed their first full year in this role.

### **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**

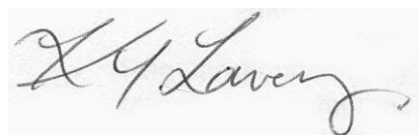
There have been no events since the financial year end that have had a significant effect on the financial position of the Group.

## **ANNUAL GENERAL MEETING**

The Annual General Meeting will be held on 30<sup>th</sup> July 2009 at the Bridge Hotel, Prestbury.

### **REPORT APPROVAL**

The report of the Board was approved by the Board on 21st July 2009 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Kath Lavery', written over a light grey rectangular background.

**Kath Lavery**  
**Chair**



## Operating and Financial Review 2008/09

### Basis of Preparation

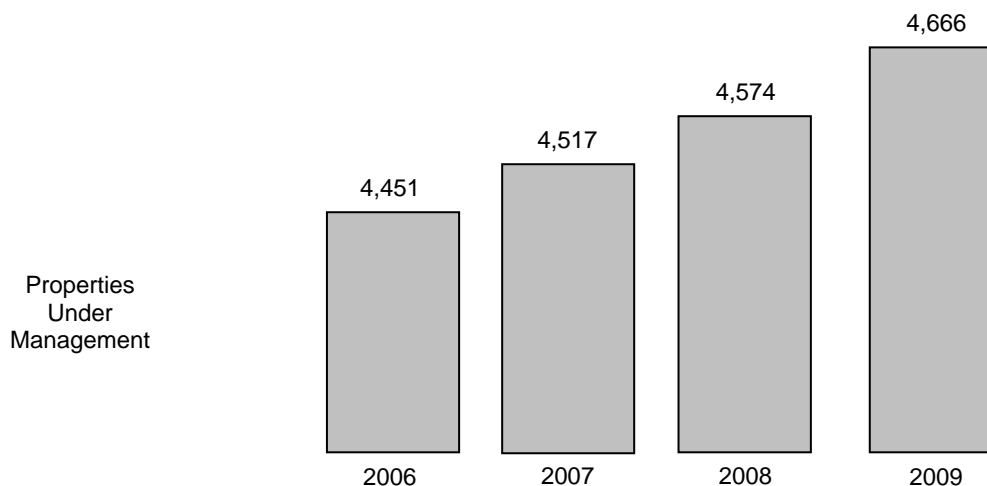
This Operating and Financial Review has been prepared in accordance with the guidelines set out in the Accounting Standards Board Reporting Standard 1: Operating and Financial Review.

### Principal Activities

The JJHT group continues to operate as a provider of good quality social housing with 4,666 properties in management principally across the North of England.

In addition, 2008/09 has seen sustained growth in the operation of the Trust’s Astraline business which serves an increasing number of other social housing providers.

As an organisation JJHT is committed to increasing our provision of affordable housing and expanding the customer base for Astraline services.



### Objectives and Strategy

The Trust reviews its strategic direction each year against the context of Government policy, the marketplace, customer requirements, and longer term aspirations. The impact of turbulence in the financial sector and wider economy has been a particular feature of strategic discussion over the course of the year.

In 2007/08 the Trust developed a Corporate Plan and Strategy covering the period through to 2011 and detailed targets within the plan were modified during the course of 2008/09 to reflect the impact of economic changes on the Trust’s operations, particularly in relation to the development of properties for sale.

In reviewing the strategy during the year the Board have focussed on the reduction of activity and demand in the housing market which has adversely affected those housing associations that were reliant on surpluses from the sales of shared ownership and other properties.

The Trust has a limited exposure to shared ownership properties with a small number of schemes active during the year. Progress has been slower than originally planned for sales of these properties, however, the Trust has actively marketed its schemes and sales are being steadily achieved each month.

## Operating and Financial Review (continued)

The Corporate Plan and Strategy has defined the activities of the Trust over the period 2008-2011 under three key headings. These are:

- Investing in communities
- Increasing organisational excellence & efficiency
- Investing in sustainable growth

These key themes are supported by detailed targets and milestones, which are monitored and reviewed routinely to ensure delivery of the objectives.

### Performance and Development

During 2008/09 the Trust continued to measure performance across a broad range of indicators. Development of the reporting system has led to a higher level of scrutiny and closer management of performance. Correspondingly, where performance has been less than satisfactory a small team have carried out best value reviews to put in place corrective actions. This is designed to engineer systematic improvements to performance on a continuing basis.

The Trust continued to benchmark through Housemark against other peers both for KPI's and costs.

A sample of the Trust's outturn KPI's is shown below.

Indicator	Trust Performance		
		March 2009	March 2008
Void losses	Declined	3.53	3.0
Percentage of emergency repairs completed on time	Improved	98.55	92.86
Percentage of urgent repairs completed on time	Improved	96.5	91.29
Percentage of routine repairs completed on time	Improved	99.5	95.15
Percentage of current arrears	Declined	3.4	3.33
Average SAP rating	Unchanged	75	75
Proportion of homes which are non-decent	Unchanged	0	0
Satisfaction of tenants with the overall service	Unchanged	89	89

### Financial Performance

The Board set a deficit budget of £724,000 for 2008/09 which reflected an increased investment programme of planned and major works. In particular, the Board decided to increase investment in electrical re-wiring and related upgrades during the year.

The outturn financial position was a breakeven result for the year.

Improvements against budget were achieved both from higher revenues and reduced expenditures. In addition, delays to the development programme resulted in reduced interest costs. The generation of interest from treasury management of a new loan also generated a surplus during the year.

## Operating and Financial Review (continued)

Incomes improved both as a result of new properties being developed and as a result of marginal increases in Supporting People incomes against the services provided by the Trust. The Trust also improved its void turnaround times against the prior year, which in turn improved revenues.

Decisions on efficiency reinvestment projects were delayed to the final quarter of the year as the Trust balanced the need to achieve budgets overall with the desire to make additional frontline investments in services. This meant that the majority of expenditures were deferred until 2009/10.

The volatility of the financial markets encouraged the Trust to manage its loan finances very carefully during the year. A new bond funded loan was entered into with THFC for £15m which will provide finance for future development projects. The Trust also repaid some of its more expensive long term borrowing and took advantage of the opportunity to fix long term debts at beneficial interest rates. These activities helped to reduce the Trusts average overall borrowing costs.

### Financial Viability

The Trust operates a 30 year financial forecasting model, which was updated during the year to take account of the Board’s revised property investment strategy, movements in the RPI rate and loan costs. A number of sensitivities have been modelled including adverse views of RPI which is likely to be an issue in 2010/11 when rent increases, as determined by government policy, are likely to be subject to a very low RPI figure.

These long term projections indicate that the Trust will continue to have the ability to invest in new development schemes and maintain its existing properties.

### External Environments and Risks

The environment in which we operate creates a number of challenges for us. The Trust regularly reviews the key risks facing the organisation and the actions required to investigate and manage them.

Key risks for the Trust include the following:

Key risk	Work to mitigate potential impact
Disease outbreaks	The Trust has been monitoring Government advice in relation to the current flu pandemic. Business continuity arrangements are under review in light of this guidance.
Political leadership changes and government spending reviews	It is likely that spending reviews will result in reduction in public spending in the next parliament. The Trust is conscious of the risk that this presents to capital grants and revenue income streams. The Trust is well placed to react to adverse changes rapidly.
Failure to deliver consistently high services	The Trust monitors its performance against key indicator targets and addresses performance downturns through remedial actions. The Trust is also making use of benchmarking groups to explore the basis for improvements achieved in other organisations.
New legislation	The Trust constantly monitors new legislation and assesses its impact on the overall business plan.

## Operating and Financial Review (continued)

### External Environments and Risks (continued)

Key risk	Work to mitigate potential impact
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.
Availability of finance & Increases to the cost of long term funds/financing	This area of risk has increased significantly in the last 12 months due to the fallout from the “credit crunch” crisis. JJHT has had sufficient pre-agreed loan facilities to ride out the 2008/09 fluctuations to LIBOR costs. In addition, the Trust entered into a new loan facility for £15m with THFC in July 08. The Trust has £12m of loan facilities currently undrawn.
Changes to the operation of the wider housing market and to demographics	The Trust continues to develop and maintain high quality housing stock which is attractive to our customers. The credit crunch crisis has had a significant impact on the demand for shared ownership and mixed tenure properties. However, the current commitment to these properties is at a manageable level for JJHT and does not present an undue risk. The impact of housing market failure at the same time as inflationary pressures will need to be carefully monitored over the coming year.

### Financial position

The Group income and expenditure account and balance sheet are summarised in Table 1 (page 17) and the following paragraphs highlight key features of the Group’s financial position at 31 March 2009.

### Accounting policies

The Group’s principal accounting policies are set out on pages 27 to 29 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. The SORP 2008 has been reflected in amendments to the treatment of shared ownership property sales. The effect of this has been to reflect additional surplus of £81k and to include properties for sale as a current asset as per Note 17.

### Housing properties

At 31 March 2009 the Group managed 4,666 housing properties (2008: 4,574).

The Group had a triennial valuation carried out by external professional valuers in May 2008 to identify the position at 31 March 2008. The value of the properties, on an existing use for social housing basis, was £98.7million as at March 2008, 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.

## Operating and Financial Review (continued)

Our investment in housing properties this year was funded through a mixture of social housing grant, loan finance and working capital.

### **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 decision of the Board at 12.9%.

The last formal valuation of the scheme took place as at 30 September 2008 and this revealed a deficit for the scheme overall of £663m, equivalent to a past service funding level of 69.7%.

As a result of the indicated deficit in the scheme, the trustees have started a consultation process aimed at introducing a further cost increase to pensions of 3.1% of pensionable pay. In addition, SHPS intends to inflate the past service deficit contribution at a rate of 4.7% pa.

At the same time the SHPS have introduced a defined contribution pension scheme which is intended as a lower cost option for those employees that find the defined benefit scheme too expensive.

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

### **Reserves**

The overall value of Trust reserves was unchanged at £65.6m. However, movements occurred within the year to reflect a transfer from the major repairs reserve to revenue reserves of £0.6m. This reflected the value of electrical repairs done during the year to bring properties up to the standard required by new building regulations. In addition, transfers from the revaluation reserve to the revenue reserve of £0.5m reflected the sale of shared ownership properties, which includes prior year adjustments. A reduction to the goodwill reserve reflected the resolution of an issue with electrical billing from 2004 in relation to our Heightside scheme.

### **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.

### **Liquidity**

The Trust is reporting a net current asset of £11.2m in its consolidated balance sheet. This includes a balance of £11m held on deposit by the THFC as part of the arrangements of the new £15m facility. These funds can be drawn as mortgaged properties are charged to THFC. It is intended to complete this mortgaging early in 2009/10. The Trust had undrawn loan facilities of £1.5m available with RBS at 31<sup>st</sup> March 2009.

## Operating and Financial Review (continued)

### Capital structure and treasury policy

The Trust borrowed a further £21.2 million during the year, to develop new accommodation. By the year end Group borrowings amounted to £61million of which £0.6million falls due to be paid within the next year as shown below.

<b>Maturity</b>	<b>2009 £m</b>
Within one year	0.6
Between one and two years	0.6
Between two and five years	1.9
After five years	57.9
	<hr/>
	61.0
	<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, 89% 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 below 6.4%. In the current market, where long term fixed rates are 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 17) shows that gearing, calculated as total loans as a percentage of total assets less current liabilities, had increased to 48% by 31 March 2009. 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 26).

The cash inflow arising from operating activities was £1.9m (2008: £5.5m). The reduction reflects the increased investment in planned maintenance, and changes to the working capital position at year end of £2.2m. Interest payments totalled £2.9m (2008: £2.4m), the increase being due to additional borrowing arising to fund new property development. The Trust invested £10.7m in new housing properties and fixed asset acquisition during the year against which £2.8m of housing corporation grant was received. The Trust received additional loan finance of £21.2m 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 £12million during the next financial year to develop housing and remodel existing accommodation. Almost £8million of the investment will be through new borrowings with the balance funded through social housing grant and property sales. Undrawn loan facilities of £12.5 million are available under existing arrangements.

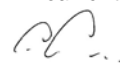
## Operating and Financial Review (continued)

### 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 2008’.

**Table 1 - Group highlights, five year summary**

For the year ended 31 March	2009	2008 RESTATED	2007	2006	2005
	£'000	£'000	£'000	£'000	£'000
<b>Group Income and Expenditure account</b>					
Total turnover	19,506	17,358	15,775	15,182	14,271
Income due from lettings	16,166	14,839	13,688	12,844	12,056
Operating surplus	2,381	2,885	1,869	2,252	2,497
Surplus/ (Deficit) for the year transferred to reserves	-	546	(193)	327	615
<b>Group Balance Sheet</b>					
Housing properties	108,362	104,401	87,572	85,813	79,446
Other fixed assets	6,163	5,253	4,846	4,279	3,627
Fixed assets	114,525	109,654	92,418	90,092	83,073
Net current assets / (liabilities)	11,283	(4,207)	(1,890)	(2,608)	499
Total assets less current liabilities	125,808	105,447	90,528	87,484	83,572
Creditors (due over one year)	60,234	39,873	36,728	33,491	29,906
Reserves :					
: Non equity share capital	-	-	-	-	-
: goodwill	443	475	475	480	485
: designated	3,519	4,080	4,080	4,080	4,080
: revenue	8,997	7,985	7,007	6,818	6,160
: revaluation	52,615	53,034	42,238	42,615	42,941
: total	65,574	65,574	53,800	53,993	53,666
	125,808	105,447	90,528	87,484	83,572
<b>Accommodation figures</b>					
Total housing stock owned & managed at year end ( <i>number of dwellings</i> ):	4,666	4,574	4,517	4,451	4,474
<b>Statistics</b>					
Surplus for the year as % of turnover	-	3.1%	(1.2%)	2.2%	4.3%
Surplus for the year as % of income from lettings	-	3.7%	(1.4%)	2.5%	5.1%
Rent losses as % of rent and service charge receivable	3.5%	3.0%	3.7%	3.3%	2.1%
Interest cover ( <i>surplus before interest payable plus depreciation divided by interest payable and capitalised interest</i> )	1.43	1.78	1.49	1.70	1.86
Liquidity ( <i>current assets divided by current liabilities</i> )	2.95	0.36	0.54	0.55	1.11
Gearing ( <i>total loans as % of total assets less current liabilities</i> )	48%	38%	41%	38%	36%

  
**Jim Lunney**  
Chief Executive

  
**Kath Lavery**  
Chair

**21st July 2009**  
Date

## Statement of Responsibilities of the Board

### **STATEMENT OF BOARD OF MANAGEMENT'S RESPONSIBILITIES**

#### **YEAR ENDED 31 MARCH 2009**

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

The Industrial and Provident Societies Acts and registered social housing legislation 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 Trust and of the surplus or deficit of the Trust for that period. In preparing these financial statements, the Board is required to:-

- Select suitable accounting policies and apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed subject to any material departures being disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Trust will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Trust; and enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, Schedule 1 to the Housing Act 1996, the Industrial and Provident Societies (Trust accounts) regulations 1969 and the Accounting Requirements for Registered Social Landlords General Determination 2006, as amended. It has general responsibility for taking reasonable steps to safeguard the assets of the Trust and to prevent and detect fraud and other irregularities.

The Board is also responsible for the maintenance and integrity of the corporate and financial information included on the Trust'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 “Johnnie” Johnson Housing Trust Limited

We have audited the Group and parent Trust financial statements of Johnnie Johnson Housing Trust, for the year ended 31 March 2009 which comprise the Group and Trust income and expenditure accounts, the balance sheets of the Group and the Trust, the statement of recognised surpluses, the consolidated cash flow statement and the related notes. The financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Trust in accordance with the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Trust those matters we are required to state to it 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 for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Board and auditors**

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

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 of the Group and the Trust give a true and fair view and 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. We also report to you if, in our opinion, a satisfactory system of control over transactions has not been maintained, if the Trust has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

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

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Board in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and the Trust's circumstances, consistently applied and adequately disclosed.

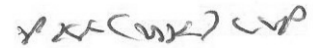
We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Independent Auditor's Report to "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 the affairs of the Group and the Trust as at 31 March 2009 and of the income and expenditure of the Group and the Trust for the year then ended; and
- the financial statements have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 and 2002, Schedule 1 to the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006.



**13 August 2009**

**Liverpool  
Date**

**PKF (UK) LLP  
Registered Auditors**

## Consolidated Income and Expenditure Account

For the year ended 31 March 2009

	Note	2009 £'000	2008 RESTATED £'000
<b>Turnover: continuing activities</b>	3	19,506	17,358
<b>Cost of Sales</b>	3	(822)	(200)
<b>Operating costs</b>	3	(16,303)	(14,273)
		<hr/>	<hr/>
<b>Operating surplus: continuing activities</b>	5	2,381	2,885
Surplus on sale of fixed assets – housing properties	6	97	28
Interest receivable and other income	7	416	47
Interest payable and similar charges	8	(2,894)	(2,414)
		<hr/>	<hr/>
<b>Surplus on ordinary activities before taxation</b>		-	546
Tax on surplus on ordinary activities	11	-	-
		<hr/>	<hr/>
<b>Surplus for the financial year</b>		-	546
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 27 to 55 form part of these financial statements.

These accounts consolidate the results of “Johnnie” Johnson Housing Trust Ltd, “Johnnie” Johnson Housing Association Ltd and “Johnnie” Johnson Developments Ltd.

## Trust Income and Expenditure Account

For the year ended 31 March 2009

	Note	2009 £'000	2008 RESTATED £'000
<b>Turnover: continuing activities</b>	3	19,375	17,231
<b>Cost of Sales</b>	3	(822)	(200)
<b>Operating costs</b>	3	(16,107)	(13,959)
		<hr/>	<hr/>
<b>Operating surplus: continuing activities</b>	5	2,446	3,072
Surplus on sale of fixed assets – housing properties	6	77	28
Interest receivable and other income	7	413	31
Interest payable and similar charges	8	(2,894)	(2,414)
		<hr/>	<hr/>
<b>Surplus on ordinary activities before taxation</b>		42	717
Tax on surplus on ordinary activities	11	-	-
		<hr/>	<hr/>
<b>Surplus for the financial year</b>		42	717
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 27 to 55 form part of these financial statements.

## Statement of Total Recognised Surpluses and Deficits

For the year ended 31 March 2009

	2009	Group 2008 RESTATED	2009	Trust 2008 RESTATED
	£'000	£'000	£'000	£'000
Surplus for the financial year	-	546	42	717
Unrealised surplus on revaluation of housing properties	-	8,595	-	7,681
Depreciation eliminated on revaluation of housing properties	-	2,476	-	2,465
Unrealised deficit on revaluation of office premises	-	(122)	-	(122)
Depreciation eliminated on revaluation of office premises	-	279	-	279
Total recognised surpluses and deficits relating to the year	-	11,774	42	11,020
Prior year adjustment (Note 30)	-		-	
Total recognised surpluses and deficits since the last report	-		42	

## Note of Historical Cost Surpluses and Deficits

For the year ended 31 March 2009

	2009	Group 2008 RESTATED	2009	Trust 2008 RESTATED
	£'000	£'000	£'000	£'000
Reported surplus on ordinary activities before taxation	-	546	42	717
Excess of actual depreciation charge over historical cost depreciation	419	390	415	390
Historical cost surplus on ordinary activities before taxation	419	936	457	1,107

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

For the year ended 31 March 2009

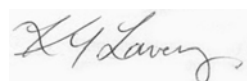
	2009	Group 2008 RESTATED	2009	Trust 2008 RESTATED
	£'000	£'000	£'000	£'000
Opening total funds	65,574	53,800	65,072	54,052
Total recognised surpluses and deficits relating to the year	-	11,774	42	11,020
Closing total funds	65,574	65,574	65,114	65,072

## Consolidated Balance Sheet

at 31 March 2009

	Note	2009 £'000	2008 RESTATED £'000
<b>Tangible fixed assets</b>			
Housing properties	12	108,362	104,401
Other tangible fixed assets	13	6,163	5,253
		<hr/>	<hr/>
		114,525	109,654
		<hr/>	<hr/>
<b>Current assets</b>			
Debtors	15	1,963	952
Investments	16	11,964	16
Properties for sale	17	2,057	705
Cash at bank and in hand		1,081	644
		<hr/>	<hr/>
		17,065	2,317
<b>Creditors:</b> Amounts falling due within one year	18	(5,782)	(6,524)
		<hr/>	<hr/>
<b>Net current assets / (liabilities)</b>		11,283	(4,207)
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		125,808	105,447
		<hr/>	<hr/>
<b>Creditors:</b> Amounts falling due after more than one year	19	60,234	39,873
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Revaluation reserve for housing properties	23	51,813	52,232
Revaluation reserve for other fixed assets	23	802	802
Designated reserve	23	3,519	4,080
Revenue reserve	23	8,997	7,985
Goodwill reserve	23	443	475
		<hr/>	<hr/>
<b>Consolidated funds</b>	23	65,574	65,574
		<hr/>	<hr/>
		125,808	105,447
		<hr/>	<hr/>

The financial statements were approved by the Board on 21<sup>st</sup> July 2009 and signed on its behalf by:



**Kath Lavery**  
Chair



**David Goodman**  
Deputy Chair



**Jim Lunney**  
Secretary

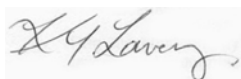
**Date** 21st July 2009

## Trust Balance Sheet

at 31 March 2009

	Note	2009 £'000	2008 RESTATED £'000
<b>Tangible fixed assets</b>			
Housing properties	12	108,050	104,022
Other tangible fixed assets	13	6,163	5,253
		<hr/>	<hr/>
Investment in subsidiaries	14	114,213 -	109,275 -
		<hr/>	<hr/>
		114,213	109,275
<b>Current assets</b>			
Debtors	15	2,074	1,049
Investments	16	11,964	16
Properties for sale	17	2,057	705
Cash at bank and in hand		641	411
		<hr/>	<hr/>
		16,736	2,181
<b>Creditors:</b> Amounts falling due within one year	18	(5,601)	(6,511)
		<hr/>	<hr/>
<b>Net current assets / (liabilities)</b>		11,135	(4,330)
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		125,348	104,945
		<hr/> <hr/>	<hr/> <hr/>
<b>Creditors:</b> Amounts falling due after more than one year	19	60,234	39,873
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Revaluation reserve for housing properties	23	50,538	50,954
Revaluation reserve for other fixed assets	23	802	802
Designated reserve	23	3,519	4,080
Revenue reserve	23	9,812	8,761
Goodwill reserve	23	443	475
		<hr/>	<hr/>
<b>Trust funds</b>	23	65,114	65,072
		<hr/>	<hr/>
		125,348	104,945
		<hr/> <hr/>	<hr/> <hr/>

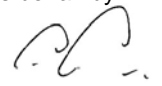
The financial statements were approved by the Board on 21<sup>st</sup> July 2009 and signed on its behalf by:



**Kath Lavery**  
Chair



**David Goodman**  
Deputy Chair



**Jim Lunney**  
Secretary

**Date 21st July 2009**

## Consolidated Cash Flow Statement

For the year ended 31 March 2009

	Note	2009 £'000	2008 RESTATED £'000
<b>Net cash inflow from operating activities</b>	26	1,895	5,459
<b>Returns on investments and servicing of finance</b>			
Interest received		416	47
Interest paid		(2,771)	(2,360)
		(2,355)	(2,313)
<b>Taxation paid</b>			
Corporation tax paid		-	-
<b>Capital expenditure</b>			
Purchase and construction of housing properties		(8,948)	(8,295)
Social housing grant – received		2,775	2,220
Sale of housing properties		424	354
Purchase of other fixed assets		(1,730)	(987)
Sales of other fixed assets		22	-
		(7,457)	(6,708)
<b>Management of liquid resources</b>			
Cash placed in money market deposit accounts		(11,948)	(2)
<b>Financing</b>			
Loans received		21,174	3,500
Housing loans repaid		(872)	(408)
		20,302	3,092
<b>Increase / (decrease) in cash</b>	27	437	(472)

## Notes to the Financial Statements

31 March 2009

### 1. Legal Status

The Trust is registered under the Industrial and Provident Societies Act 1965 and is registered with the Tenant Services Authority as a “non-profit, Registered Provider”.

### 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 2008. The accounts comply with the Industrial & Provident Societies Act 1965 to 2002, the Housing Act 1966 and the Tenant Services Authority’s Accounting Requirements for Registered Social Landlords General Determination 2006. The accounts are consolidated into the “Johnnie” Johnson Housing Trust including all subsidiaries.

#### **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.

#### **Loan finance issue costs**

Arrangement and legal fees associated with the issuing of loans are capitalised and written off evenly over the life of the corresponding loan.

#### **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.

## Notes to the Financial Statements

31 March 2009

### 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.

The Trust capitalises improvements as defined in the SORP.

#### **Shared ownership properties**

Shared ownership properties are accounted for according to the SORP 2008. This requires that the element of each shared ownership property that is to be sold as a first tranche is treated as a current asset in the balance sheet, while the remainder is treated as a fixed asset. Once the first tranche is sold the value of this is deducted from current assets and recognised as a Cost of Sale in the Income & Expenditure statement, the income arising from the sale of the first tranche is treated as Income.

Subsequent tranches sold are not included in Turnover and Cost of Sales but are shown as a separate item after the operating surplus in the Income & Expenditure account. All other sales of Fixed Assets Properties are treated this way.

#### **Social housing grant**

Social housing grant (SHG) is receivable from the Homes and Communities Agency and is utilised to reduce the capital costs of housing properties, including land costs. SHG due from the Homes and Communities Agency 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 Homes and Communities Agency. 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 and these are reviewed annually.

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 2008 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

#### **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.

## Notes to the Financial Statements

31 March 2009

### 2. Accounting Policies (continued)

Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

#### **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, 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.

#### **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
Computer Equipment (desktop)	33.33% 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)

#### **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. These are reviewed annually.

#### **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.

#### **Cashflow Statement**

The Trust has produced a Group cashflow statement and has taken advantage of the Financial Reporting Standard exemption not to produce an individual Trust cashflow statement. The Trust statement is not materially different from that of the Group.

#### **Service charge sinking funds**

Service charge sinking funds are dealt with as creditors due within one year and are separately identified in the creditors analysis within the notes to the accounts.

#### **Support income and costs including Supporting People income and costs**

Supporting People (SP) contract income received from Administering Authorities is accounted for as SP income in the turnover note 3. The related support costs are matched against this income in the same note.

#### **Leased assets**

Rentals payable under operating leases are charged to the income and expenditure account on a straight line basis over the term of the lease.

#### **Liquid resources**

Liquid resources are readily disposable current asset investments.

## Notes to the Financial Statements

31 March 2009

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

#### GROUP – continuing activities

	2009			
	Turnover £'000	Cost of Sales £'000	Operating costs £'000	Operating surplus £'000
<b>Social housing lettings</b>	15,596	-	(13,455)	2,141
<b>Other social housing activities</b>				
Supporting people	1,180	-	(1,170)	10
Development services	113	-	(43)	70
First Tranche shared ownership sales	840	(822)	-	18
Other	283	-	(158)	125
Gift Aid	-	-	(59)	(59)
	<u>2,416</u>	<u>(822)</u>	<u>(1,430)</u>	<u>164</u>
<b>Non social housing activities</b>				
Care and support services	1,494	-	(1,418)	76
	<u>19,506</u>	<u>(822)</u>	<u>(16,303)</u>	<u>2,381</u>

	2008 RESTATED			
	Turnover £'000	Cost of Sales £'000	Operating costs £'000	Operating surplus £'000
<b>Social housing lettings</b>	14,392	-	(11,821)	2,571
<b>Other social housing activities</b>				
Supporting people	1,130	-	(1,153)	(23)
Development services	116	-	-	116
First Tranche shared ownership sales	239	(200)	-	39
Other	392	-	(193)	199
	<u>1,877</u>	<u>(200)</u>	<u>(1,346)</u>	<u>331</u>
<b>Non social housing activities</b>				
Care and support services	1,089	-	(1,106)	(17)
	<u>17,358</u>	<u>(200)</u>	<u>(14,273)</u>	<u>2,885</u>

## Notes to the Financial Statements

31 March 2009

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

#### TRUST – continuing activities

	2009			
	Turnover £'000	Cost of Sales £'000	Operating costs £'000	Operating surplus £'000
<b>Social housing lettings</b>	15,466	-	(13,318)	2,148
<b>Other social housing activities</b>				
Supporting people	1,180	-	(1,170)	10
Development services	113	-	(43)	70
First Tranche shared ownership sales	840	(822)	-	18
Other	282	-	(158)	124
	2,415	(822)	(1,371)	222
<b>Non social housing activities</b>				
Care and support services	1,494	-	(1,418)	76
	19,375	(822)	(16,107)	2,446

	2008 RESTATED			
	Turnover £'000	Cost of Sales £'000	Operating costs £'000	Operating surplus £'000
<b>Social housing lettings</b>	14,266	-	(11,691)	2,575
<b>Other social housing activities</b>				
Supporting people	1,130	-	(1,153)	(23)
Development services	116	-	-	116
First Tranche shared ownership sales	239	(200)	-	39
Other	423	-	(98)	325
	1,908	(200)	(1,251)	457
<b>Non social housing activities</b>				
Care and support services	1,057	-	(1,017)	40
	17,231	(200)	(13,959)	3,072

## Notes to the Financial Statements

31 March 2009

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

#### GROUP

	General needs housing £'000	Supported housing and housing for older people £'000	Low cost Home ownership £'000	2009 Total	2008 Total £'000
Rent receivable net of identifiable service charges	3,972	7,833	371	12,176	11,268
Service income	112	2,879	429	3,420	3,124
<b>Net rental income</b>	<u>4,084</u>	<u>10,712</u>	<u>800</u>	<u>15,596</u>	<u>14,392</u>
Other Housing Corporation revenue grants	-	-	-	-	-
<b>Turnover from social housing lettings</b>	<u>4,084</u>	<u>10,712</u>	<u>800</u>	<u>15,596</u>	<u>14,392</u>
Management	937	3,164	190	4,291	4,079
Services	152	2,989	328	3,469	3,039
Routine maintenance	290	711	26	1,027	948
Planned maintenance	941	2,718	70	3,729	2,853
Bad debts	8	62	2	72	89
Depreciation of housing properties	262	545	60	867	813
<b>Operating costs on social housing lettings</b>	<u>2,590</u>	<u>10,189</u>	<u>676</u>	<u>13,455</u>	<u>11,821</u>
<b>Operating surplus on social housing lettings</b>	<u>1,494</u>	<u>523</u>	<u>124</u>	<u>2,141</u>	<u>2,571</u>
<b>Void losses</b>	<u>( 49)</u>	<u>(521)</u>	<u>-</u>	<u>(570)</u>	<u>(447)</u>

## Notes to the Financial Statements

31 March 2009

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

#### TRUST

	General needs housing £'000	Supported housing and housing for older people £'000	Low cost Home ownership £'000	2009 Total	2008 Total £'000
Rent receivable net of identifiable service charges	3,972	7,833	349	12,154	11,246
Service income	112	2,879	321	3,312	3,020
<b>Net rental income</b>	<b>4,084</b>	<b>10,712</b>	<b>670</b>	<b>15,466</b>	<b>14,266</b>
Other Housing Corporation revenue grants	-	-	-	-	-
<b>Turnover from social housing lettings</b>	<b>4,084</b>	<b>10,712</b>	<b>670</b>	<b>15,466</b>	<b>14,266</b>
Management	937	3,164	162	4,263	4,056
Services	152	2,989	241	3,382	2,954
Routine maintenance	290	711	20	1,021	943
Planned maintenance	941	2,718	58	3,717	2,840
Bad debts	8	62	2	72	89
Depreciation of housing properties	262	545	56	863	809
<b>Operating costs on social housing lettings</b>	<b>2,590</b>	<b>10,189</b>	<b>539</b>	<b>13,318</b>	<b>11,691</b>
<b>Operating surplus on social housing lettings</b>	<b>1,494</b>	<b>523</b>	<b>131</b>	<b>2,148</b>	<b>2,575</b>
<b>Void losses</b>	<b>( 49)</b>	<b>(521)</b>	<b>-</b>	<b>(570)</b>	<b>(447)</b>

## Notes to the Financial Statements

31 March 2009

### 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	
	2009	2008 No	2009	2008 No
<b>Social housing</b>				
General housing	1,394	1,336	1,394	1,336
Supported housing and housing for older people	2,620	2,644	2,620	2,644
Shared Ownership	631	573	541	483
	<hr/>	<hr/>	<hr/>	<hr/>
Total owned	4,645	4,553	4,555	4,463
Accommodation managed for others	21	21	21	21
	<hr/>	<hr/>	<hr/>	<hr/>
Total managed	4,666	4,574	4,576	4,484
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Accommodation in development at the year end	148	146	148	146
	<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 2009

### 5. Operating Surplus

This is arrived at after charging/(crediting):

	Group		Trust	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Depreciation of housing properties	867	813	864	809
Impairment of housing properties				
Depreciation of other tangible fixed assets	817	737	817	737
Surplus on disposal of other tangible fixed assets	-	-	(19)	-
Operating lease rentals				
- office equipment and computers	20	20	20	20
- vehicles	30	-	30	-
Auditors' remuneration (including VAT)				
- for audit services	17	15	20	15
- for non-audit services: - tax compliance	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

### 6. Surplus on sale of fixed assets – housing properties

	Group		Trust	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Disposal proceeds	422	115	385	115
Carrying value of fixed assets	(325)	(87)	(308)	(87)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	97	28	77	28
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

### 7. Interest receivable and other income

	Group		Trust	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Interest receivable and similar income	416	47	413	31
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	416	47	413	31
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## Notes to the Financial Statements

31 March 2009

### 8. Interest payable and similar charges

	Group		Trust	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Loans and bank overdrafts	3,287	2,572	3,287	2,572
Interest payable capitalised on housing properties under construction	(393)	(158)	(393)	(158)
	<u>2,894</u>	<u>2,414</u>	<u>2,894</u>	<u>2,414</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	
	2009 No	2008 No	2009 No	2008 No
Administration	35	32	35	32
Development	15	10	15	10
Housing, support and care	148	145	147	144
	<u>198</u>	<u>187</u>	<u>197</u>	<u>186</u>

Employee costs:

	Group		Trust	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Wages and salaries	4,425	3,954	4,407	3,937
Social security costs	326	294	325	293
Other pension costs	310	292	308	290
	<u>5,061</u>	<u>4,540</u>	<u>5,040</u>	<u>4,520</u>

## Notes to the Financial Statements

31 March 2009

### 9. Employees (continued)

The Group 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 1/60<sup>th</sup> accrual rate until 31 March 2007. From April 2007 there are three benefit structures available, namely:

- Final salary with a 1/60<sup>th</sup> accrual rate.
- Final salary with a 1/70<sup>th</sup> accrual rate.
- Career average revalued earnings with a 1/60<sup>th</sup> 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 Group has elected to operate the final salary with a 1/60<sup>th</sup> accrual rate benefit structure for active members as at 01/04/ 2007 and the final salary with a 1/70<sup>th</sup> accrual rate benefit structure for new entrants from 01/04/ 2007.

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

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

During the accounting period The Group paid contributions at the rate of 12.9% to 22.0%. Member contributions varied between 0.0% and 9.6%.

As at the balance sheet date there were 105 active members of the Scheme employed by The Group. The annual pensionable payroll in respect of these members was £2,364,221. The Group continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the scheme is a multi employer scheme where the scheme assets are co-mingled for investment purposes, and benefits are paid from total scheme assets. Accordingly, due to the nature of the Scheme, 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 2008 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme’s assets at the valuation date was £1,527 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £663 million, equivalent to a past service funding level of 70%.

## Notes to the Financial Statements

31 March 2009

### 9. Employees (continued)

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

	% pa
Valuation Discount Rates	
Pre retirement	7.8
Non Pensioner Post retirement	6.2
Pensioner Post retirement	5.6
Pensionable earnings growth	4.7
Price inflation	3.2
Pension Increases	
Pre 88 GMP	0.0
Post 88 GMP	2.8
Excess over GMP	3.0

Expenses for death in service insurance, administration and PPF levy are included in the contribution rate.

The valuation was carried out using the following demographic assumptions:

Mortality pre retirement – PA92 Year of Birth, long cohort projection, minimum improvement 1%pa

Mortality post retirement – 90% S1PA Year of Birth, long cohort projection, minimum improvement 1%pa

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

Benefit structure	Long-term joint contribution rate (% of pensionable salaries)
Final salary with a 1/60 <sup>th</sup> accrual rate	17.8
Final salary with a 1/70 <sup>th</sup> accrual rate	15.4
Career average revalued earnings with a 1/60 <sup>th</sup> accrual rate	14.9

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

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.

## Notes to the Financial Statements

31 March 2009

### 9. Employees (continued)

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.

A copy of the recovery plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and / or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). The Regulator has reviewed the recovery plan for the SHPS Scheme and confirmed that, in respect of the September 2005 actuarial valuation, it does not propose to issue any scheme funding directions under Part 3 of the Pensions Act 2004. A copy of the recovery plan in respect of the September 2008 valuation will be forwarded to the Regulator in due course.

As a result of pension scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

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 Group has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme based on the financial position of the Scheme as at 30 September 2008. As of this date the estimated employer debt for The Group was £14.3m including Additional Voluntary Contribution Scheme.

The Group remains committed to its membership of the Social Housing Pension Scheme, therefore, the debt is not likely to crystallise.

## Notes to the Financial Statements

31 March 2009

### 10. Board members and executive directors

	<b>Basic Salary £'000</b>	<b>Benefits In kind £'000</b>	<b>Pension Contr'ns £'000</b>	<b>2009 Total £'000</b>	<b>2008 Total £'000</b>
Chief Executive & Directors	299	27	42	368	375
Board Members	40	-	-	40	37
	<u>339</u>	<u>27</u>	<u>42</u>	<u>408</u>	<u>412</u>

Board members received emoluments totaling £40,404 (2008: £37,417). These are fully detailed within the Report of the Board.

The emoluments of the highest paid director, the Chief Executive, excluding pension contributions, were £89,826 (2008: £86,548).

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.

## Notes to the Financial Statements

31 March 2009

### 11. Tax on surplus on ordinary activities

	Group		Trust	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
<b>Current tax</b>				
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>
<b>Deferred tax</b>				
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	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
<b>Current tax reconciliation</b>				
Surplus on ordinary activities before tax	-	507	42	678
	<u>-</u>	<u>507</u>	<u>42</u>	<u>678</u>
Theoretical tax at UK corporation tax rate 28% (2007: 30%)	-	152	13	203
- surplus attributable to charitable activities	-	(152)	(13)	(203)
	<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 2009

### 12. Tangible fixed assets – properties

<b>GROUP – Housing properties</b>	<b>Social housing properties held for letting £'000</b>	<b>Social housing properties under construction £'000</b>	<b>Completed shared ownership housing properties £'000</b>	<b>Shared ownership properties under construction £'000</b>	<b>Total £'000</b>
<b>Valuation</b>					
At 1 April 2008	180,329	3,208	12,138	4,400	200,075
Prior year adjustment	-	-	-	(705)	(705)
Additions	-	5,337	-	800	6,137
1 <sup>st</sup> Tranche Sales	-	-	-	-	-
Works to existing properties	1,362	-	-	-	1,362
Interest capitalised	-	97	-	296	393
Schemes completed	3,041	(3,041)	45	(45)	-
Disposals	(180)	(44)	(101)	-	(325)
Valuation adjustment	-	-	-	-	-
	<u>184,552</u>	<u>5,557</u>	<u>12,082</u>	<u>4,746</u>	<u>206,937</u>
<b>Depreciation</b>					
At 1 April 2008	-	-	-	-	-
Depreciation charged in year	(808)	-	(59)	-	(867)
Valuation adjustment	-	-	-	-	-
	<u>(808)</u>	<u>-</u>	<u>(59)</u>	<u>-</u>	<u>(867)</u>
<b>Depreciated value</b>					
At 31 March 2009	<u>183,744</u>	<u>5,557</u>	<u>12,023</u>	<u>4,746</u>	<u>206,070</u>
At 31 March 2008	<u>180,329</u>	<u>3,208</u>	<u>12,138</u>	<u>3,695</u>	<u>199,370</u>
<b>Social Housing and other Grant</b>					
At 1 April 2008	(86,804)	(631)	(6,477)	(1,057)	(94,969)
Additions	-	(2,776)	-	(606)	(3,382)
Schemes completed	(1,342)	1,342	-	-	-
Disposals	(8)	40	43	20	95
Funding in Advance	-	548	-	-	548
	<u>(88,154)</u>	<u>(1,477)</u>	<u>(6,434)</u>	<u>(1,643)</u>	<u>(97,708)</u>
<b>Net book value</b>					
At 31 March 2009	<u>95,590</u>	<u>4,080</u>	<u>5,589</u>	<u>3,103</u>	<u>108,362</u>
At 31 March 2008	<u>93,525</u>	<u>2,577</u>	<u>5,661</u>	<u>2,638</u>	<u>104,401</u>

## Notes to the Financial Statements

31 March 2009

### 12. Tangible fixed assets – properties (continued)

<b>TRUST – Housing properties</b>	<b>Social housing properties held for letting £'000</b>	<b>Social housing properties under construction £'000</b>	<b>Completed shared ownership housing properties £'000</b>	<b>Shared ownership properties under construction £'000</b>	<b>Total £'000</b>
<b>Valuation</b>					
At 1 April 2008	180,329	3,208	11,429	4,400	199,366
Prior year adjustment	-	-	-	(705)	(705)
Additions	-	5,390	-	800	6,190
Works to existing properties	1,362	-	-	-	1,362
Interest capitalised	-	97	-	296	393
Schemes completed	3,041	(3,041)	45	(45)	-
Disposals	(180)	(44)	(84)	-	(308)
Valuation adjustment	-	-	-	-	-
	<u>184,552</u>	<u>5,610</u>	<u>11,390</u>	<u>4,746</u>	<u>206,298</u>
<b>Depreciation</b>					
At 1 April 2008	-	-	-	-	-
Depreciation charged in year	(808)	-	(56)	-	(864)
Valuation adjustment	-	-	-	-	-
	<u>(808)</u>	<u>-</u>	<u>(56)</u>	<u>-</u>	<u>(864)</u>
<b>Depreciated value</b>					
At 31 March 2009	<u>183,744</u>	<u>5,610</u>	<u>11,334</u>	<u>4,746</u>	<u>205,434</u>
At 31 March 2008	<u>180,329</u>	<u>3,208</u>	<u>11,429</u>	<u>3,695</u>	<u>198,661</u>
<b>Social Housing Grant</b>					
At 1 April 2008	(86,804)	(631)	(6,147)	(1,057)	(94,639)
Additions	-	(2,776)	-	(606)	(3,382)
Schemes completed	(1,342)	1,342	-	-	-
Disposals	(8)	40	37	20	89
Funding in Advance	-	548	-	-	548
	<u>(88,154)</u>	<u>(1,477)</u>	<u>(6,110)</u>	<u>(1,643)</u>	<u>(97,384)</u>
<b>Net book value</b>					
At 31 March 2009	<u>95,590</u>	<u>4,133</u>	<u>5,224</u>	<u>3,103</u>	<u>108,050</u>
At 31 March 2008	<u>93,525</u>	<u>2,577</u>	<u>5,282</u>	<u>2,638</u>	<u>104,022</u>

## Notes to the Financial Statements

31 March 2009

### 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 2008. 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:

	<b>£’000</b>
<b>Completed properties at valuation</b>	
“Johnnie” Johnson Housing Trust Limited	100,814
“Johnnie” Johnson Housing Association Limited	366
<b>Housing properties under construction at cost net of SHG and other grants</b>	7,236
	<hr/>
<b>Consolidated at valuation date</b>	108,416
	<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:

	<b>Group</b>		<b>Trust</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>£’000</b>	<b>£’000</b>	<b>£’000</b>	<b>£’000</b>
Historical cost	154,123	149,828	153,655	149,660
Social housing grant	(97,708)	(94,969)	(97,384)	(94,639)
Depreciation and impairment	(878)	(2,906)	(864)	(2,898)
	<hr/>	<hr/>	<hr/>	<hr/>
	55,537	51,953	55,407	52,123
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

#### Social housing grant

	<b>Group</b>		<b>Trust</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>£’000</b>	<b>£’000</b>	<b>£’000</b>	<b>£’000</b>
Total accumulated SHG receivable at 31 March:				
Capital grant	97,708	94,969	97,384	94,639
Revenue grant	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	97,708	94,969	97,384	94,639
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## Notes to the Financial Statements

31 March 2009

### 12. Tangible fixed assets – properties (continued)

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

	Group		Trust	
	2009 £'000	2008 RESTATED £'000	2009 £'000	2008 RESTATED £'000
Freehold land and buildings	86,535	82,646	86,223	82,267
Long leasehold land and buildings	21,827	21,755	21,827	21,755
	<u>108,362</u>	<u>104,401</u>	<u>108,050</u>	<u>104,022</u>

Expenditure on works to existing properties

	Group		Trust	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Amounts capitalised	1,362	448	1,362	448
Amounts charged to income and expenditure account	-	-	-	-
- Routine maintenance	1,027	948	1,021	943
- Planned maintenance	3,729	2,852	3,717	2,840
Total	<u>6,118</u>	<u>4,248</u>	<u>6,100</u>	<u>4,231</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
<b>Cost</b>					
At 1 April 2008	1,395	5,675	1,336	228	8,634
Additions	-	1,635	95	-	1,730
Disposals	-	-	-	(144)	(144)
Valuation adjustment	-	-	-	-	-
At 31 March 2009	<u>1,395</u>	<u>7,310</u>	<u>1,431</u>	<u>84</u>	<u>10,220</u>
<b>Depreciation</b>					
At 1 April 2008	-	(2,613)	(602)	(165)	(3,380)
Charged in year	(42)	(535)	(206)	(35)	(818)
Released on disposal	-	-	-	141	141
Valuation adjustment	-	-	-	-	-
At 31 March 2009	<u>(42)</u>	<u>(3,148)</u>	<u>(808)</u>	<u>(59)</u>	<u>(4,057)</u>
<b>Net book value</b>					
At 31 March 2009	<u>1,353</u>	<u>4,162</u>	<u>623</u>	<u>25</u>	<u>6,163</u>
At 31 March 2008	<u>1,395</u>	<u>3,061</u>	<u>734</u>	<u>63</u>	<u>5,253</u>

## Notes to the Financial Statements

31 March 2009

### 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 £46,913 (2008: £45,528).

### 15. Debtors

	Group		Trust	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
<b>Due within one year</b>				
Rent and service charges receivable	1,043	724	1,043	724
Less: Provision for bad and doubtful debts	(256)	(202)	(256)	(202)
	<u>787</u>	<u>522</u>	<u>787</u>	<u>522</u>
Social housing grant receivable	-	-	-	-
Amounts owed by subsidiary undertakings	-	-	115	109
Other debtors	1,078	382	1,074	370
Prepayments and accrued income	81	31	81	31
	<u>1,946</u>	<u>935</u>	<u>2,057</u>	<u>1,032</u>
<b>Due after more than one year</b>				
Prepayments and accrued income	17	17	17	17
	<u>1,963</u>	<u>952</u>	<u>2,074</u>	<u>1,049</u>

### 16. Current asset investments

	Group		Trust	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Money market deposits	11,964	16	11,964	16

### 17. Properties for sale

	Group		Trust	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Shared Ownership	2,057	705	2,057	705

## Notes to the Financial Statements

31 March 2009

### 18. Creditors: amounts falling due within one year

	Group		Trust	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Debt (note 21)	575	604	575	604
Rent and service charges received in advance	586	569	586	569
Social housing grant received in advance	548	-	548	-
Other capital creditors	383	1,434	383	1,434
Funds held on behalf of residents	750	762	595	580
Recycled capital grant fund (note 20)	102	64	95	64
Amounts owed to Group undertakings	-	-	177	183
Other creditors	771	531	586	523
Accruals and deferred income	2,067	2,560	2,056	2,554
	<u>5,782</u>	<u>6,524</u>	<u>5,601</u>	<u>6,511</u>

### 19. Creditors: amounts falling due after more than one year

	Group		Trust	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Debt (note 21)	60,459	40,093	60,459	40,093
Less loan issue costs	(225)	(220)	(225)	(220)
	<u>60,234</u>	<u>39,873</u>	<u>60,234</u>	<u>39,873</u>

## Notes to the Financial Statements

31 March 2009

### 20. Recycled capital grant fund

	Group		Trust	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
At 1 April 08	64	98	64	98
Grants recycled	43	61	36	61
Interest accrued	3	6	3	6
Transfers from other Group members	-	-	-	-
Major repairs and works to existing stock	(8)	(101)	(8)	(101)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 09	102	64	95	64
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Amount due for repayment to Housing Corporation	-	-	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## Notes to the Financial Statements

31 March 2009

### 21. Debt analysis

	Group		Trust	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
<b>Due within one year</b>				
Bank loans	552	594	552	594
Local authority loans	23	10	23	10
	<hr/>	<hr/>	<hr/>	<hr/>
	575	604	575	604
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	Group		Trust	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
<b>Due after more than one year</b>				
Bank loans	60,058	39,430	60,058	39,430
Local authority loans	401	663	401	663
	<hr/>	<hr/>	<hr/>	<hr/>
	60,459	40,093	60,459	40,093
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	Group		Trust	
	2008 £'000	2008 £'000	2009 £'000	2008 £'000
Within one year	575	604	575	604
Between one and two years	572	608	572	608
Between two and five years	1,895	2,044	1,895	2,044
After five years	57,992	37,441	57,992	37,441
	<hr/>	<hr/>	<hr/>	<hr/>
	61,034	40,697	61,034	40,697
	<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 £423,351 of the total debt at the year end. Interest payable on local authority loans range from 6% to 8.6%.

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 1.35% 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 2009 the Group had undrawn loan facilities of £1.5m (2008: £9.5m).

## Notes to the Financial Statements

31 March 2009

### 22. Non-equity share capital

	2009 £	2008 £
<b>Shares of £1 each issued and fully paid</b>		
At 1 April	93	100
Shares issued during the year	1	-
Shares surrendered during the year	(8)	(7)
	<hr/>	<hr/>
At 31 March	86	93
	<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.

### 23. 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 2008	52,313	802	475	4,080	7,904	65,574
Prior year adjustment (note 30)	(81)	-	-	-	81	-
At 1 April 2008 restated	<hr/> 52,232	<hr/> 802	<hr/> 475	<hr/> 4,080	<hr/> 7,985	<hr/> 65,574
Surplus for the year	-	-	-	-	-	-
Transfers to revenue reserve	(419)	-	(32)	(561)	1,012	-
At 31 March 2009	<hr/> 51,813	<hr/> 802	<hr/> 443	<hr/> 3,519	<hr/> 8,997	<hr/> 65,574
	<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 2008	51,035	802	475	4,080	8,680	65,072
Prior year adjustment (note 30)	(81)	-	-	-	81	-
At 1 April 2008 restated	<hr/> 50,954	<hr/> 802	<hr/> 475	<hr/> 4,080	<hr/> 8,761	<hr/> 65,072
Surplus for the year	-	-	-	-	42	42
Transfers to revenue reserve	(416)	-	(32)	(561)	1,009	-
At 31 March 2009	<hr/> 50,538	<hr/> 802	<hr/> 443	<hr/> 3,519	<hr/> 9,812	<hr/> 65,114
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## Notes to the Financial Statements

31 March 2009

### 24. Financial commitments

Capital expenditure commitments were as follows:

	Group		Trust	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
<b>Capital expenditure</b>				
Expenditure contracted for but not provided in the accounts	1,930	4,113	-	4,018
Expenditure authorised by the Board, but not contracted	-	1,231	-	815
	<u>1,930</u>	<u>5,344</u>	<u>-</u>	<u>4,833</u>

The above commitments will be financed primarily through social housing grant (£1.1m) with the balance funded through borrowing (£0.8m).

#### Operating leases

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

	2009 £'000	2008 £'000
Office equipment and computers expiring		
Within one year	-	-
One to five years	50	20
Beyond five years	-	-
	<u>50</u>	<u>20</u>

### 25. Contingent liabilities

The Group and Trust had no contingent liabilities at 31 March 2009 (2008: nil).

## Notes to the Financial Statements

31 March 2009

### 26. Reconciliation of operating surplus to net cash inflow from operating activities

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>RESTATED £'000</b>
<b>Operating surplus</b>	2,381	2,885
Depreciation of tangible fixed assets	1,684	1,550
Loan issue costs	29	-
Surplus on disposal of tangible fixed assets	(19)	-
	<hr/>	<hr/>
	4,075	4,435
<b>Working capital movements</b>		
Debtors	(1,012)	125
Creditors	184	1,604
Properties for sale	(1,352)	(705)
	<hr/>	<hr/>
<b>Net cash inflow from operating activities</b>	<u>1,895</u>	<u>5,459</u>

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

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Increase / (decrease) in cash	437	(472)
Cash flow from increase/(decrease) in liquid resources	11,948	2
Cash inflow from increase in debt	(20,302)	(3,092)
	<hr/>	<hr/>
	(7,917)	(3,562)
Loan issue costs	(29)	-
<b>Total changes in net debt for the period</b>	(7,946)	(3,562)
Net debt at 1 April 2008	(39,817)	(36,255)
	<hr/>	<hr/>
<b>Net debt at 31 March 2009</b>	<u>(47,763)</u>	<u>(39,817)</u>

## Notes to the Financial Statements

31 March 2009

### 28. Analysis of net debt

	1 April 2008 £'000	Cash Flow £'000	Non-cash Movement £'000	31 March 2009 £'000
Cash at bank and in hand	825	256	-	1,081
Bank overdraft	(181)	181	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Changes in cash</b>	644	437	-	1,081
	<hr/>	<hr/>	<hr/>	<hr/>
Current asset investment	16	11,948	-	11,964
Loans	(40,477)	(20,302)	(29)	(60,808)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Changes in net debt</b>	(39,817)	(7,917)	(29)	(47,763)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

### 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. The Chief Executive of “Johnnie” Johnson Housing Ltd is a board member of Northern Lights Group Housing Ltd.

## Notes to the Financial Statements

31 March 2009

### 30. Prior year adjustment

The prior year adjustment reflects the change in accounting for shared ownership first tranche sales in accordance with SORP 2008. The previous SORP recommended that first tranche sale proceeds should be credited against shared ownership housing properties classified as fixed assets.

The SORP 2008 treatment requires an appropriate proportion of development costs representing first tranche development to be accounted for as current assets and the related sales proceeds shown in turnover. The remaining proportion of property development costs are accounted for as fixed assets with any subsequent sale treated as a disposal of the fixed asset.

The effect of the change in accounting policy is an increase in the group's and association's turnover for the year ending 31 March 2008 of £239k, and increase in the cost of sales of £200k with a consequent increase in surplus of £39k. The cumulative effect on reserves is nil effect.

	Cumulative prior year Adjustment to 31 March 2007 £'000	Prior year adjustment for 2007/08 £'000	Cumulative prior year adjustment to 31 March 2008 £'000
<b>Group</b>			
<b>Shared ownership first tranche sales</b>			
Turnover - proceeds of first tranche sales	1,502	239	1,741
Cost of sales	(1,460)	(200)	(1,660)
Surplus	<u>42</u>	<u>39</u>	<u>81</u>
<b>Revenue reserves</b>			
Revenue reserves as at 31 March as previously stated	7,007	-	7,904
Add: surplus on first tranche shared ownership sales	42	39	81
Less: corporation tax	-	-	-
Revenue reserves at 31 March as restated	<u>7,049</u>		<u>7,985</u>
<b>Revaluation reserves</b>			
Revaluation reserves as at 31 March as previously stated	41,593		52,313
Less: surplus on first tranche shared ownership sales	(42)	(39)	(81)
Revaluation reserves at 31 March as restated	<u>41,551</u>		<u>52,232</u>

## Notes to the Financial Statements

31 March 2009

### 30. Prior year adjustment (continued)

	Cumulative prior year adjustment to 31 March 2007 £'000	Prior year adjustment for 2007/08 £'000	Cumulative prior year adjustment to 31 March 2008 £'000
<b>Trust</b>			
<b>Shared ownership first tranche sales</b>			
Turnover - proceeds of first tranche sales	1,502	239	1,741
Cost of sales	(1,460)	(200)	(1,660)
	<u>42</u>	<u>39</u>	<u>81</u>
Surplus			
<b>Revenue reserves</b>			
Revenue reserves as at 31 March as previously stated	7,613	-	8,680
Add: surplus on first tranche shared ownership sales	42	39	81
Less: corporation tax	-	-	-
	<u>7,655</u>		<u>8,761</u>
Revenue reserves at 31 March as restated			
<b>Revaluation reserves</b>			
Revaluation reserves as at 31 March as previously stated	41,240		51,035
Less: surplus on first tranche shared ownership sales	(42)	(39)	(81)
	<u>41,198</u>		<u>50,954</u>
Revaluation reserves at 31 March as restated			

The prior year adjustment to current asset balances for the group and association for the year ended 31 March 2008 is an increase of £705k, being the transfer of the shared ownership first tranche proportion from fixed assets to current assets.

The impact of the adjustment on completed shared ownership properties within housing property balances is shown below:

	Cumulative prior year adjustment to 31 March 2007 £'000	Prior year adjustment for 2007/08 £'000	Cumulative prior year Adjustment to 31 March 2008 £'000
<b>Group</b>			
<b>Tangible fixed assets - properties</b>			
<b>Cost or valuation</b>	181,950		200,075
Add: accumulated first tranche surpluses from prior years	42	39	81
Less: first tranche amounts held as current assets		(705)	(705)
Less: adjustment to revaluation re change in attributable costs	(42)	(39)	(81)
	<u>181,950</u>		<u>199,370</u>
At 31 March as restated			
<b>Trust</b>			
<b>Tangible fixed assets - properties</b>			
<b>Cost or valuation</b>			
At 31 March as previously stated	181,988		199,366
Add: accumulated first tranche surpluses from prior years	42	39	81
Less: first tranche amounts held as current assets		(705)	(705)
Less: adjustment to revaluation re change in attributable costs	(42)	(39)	(81)
	<u>181,988</u>		<u>198,661</u>
At 31 March as restated			