

Downland Housing Association Limited  
Financial Statements

2008/09



# **DOWNLAND HOUSING ASSOCIATION LIMITED**

**Report of the Board  
and  
Financial Statements  
for the year ended 31 March 2009**



**INDUSTRIAL & PROVIDENT SOCIETY NO. 26901R  
WITH CHARITABLE STATUS  
HOUSING CORPORATION NO. L3901**

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## **BOARD, EXECUTIVE AND ADVISERS**

### **Board**

Alan Forbes (appointed Chairman 28 July 2008)  
Judy Abbott  
Roger Brocklehurst  
Alan Frost  
Kathryn Hall  
Delilah Hesling  
Chris Kinnear  
Patrick McTernan  
Chris Snowling  
Allen Wells  
David Viney (retired 28 July 2008)

### **Executive Director**

**Mark Perry (Chief Executive)**

### **Registered Office**

Norris House  
Burrell Road  
Haywards Heath  
West Sussex  
RH16 1YL

### **Principal Solicitors**

Allen & Overy LLP  
40 Bank Street  
London  
E14 5DU

Trowers & Hamblins LLP  
Sceptre Court  
40 Tower Hill  
London  
EC3N 4DX

Winckworth Sherwood LLP  
35 Great Peter Street  
London  
SW1P 7BL

### **Bankers**

NatWest Bank plc  
143 High Street  
Bromley  
Kent  
BR1 1JH

### **Auditors**

KPMG LLP  
1 Forest Gate  
Brighton Road  
Crawley  
West Sussex  
RH11 9PT

## **REPORT OF THE BOARD**

The Board of Downland Housing Association Limited ("Downland") presents its report and audited financial statements for the year ended 31 March 2009.

### **Operating and Financial Review**

#### **Overview**

Downland is one of the leading providers of affordable housing in the South East, with over 11,000 homes in ownership and management. It is regulated by the Tenant Services Authority and is charitable. It is a subsidiary of Affinity Sutton Group Limited ("Affinity Sutton"). The other main operating companies in the Group are Broomleigh Housing Association ("Broomleigh") and William Sutton Housing Association ("William Sutton").

Downland operates mainly in Kent, East and West Sussex and Hampshire. It was formed in 1998 from a merger between Downland Housing Society ("DHS") and Mid Sussex Housing Association ("MSHA"). DHS was set up in 1964 in Chichester, West Sussex, and MSHA was formed in 1990 for the transfer of Mid Sussex District Council's housing stock. The majority of Downland's housing stock is situated in some of the major towns and cities in the region, including Ashford, Basingstoke, Brighton & Hove, Chichester, and Mid Sussex. It is also increasingly developing new homes in Crawley, Portsmouth and Southampton.

Downland's primary activity is the provision of affordable homes for people unable to access the property market. As well as rented accommodation, this includes various forms of low cost home ownership enabling purchasers to buy a share in a property through part-buy/part-rent schemes, and market rent accommodation. Profits from a programme of new build residential property sales on the open market are used to subsidise the provision of affordable homes for rent.

Increasing amounts of money are being invested to address three strategic themes: tackling "worklessness", financial inclusion and healthy living. As well as direct funding from reserves, Downland is working with other Affinity Sutton Group companies to leverage in funding from other bodies such as Sport England and the European Social Fund.

Downland has three subsidiaries: Brighton Housing Trust ("BHT"), Downland Regeneration Limited ("DRL") and Grange Management (Southern) Limited. BHT is a housing association operating in Brighton and Hove, also providing a legal advice service. DRL undertakes commercial residential property development. Grange which focuses on housing management became a subsidiary of Downland on 10 March 2009. It had previously been a subsidiary of Affinity Sutton Group Limited. The results of BHT, DRL and Grange are not consolidated into these financial statements, but into those of Downland's parent, Affinity Sutton.

All day to day activity is conducted under the direction of the Downland's Board. Downland has adopted a range of key strategies and policies of Affinity Sutton which provides a framework for its operational activities. Its budget and business plan are approved annually by the Board of Affinity Sutton.

#### **Performance in the year**

Performance in the year under review is addressed in the financial statements of Affinity Sutton Group Limited.

#### **Approach to Treasury Management**

Treasury Management strategy, policy and services are provided by the parent, Affinity Sutton, through its Group Treasury Committee and Affinity Sutton Fund Limited ("ASFL"). Since 2005 all debt funding comes from ASFL with the exception of a £3.8 million (2008: £3.8 million) borrowing from Orchardbrook plc.

## **REPORT OF THE BOARD (CONTINUED)**

### **Governance**

The focus of the Board is to govern Downland, provide accountability, resolve tensions between stakeholders, direct, control and provide strategic direction. Day to day performance management is delegated to the Executive Directors.

Specific responsibilities have been delegated to the Service Review Committee and Remuneration and Nominations Committee each of which have their own approved terms of reference. The work of the Board was supported by the Affinity Sutton's Group Audit, Finance and Performance, Treasury and Remuneration Committees.

Downland's residents and local Resident Associations play a key role in Downland's accountability structure. Shareholders are admitted to ensure there is a proper balance between independent Board members, local authority members and tenants according to the Rules.

### **The Board's Responsibilities in Respect of the Board Report and the Financial Statements**

The Board is responsible for preparing financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the Association, and of the surplus or deficit for that period.

In preparing those financial statements the Board is required to:

- Select suitable accounting policies and apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association 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 Association and enable its members to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2003, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. It also has a general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Association and to prevent fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the information included on the Association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Board members who held office at the date of approval of this Board Report confirm that, so far as they are each aware, there is no relevant audit information of which the Association's auditors are unaware, and that each Board member has taken all the steps that he or she ought to have taken as a Board member to make himself or herself aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

## **REPORT OF THE BOARD (CONTINUED)**

### **The Association's System of Internal Control**

#### **Responsibility**

The Board is committed to the highest standards of business ethics and conduct, and seeks to maintain these standards across all of its operations.

The Board is responsible for ensuring that sound systems of internal control exist in the Association and its subsidiaries which focus on the significant risks that threaten its ability to meet its objectives, and provide reasonable assurance for the safeguarding of assets. The key means of identifying, evaluating and managing the systems of internal control are:

- Corporate governance arrangements;
- Written Group-wide financial regulations and delegated authorities, which were subject to review during the year;
- Policies and procedures for all key areas of the business. These are reviewed periodically to ensure their continued appropriateness. The whole Group also operates a quality review framework that encourages continuous improvement;
- A Group-wide Internal Audit function provided by Affinity Sutton structured to deliver the Group Audit Committee's three-year risk-based strategic audit plan, quality assurance and value for money. As well as having an in house team, the Group uses the services of professional firms of auditors and other specialists as necessary. All audit reports are reviewed by the Audit Committee, which also receives updates on the implementation of agreed external and internal audit recommendations. Detailed reports on the Association's activities and those of its subsidiaries are also presented to senior managers so that recommendations for strengthened controls and improvement can be implemented promptly;
- A Group level Health and Safety function: the Association secured a Royal Society Prevention of Accidents (RoSPA) Gold Award for its management of Health and Safety;
- Management structures providing balance and focus;
- A Group level risk management function, which seeks to manage risk so that residual risk, after appropriate mitigation, can be absorbed without serious permanent damage to the Association. This includes a formal risk management approach to new business and major development initiatives and action plans to mitigate the worst effects of the risks;
- Annual budgets and long-term business plans. Throughout the year the Board and managers (either directly or through a Finance and Performance Committee) regularly monitored performance against budgets and other indicators. An important tool in this process has been the Balanced Scorecard which identifies performance against key performance indicators;
- Regulatory requirements and service objectives and ensuring that variances are investigated and acted upon;
- An anti-fraud culture which is supported by a policy and procedure for dealing with suspected fraud and whistleblowing. The Association participated in the 2008 National Fraud Initiative sponsored by the Audit Commission;
- All housing investment decisions and major commitments were subject to appraisal and approval by an executive level Project Approval Committee and the Board when appropriate, in accordance with the Group's financial regulations; and

## **REPORT OF THE BOARD (CONTINUED)**

- A Group level treasury management function which reports three times a year to the Group Treasury Committee.

The Chief Executive has reviewed the internal control and assurance arrangements by reference to checks on the above and has reported to the Board on the effectiveness of the control systems. The Board has expressed its satisfaction with these arrangements.

### **Status**

No weaknesses were found in internal controls which resulted in material losses, contingencies or uncertainties that require disclosure in the financial statements.

### **Going Concern**

After reviewing the Association's budget for 2009/10, and based on normal strategic business planning and control procedures, the Board has a reasonable expectation that Downland Housing Association Limited has adequate resources to continue in operational existence for the foreseeable future.

### **Auditors**

KPMG LLP have expressed their willingness to continue in office. Accordingly a resolution to reappoint them as auditors will be proposed at the forthcoming Annual General Meeting.

Alan Forbes  
Chairman  
8 July 2009

## **REPORT OF THE INDEPENDENT AUDITORS, KPMG LLP, TO THE MEMBERS OF DOWNLAND HOUSING ASSOCIATION LIMITED**

We have audited the financial statements of Downland Housing Association Limited for the year ended 31 March 2009 which comprise the Income and Expenditure Account, the Balance Sheet, the Statement of Total Recognised Surpluses and Deficits, the Note of Historical Cost Surpluses and Deficits and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Association's members, as a body, in accordance with Schedule 1 paragraph 16 to the Housing Act 1996 and section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members, as a body, for our audit work, for this report, or for the opinions we have formed.

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

The responsibility of the association's Board for the preparation of the Board's report, and the preparation of financial statements in accordance with applicable United Kingdom law and UK accounting standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Board's Responsibilities on pages 5.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2003, 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 association has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the Board's Report and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any other information.

### **Basis of audit opinion**

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

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

## **REPORT OF THE INDEPENDENT AUDITORS, KPMG LLP, TO THE MEMBERS OF DOWNLAND HOUSING ASSOCIATION LIMITED (CONTINUED)**

### **Opinion**

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the association as at 31 March 2009 and of its deficit for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2003, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

### **KPMG LLP**

Chartered Accountants & Registered Auditor  
1 Forest Gate  
Brighton Road  
Crawley  
West Sussex  
RH11 9PT

8 July 2009.

**INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009**

	Notes	2009	2008
		£'000	Restated £'000
Turnover	2(a)	<b>58,768</b>	53,755
Cost of sales	2(a)	<b>(5,645)</b>	(4,853)
Operating costs	2(a)	<b>(32,376)</b>	(28,026)
Exceptional cost	2(b) / 6	<b>(10,838)</b>	-
<b>Operating surplus</b>	2(a)	<b>9,909</b>	20,876
Surplus on disposal of properties	2(a)	<b>253</b>	851
Interest receivable and similar income	2(a)	<b>2,236</b>	349
Interest payable and similar charges	5	<b>(14,912)</b>	(14,186)
Other finance cost	25	<b>(80)</b>	33
<b>(Deficit)/Surplus on ordinary activities before taxation</b>		<b>(2,594)</b>	7,923
Tax on (deficit)/surplus on ordinary activities	7	-	-
<b>(Deficit)/Surplus for the year</b>	19	<b>(2,594)</b>	<b>7,923</b>

All operations are continuing.

**STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS FOR THE YEAR ENDED 31 MARCH 2009**

	Notes	2009	2008
		£'000	Restated £'000
(Deficit)/Surplus for the year		<b>(2,594)</b>	7,923
Actuarial (loss)/gain on pension scheme	25	<b>(2,113)</b>	1,487
Unrealised (deficit)/surplus on revaluation of properties	19	<b>(5,613)</b>	18,249
<b>Total recognised (deficit)/surplus for the year</b>		<b>(10,320)</b>	<b>27,659</b>
Total recognised deficit related to the year (as above)		<b>(10,320)</b>	
Prior year adjustment relating to a change in shared ownership accounting			
on Income and Expenditure account	24	<b>2,562</b>	
on Revaluation	24	<b>(1,157)</b>	
Total recognised deficit recognised since the last annual report		<b>(8,915)</b>	

A prior year adjustment relating to shared ownership (note 24) gave rise to a surplus of £2.5 million, of which £0.8 million relates to 2008 and £1.7 million relates to 2007 and previous.

**NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS FOR THE YEAR ENDED 31 MARCH 2009**

	Notes	<b>2009</b>	2008
		<b>£'000</b>	Restated £'000
Reported (deficit)/surplus on ordinary activities before taxation		<b>(2,594)</b>	7,923
Realisation of property revaluation surpluses of previous years	19	<b>32</b>	78
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	19	<u><b>436</b></u>	<u>445</u>
<b>Historical cost (deficit)/surplus on ordinary activities before taxation</b>		<u><b>(2,126)</b></u>	<u>8,446</u>
Tax on surplus on ordinary activities		<u>-</u>	<u>-</u>
<b>Historical cost (deficit)/surplus for the year after taxation</b>		<u><u><b>(2,126)</b></u></u>	<u><u>8,446</u></u>

**BALANCE SHEET AS AT 31 MARCH 2009**

		<b>2009</b>	2008
		<b>£'000</b>	Restated £'000
	Notes		
<b>Tangible fixed assets</b>			
Housing property	8	<b>619,097</b>	580,612
Non housing fixed assets	9	<b>3,895</b>	4,343
Fixed asset investment	10	<u><b>13,326</b></u>	<u>13,221</u>
<b>Total tangible fixed assets</b>		<b>636,318</b>	598,176
<b>Current assets</b>			
Stock	11	<b>12,734</b>	12,264
Debtors	12	<b>8,750</b>	4,715
Investments	13	<b>14,125</b>	-
Cash at bank and in hand		<u><b>6,889</b></u>	<u>2,877</u>
		<b>42,498</b>	19,856
<b>Creditors:</b> amounts falling due within one year	14	<u><b>(9,542)</b></u>	<u>(11,378)</u>
<b>Net current assets</b>		<b>32,956</b>	8,478
<b>Total assets less current liabilities</b>		<u><b>669,274</b></u>	<u>606,654</u>
<b>Creditors:</b> amounts falling due after more than one year	15	<b>321,368</b>	250,395
<b>Provision for liabilities and charges</b>			
Pension liability	17	<b>3,398</b>	1,427
<b>Capital and reserves</b>			
Share capital	18	-	-
Revaluation reserve	19	<b>289,570</b>	295,651
Income and expenditure account	19	<b>54,551</b>	58,790
Negative goodwill	20	<u><b>387</b></u>	<u>391</u>
		<u><b>669,274</b></u>	<u>606,654</u>

The financial statements were approved by the Board and were signed on their behalf :

Alan Forbes  
Chairman  
8 July 2009

Alan Frost  
Director

Rod Ainsworth  
Company Secretary

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

### 1. Accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and with the Statement of Recommended Practice 2008 "Accounting by Registered Social Landlords" and the Accounting Requirements for Registered Social Landlords General Determination 2006. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to Downland Housing Association financial statements.

No cash flow statement is presented as the company's cash flows are reported in the consolidated accounts of its parent undertaking.

#### Basis of Preparation

The financial statements are prepared on the historical cost basis of accounting, modified by the revaluation of housing properties.

The results of subsidiaries BHT, Grange Management (Southern) Limited and DRL are not consolidated into this financial statement but are consolidated into those of Downland's parent company, Affinity Sutton Group.

#### Turnover

Rental and service charge income from residential properties is recognised in the Income and Expenditure Account when it falls due. Grants receivable from local authorities in respect of revenue are credited to the Income and Expenditure Account in the same period as the expenditure to which they relate.

#### Housing Properties

Completed housing properties are shown on the Balance Sheet at valuation. Full revaluations are carried out annually. The aggregate surplus or deficit on the property revaluation is transferred to a Revaluation Reserve. On the disposal of properties held at valuation, the amount relating to the revaluation is realised by the transfer of such amount to the Income and Expenditure Reserve account from the Revaluation Reserve.

The cost of properties is their purchase price, together with incidental costs of acquisition and capitalised repairs and improvements.

Housing properties in the course of construction are stated at cost of works, plus directly attributable development staff costs and interest capitalised during the construction of the property. The Association purchases land. Investment in such land is stated at cost and classified as "housing properties in the course of construction".

#### Depreciation

Housing properties are depreciated on a straight line basis over their expected useful economic life at an annual rate of 1% on valuation as determined by professional valuers. Freehold land is not depreciated. No depreciation is provided on housing properties in the course of construction.

Depreciation is charged on a straight line basis over the expected useful economic lives of the other fixed assets at the following annual rates:

Leasehold office properties	over the period of lease
Freehold offices	between 2% and 2.5%
Office furniture and equipment	20%
Computer equipment and software	25%
Motor vehicles owned	25%
Leased motor vehicles	over the period of lease

## **NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009**

### **1. Accounting policies - continued**

#### **Impairment**

For assets with a remaining economic life greater than 40 years an impairment review is carried out on an annual basis in accordance with FRS 11. For those with a lower economic life an impairment review is undertaken when there is an indication the asset may be impaired. An impairment charge is taken to the Income and Expenditure Account when it is assessed that the holding value of a fixed asset is higher than the net realisable value or the value in use, in which case the higher of these two values is taken.

#### **Stock**

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

#### **Social Housing Grant**

Where developments have been financed wholly or partly by Social Housing Grant, the cost of those developments has been reduced by the amount of the grant receivable.

Social Housing Grant may become repayable if the properties to which the grant was designated cease to be used for the provision of affordable rental accommodation.

The Association recycles Social Housing Grant, which would otherwise be repayable, for use on new developments. If unused within a three year period, it will be repayable to the Housing Corporation with interest. Any unused recycled capital grant held within the fund, which it is anticipated will be used within one year is disclosed in the Balance Sheet as a liability.

The disposal proceeds fund arises from the net proceeds of sales funded by Voluntary Purchase Grant and must be used to provide replacement properties. The fund is included within creditors as required by the Accounting Requirements for Registered Social Landlords General Determination 2006.

#### **First Tranche disclosure**

The group has adopted the accounting treatment per the SORP 2008 such that:

- SO properties are split proportionally between current and fixed assets based on the first tranche proportion;
- First tranche proportions are accounted for as current assets and the related sales proceeds shown in turnover; and
- The remaining element of the SO property is accounted for as a fixed asset so that any subsequent sale is treated as a part disposal of a fixed asset.

#### **Major Repairs**

Major repairs are capitalised to the extent that they are improvements to the property which reduce future repair costs, or extend its useful economic life or result in an improvement in the revenue streams through increased rental income. Major repairs are charged to the Income and Expenditure Account as incurred in other circumstances

#### **Amortisation of Goodwill**

Negative goodwill arising on business combinations in respect of acquisitions represents the difference between the consideration given and the fair value of the net assets acquired. It is included within reserves and released to the income and expenditure account in the periods in which the fair values of the non-monetary assets purchased on the same acquisition are recovered whether through depreciation or sale.

#### **Leases**

Where the Association enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a "finance lease". The asset is recorded in the Balance Sheet as a tangible fixed asset and is depreciated over its estimated useful life. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the Income and Expenditure Account, and the capital element which reduces the outstanding obligation for future instalments. All other leases are accounted for as "operating leases" and the rental charges are charged to the income and expenditure account on a straight line basis over the life of the lease.

## **NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 – CONTINUED**

### **1. Accounting policies - continued**

#### **Fixed Asset Investments**

Fixed Asset Investments are included in the Balance Sheet at the lower of the amount invested or net realisable value. Dividends are accounted for on a receivable basis.

#### **Taxation**

The Association is a charitable Registered Social Landlord and its charitable activities are exempt from corporation tax.

#### **Value Added Tax**

The Association's VAT affairs are dealt with under a Group registration in the name of Affinity Sutton Group Limited. The Association recovers only a small proportion of input VAT. Expenditure is therefore shown inclusive of VAT with non-attributable input tax recovered being credited against management expenses.

#### **Pension Costs**

The Association participates in four pension schemes one of which it operates. There are three defined benefit pension schemes which provide benefits based on final pensionable pay. Two defined benefit schemes are closed to new entrants. The defined contribution scheme commenced for new entrants from 1 September 2002 and closed on 31 March 2005.

The Association complies with FRS 17 and the assets of the schemes are held separately from those of the Association.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

#### **Housing Loans and Other Financial Instruments**

Loans and other financial instruments are stated in the Balance Sheet at the amount of net proceeds. Financial costs relating to new loans are deducted from the loan and amortised over the term of the loan at a constant rate on the carrying value.

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 - CONTINUED

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

## 2(a) Particulars of turnover, cost of sales, operating costs and operating surplus

	2009				2008 Restated	
	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus £'000	Turnover £'000	Operating surplus £'000
<b>Social housing activities</b>						
Income and expenditure from social housing lettings	50,040	-	(32,086)	<b>17,954</b>	46,622	20,301
Other income and expenditure	1,329	-	(1,478)	<b>(149)</b>	790	(325)
<b>Total</b>	<b>51,369</b>	-	<b>(33,564)</b>	<b>17,805</b>	47,412	19,976
<b>Other social housing activities</b>						
Supporting people contract income	643	-	<b>(632)</b>	<b>11</b>	414	42
<b>Total</b>	<b>643</b>	-	<b>(632)</b>	<b>11</b>	414	42
<b>Development for sale</b>						
Shared ownership first tranche sales	6,512	(5,645)	-	<b>867</b>	5,619	766
Impairment	-	-	(2,537)	<b>(2,537)</b>	-	-
<b>Total</b>	<b>6,512</b>	<b>(5,645)</b>	<b>(2,537)</b>	<b>(1,670)</b>	5,619	766
<b>Total social and other housing activity</b>	<b>58,524</b>	<b>(5,645)</b>	<b>(36,733)</b>	<b>16,146</b>	53,445	20,784
<b>Non social housing activity</b>						
Income relating to commercial tenancies	244	-	(165)	<b>79</b>	310	92
Impairment – Loan write down from JV	-	-	(6,316)	<b>(6,316)</b>		
<b>Total Social and Non Social Housing</b>	<b>58,768</b>	<b>(5,645)</b>	<b>(43,214)</b>	<b>9,909</b>	53,755	20,876
Surplus on disposal of properties	460	(196)	(11)	<b>253</b>	4,144	851
Interest receivable				<b>2,236</b>		349
Interest payable				<b>(14,912)</b>		(14,186)
Other financial (cost)/income				<b>(80)</b>		33
<b>(Deficit)/ surplus on ordinary activities before taxation</b>				<b>(2,594)</b>		7,923

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 - CONTINUED

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

## 2(b) Particulars of income and expenditure from social housing lettings

	General Housing Needs £'000	Supported Housing / Housing for older people £'000	Shared Ownership Accommodation £'000	Leasehold £'000	2009 Total £'000	2008 Total £'000
Rent	39,185	5,149	1,120	-	<b>45,454</b>	42,167
Charges for Support Services	-	1,571	-	-	<b>1,571</b>	1,531
Service charges	992	1,477	98	342	<b>2,909</b>	2,843
Garage rents	262	-	-	-	<b>262</b>	314
<b>Gross rents receivable</b>	<b>40,439</b>	<b>8,197</b>	<b>1,218</b>	<b>342</b>	<b>50,196</b>	46,855
Rent losses from voids	(367)	(199)	(16)	-	<b>(582)</b>	(558)
Net rents receivable	40,072	7,998	1,202	342	<b>49,614</b>	46,297
Revenue grants from local authorities	272	154	-	-	<b>426</b>	325
<b>Total income from social housing lettings</b>	<b>40,344</b>	<b>8,152</b>	<b>1,202</b>	<b>342</b>	<b>50,040</b>	46,622
<b>Expenditure on social housing lettings</b>						
Services	(3,012)	(2,415)	(121)	(228)	<b>(5,776)</b>	(4,538)
Management	(5,085)	(917)	(61)	(49)	<b>(6,112)</b>	(5,463)
Routine maintenance	(8,467)	(1,183)	-	(57)	<b>(9,707)</b>	(9,120)
Rent losses from bad debts	(388)	(47)	-	-	<b>(435)</b>	(448)
Major repairs expenditure	(4,313)	-	-	-	<b>(4,313)</b>	(3,956)
Development	(1,040)	-	-	-	<b>(1,040)</b>	(604)
Depreciation on housing properties	(836)	(46)	-	-	<b>(882)</b>	(843)
Impairment on housing properties	(1,985)	-	-	-	<b>(1,985)</b>	
Rent paid	(1,744)	(92)	-	-	<b>(1,836)</b>	(1,349)
<b>Operating Costs on social housing lettings</b>	<b>(26,870)</b>	<b>(4,700)</b>	<b>(182)</b>	<b>(334)</b>	<b>(32,086)</b>	(26,321)
<b>Operating surplus on social housing lettings</b>	<b>13,474</b>	<b>3,452</b>	<b>1,020</b>	<b>8</b>	<b>17,954</b>	20,301

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 - CONTINUED**

**3. Directors' emoluments**

The executive directors are defined for the purpose of emoluments as the chief executive, any person with the title of director and any person reporting directly to the chief executive or to the board.

The emoluments were as follows:

	<b>2009</b>	2008
	<b>£</b>	£
Emoluments (including compensation for loss of office and benefits in kind)		
Non Executive Directors	<b>44,615</b>	46,340
Executive Directors	<b>325,942</b>	298,678
Pension contributions - in respect of services as directors	<b>31,714</b>	37,933
	<u><b>402,271</b></u>	<u>382,951</u>

Emoluments (excluding compensation for loss of office and pension contributions) include amounts paid to:

	<b>2009</b>	2008
	<b>£</b>	£
Highest paid director	<u><b>114,977</b></u>	<u>106,972</u>
Pension contributions of the highest paid director	<u><b>13,114</b></u>	<u>12,488</u>
Expenses reimbursed to directors not chargeable to United Kingdom income tax	<u><b>2,507</b></u>	<u>5,997</u>

**4. Employee information**

The average monthly number of persons including executive directors employed during the year was:

	<b>2009</b>	2008
	<b>Number</b>	Number
Full time equivalent	<b>175</b>	176
<b>Staff Costs:</b>	<b>£'000</b>	£'000
Wages and salaries	<b>5,101</b>	4,349
Social security costs	<b>411</b>	362
Pension costs (note 25)	<b>710</b>	663
	<u><b>6,222</b></u>	<u>5,374</u>

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 - CONTINUED

**5. Interest payable and similar charges**

	<b>2009</b>	2008
	<b>£'000</b>	£'000
Interest on loans and overdrafts	<b>432</b>	435
Interest on inter-company loan	<b>16,160</b>	14,199
Interest payable on finance leases	<b>7</b>	11
Other charges	<b>-</b>	79
	<b>16,599</b>	14,724
Less: interest capitalised	<b>(1,687)</b>	(538)
	<b>14,912</b>	14,186

**6. Surplus on ordinary activities before taxation**

	<b>2009</b>	2008
	<b>£'000</b>	£'000
Surplus on ordinary activities is stated after charging/(crediting):		
Depreciation	<b>1,398</b>	1,435
Impairment	<b>10,838</b>	-
Charitable donations	<b>61</b>	1
Operating lease rentals - land and buildings	<b>2,062</b>	1,591
Amortisation of negative goodwill	<b>(4)</b>	(2)
Auditors' remuneration: In capacity as auditors	<b>25</b>	24
In respect of other services	<b>31</b>	-

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 – CONTINUED

7. Taxation

Analysis of charge in period

UK Corporation Tax	2009 £'000	2008 £'000
Current tax on income for the period	-	2
Adjustment in respect of prior periods	-	(2)
<b>Total current tax charge</b>	<b>-</b>	<b>-</b>
Tax charge on surplus on ordinary activities	-	-

Factors affecting the tax charge for the period:

The current tax charge for the period is 28% (2008: 30%), the standard rate of corporation tax in the UK. The differences are explained below.

	2009 £'000	2008 Restated £'000
Current tax reconciliation (Deficit)/Surplus on ordinary activities before tax	<b>(2,594)</b>	7,923
Current tax at 28% (2008: 30%)	<b>(726)</b>	2,377
<i>Effects of:</i>		
Charitable (deficit)/surpluses not taxed	<b>726</b>	<b>(2,377)</b>
Total Current tax charge (see above)	<b>-</b>	<b>-</b>

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 - CONTINUED

## 8. Tangible fixed assets

## Housing Property

	Housing Properties £'000	Shared Ownership Properties £'000	Housing Properties in the course of construction £'000	Shared Ownership Properties in the course of construction £'000	Total £'000
<b>Cost / valuation</b>					
<b>At 1 April 2008</b>	754,690	35,605	25,975	19,073	835,343
Surplus on prior year adjustment shared ownership sales	-	2,562	-	-	2,562
Adjustment to unsold units	-	(1,405)	-	-	(1,405)
Adjustment to current assets	-	-	-	(10,859)	(10,859)
Revaluation	-	(1,157)	-	-	(1,157)
<b>Restated cost as at 1 April 2008</b>	754,690	35,605	25,975	8,214	824,484
Additions	3,412	-	40,137	14,827	58,376
Schemes completed	32,680	10,918	(32,680)	(10,918)	-
Disposals	(30)	(165)	-	-	(195)
Revaluation	(4,952)	(1,543)	-	-	(6,495)
<b>At 31 March 2009</b>	<b>785,800</b>	<b>44,815</b>	<b>33,432</b>	<b>12,123</b>	<b>876,170</b>

## Social Housing Grant

<b>At 1 April 2008</b>	(216,080)	(12,055)	(10,390)	(5,345)	(243,870)
Transferred to Other Grant	14,453	-	1,000	-	15,453
Transferred to Current assets	-	-	-	3,484	3,484
<b>Restated SHG at 1 April 2008</b>	(201,627)	(12,055)	(9,390)	(1,861)	(224,933)
Received in year	-	-	(11,512)	(2,283)	(13,795)
Schemes completed	(12,149)	(2,428)	12,149	2,428	-
Eliminated on disposal	-	136	-	-	136
<b>At 31 March 2009</b>	<b>(213,776)</b>	<b>(14,347)</b>	<b>(8,753)</b>	<b>(1,716)</b>	<b>(238,592)</b>

## Other Grants

<b>At 1 April 2008</b>	(14,453)	-	(1,000)	-	(15,453)
Received in year	-	-	(1,584)	-	(1,584)
Schemes completed	(350)	-	350	-	-
Eliminated on disposal	-	-	-	-	-
<b>At 31 March 2009</b>	<b>(14,803)</b>	<b>-</b>	<b>(2,234)</b>	<b>-</b>	<b>(17,037)</b>

## Depreciation

<b>At 1 April 2008</b>	-	-	-	-	-
Charge for year	(836)	(46)	-	-	(882)
Revaluation	836	46	-	-	882
Impairment	-	-	(1,444)	-	(1,444)
<b>At 31 March 2009</b>	<b>-</b>	<b>-</b>	<b>(1,444)</b>	<b>-</b>	<b>(1,444)</b>

## Net Book Value at 31 March 2009

<b>Net Book Value at 31 March 2009</b>	<b>557,221</b>	<b>30,468</b>	<b>21,001</b>	<b>10,407</b>	<b>619,097</b>
Restated Net Book value at 31 March 2008	538,610	23,550	15,583	2,869	580,612

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 - CONTINUED

## 8. Tangible fixed assets – Housing Property (continued)

Net book value of housing assets at 31 March 2009 is represented by:	Housing Properties £'000	Shared Ownership Properties £'000	Housing Properties in the course of construction £'000	Shared Ownership Properties in the course of construction £'000	Total £'000
Gross cost	504,640	44,537	33,432	12,123	594,732
Social Housing Grant	(213,776)	(14,347)	(8,753)	(1,716)	(238,592)
Other Grant	(14,803)	-	(2,234)	-	(17,037)
Revaluation surplus	281,160	278	-	-	281,438
Impairment	-	-	(1,444)	-	(1,444)
	<b>557,221</b>	<b>30,468</b>	<b>21,001</b>	<b>10,407</b>	<b>619,097</b>

Housing properties comprise :	2009 £'000	2008 Restated £'000
Freehold	614,238	575,902
Leasehold	4,860	4,710
	<b>619,098</b>	<b>580,612</b>

Development and major works additions and improvements to housing properties during the year include capitalised interest of £1.7million (2008: £0.5million) and capitalised administration costs of £1.0million (2008: £1.0million).

Total expenditure in 2009 on works to existing properties was £7.7million (2008: £9.3 million) of which £3.4 million (2008: £5.3million) has been capitalised.

The historic cost of completed properties at the end of the year was £312.3 million (2008: £265.4 million).

A valuation was carried out as at 31 March 2009 by Drivers Jonas, the Group's professional external valuer. The valuation has been prepared in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Model. The valuation method discounts the cashflow from rental income less management and repairs expenditure to their present value using a discount rate. The discount rates applied to rental income range from 5.25% to 8.00%, but 5.50% has been applied to the core rental stock. The rental income growth assumption is in line with the Group's rent plan to meet target rents by 2012 under the rent restructuring regime and thereafter assumes growth of +0.5% above inflation per annum.

Drivers Jonas has also reviewed and reported on an appropriate residual land value for the Group's housing stock, which in turn determines the annual housing property depreciation charge. The specific residual land value is estimated at 85% by Drivers Jonas (2008: 85%).

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 - CONTINUED

9. Non-housing Fixed Assets

	Freehold Offices £'000	Leasehold Offices £'000	Office Equipment & Cars £'000	Total £'000
<b>Cost</b>				
<b>At 1 April 2008</b>	3,157	1,207	5,977	10,341
Additions	-	-	72	72
Disposals	-	-	(19)	(19)
<b>At 31 March 2009</b>	<b>3,157</b>	<b>1,207</b>	<b>6,030</b>	<b>10,394</b>
<b>Depreciation</b>				
<b>At 1 April 2008</b>	(367)	(484)	(5,147)	(5,998)
Charge for year	(79)	(97)	(340)	(516)
Eliminated on disposal	-	-	15	15
<b>At 31 March 2009</b>	<b>(446)</b>	<b>(581)</b>	<b>(5,472)</b>	<b>(6,499)</b>
<b>Net book value as at 31 March 2009</b>	<b>2,711</b>	<b>626</b>	<b>558</b>	<b>3,895</b>
Net book value as at 31 March 2008	2,790	723	830	4,343

Included in the above are assets held under finance leases as follows:

	2009 £'000	2008 £'000
<b>Net book value</b>		
Leased motor vehicles	<b>54</b>	106
<b>Depreciation charge for the year</b>		
Leased motor vehicles	<b>48</b>	57

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 - CONTINUED

## 10. Fixed asset investments

<b>Graylingwell LLP</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
As at 31 March 2008	<b>13,221</b>	-
Addition	<b>4,050</b>	13,000
Interest receivable	<b>985</b>	221
Impairment	<b>(6,316)</b>	-
<b>As at 31 March 2009</b>	<b><u>11,940</u></b>	<b><u>13,221</u></b>

Fixed asset investments represent funds advanced by Downland to Linden/Downland LLP ("the LLP"), a joint venture with Linden Homes Limited. Linden Homes is a subsidiary of Galliford Try plc. The LLP was created during the 2007/8 financial year to undertake the development of a Homes and Communities Agency site in Chichester, West Sussex. The investment was made by way of a subordinated loan attracting interest at 9%. Payment of the interest is deferred until completion of the project. Interest receivable is accrued to the extent that there is a reasonable expectation that it can be received in line with the terms of the loan, which dictate that loan interest is payable before loan principal. The Group and Downland have considered the recoverability of the capital and interest and have reached the conclusion (based on current forecasts of the property market) that the loan to the LLP should be impaired by £6.3 million.

<b>Wilmington Way</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
As at 31 March 2008	-	-
Addition	<b>1,386</b>	-
<b>As at 31 March 2009</b>	<b><u>1,386</u></b>	<b><u>-</u></b>
<b>Total investment</b>	<b><u>13,326</u></b>	<b><u>13,221</u></b>

As part of the regeneration of Wilmington Way, Haywards Heath, equity loans were made available to some existing leaseholders to assist them in purchasing a new property. The equity loans are non interest bearing. Upon the sale of their new property, or at their request, the equity loan is repayable indexed in line with the increase in the value of their new property.

## 11. Stock

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>Restated £'000</b>
<b>Stock</b>		
Properties in construction	<b>9,838</b>	<b>10,859</b>
Completed properties	<b>2,896</b>	<b>1,405</b>
<b>Total stock</b>	<b><u>12,734</u></b>	<b><u>12,264</u></b>

## 12. Debtors

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
<b>Amounts falling due within one year</b>		
Rents and service charges	<b>4,014</b>	3,934
Less : provision for bad and doubtful debts	<b>(2,502)</b>	(2,087)
	<b>1,512</b>	1,847
Social Housing Grant receivable	<b>2,788</b>	590
Other debtors and prepayments	<b>2,140</b>	2,188
Amounts receivable from group undertakings	<b>2,310</b>	90
	<b><u>8,750</u></b>	<b><u>4,715</u></b>

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 - CONTINUED

## 13. Investments

	2009 £'000	2008 £'000
Amounts hold on deposits in respect of derivative transaction	4,460	-
Treasury Bills	<u>9,665</u>	<u>-</u>
	<u><u>14,125</u></u>	<u><u>-</u></u>

At the 31st March 2009 the Association held an aggregate investment in short dated UK Treasury Bills of £9.6 million. The investment matures on the 27th April 2009 returning £9.7 million. Net of fees paid on placement on the 17th November 2008 this represented an interest rate of 1.80%."

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

	2009 £'000	2008 £'000
Obligations under finance leases	38	48
Trade creditors	176	997
Recycled capital grant fund	26	57
Amount payable to group undertakings	1,125	2,224
Other taxation and social security	1	1
Accruals and deferred income	6,770	5,445
Other creditors	1,380	2,582
Net housing loans	<u>26</u>	<u>24</u>
	<u><u>9,542</u></u>	<u><u>11,378</u></u>

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

	2009 £'000	2008 £'000
<b>Housing loans</b>		
External Funder	3,782	3,806
Affinity Sutton Funding Limited	<u>318,647</u>	<u>247,000</u>
	<b>322,429</b>	250,806
Finance costs capitalised	<u>(1,423)</u>	<u>(863)</u>
<b>Net housing loans</b>	<b>321,006</b>	249,943
Obligations under finance leases	16	58
Recycled capital grant fund	140	195
Disposal proceeds fund	<u>206</u>	<u>199</u>
	<u><u>321,368</u></u>	<u><u>250,395</u></u>

Included in net housing loans is an amount of £1.42 million (2008: £0.86 million) of capitalised and amortised set up costs.

Downland Housing Association Limited has access to £1,262 million loan facilities from Affinity Sutton Funding Limited (shared with Broomleigh Housing Association Limited and William Sutton Housing Association Limited) including funding from five banks and a £250 million 2038 bond. These facilities are additional to a £3.8 million facility which the Association has in its own name.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 - CONTINUED

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

Drawn Funding – Interest Rate Management

Downland Housing Association's exposure to floating interest rates is managed at two levels.

- First, the Association receives the vast majority of its funding from Affinity Sutton Funding Limited (ASFL). ASFL in turn engages in interest rate hedging, both through embedded fixes and through stand-alone derivatives. The economic cost and benefits associated with this hedging are passed on to Downland Housing Association in the blended funding rate charged by ASFL. At the end of the 2008/09 financial year, ASFL's funding was 82.6% fixed rate, 12.1% floating rate, and 5.4% index/inflation linked when adjusted to reflect the impact of ASFL's hedging activities.
- Second, the Association also has £3.8 million of funding in its own name. All of this funding is subject to a fixed rate of interest.

**Fair values**

The fair value of the Association's long term borrowing is £275.1 million.

16. Creditors: analysis of movement on funds

<b>Obligation under finance leases</b>	<b>2009</b>	2008
	<b>£'000</b>	£'000
Due in less than one year	<b>38</b>	48
Due between 1 and 2 years	<b>16</b>	37
Due between 2 and 5 years	<b>-</b>	21
	<b>54</b>	106

<b>Recycled Capital Grant Fund</b>	<b>2009</b>	2008
	<b>£'000</b>	£'000
At 1 April	<b>252</b>	569
Grants Recycled	<b>138</b>	368
Interest Accrued	<b>8</b>	42
Utilisation of Fund	<b>(232)</b>	(727)
At 31 March	<b>166</b>	252

<b>Disposal Proceeds Fund</b>	<b>2009</b>	2008
	<b>£'000</b>	£'000
At 1 April	<b>199</b>	194
Additions	<b>-</b>	96
Interest Accrued	<b>7</b>	13
Utilisation of Fund	<b>-</b>	(104)
At 31 March	<b>206</b>	199

17. Provision for liabilities and charges

	<b>2009</b>	2008
	<b>£'000</b>	£'000
<b>Pension liability</b>		
London Pensions Fund Authority Pension Fund	<b>3,398</b>	1,427

In implementing FRS 17 'Retirement Benefits' the Association has recognised the above pension fund liabilities (see note 25).

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 - CONTINUED

## 18. Share capital

	2009 £	2008 £
<b>Allotted, issued and fully paid</b>		
At beginning of the year	25	43
Net movement during the year	(2)	(18)
<b>At the end of the year</b>	<u>23</u>	<u>25</u>

Each member of the Association holds one £1 share. These shares carry no dividend rights and are cancelled on cessation of the Association. Each member has the right to vote at members' meetings.

## 19. Reserves

	Revaluation reserve £'000	Income and expenditure account £'000	Total £'000
<b>At 1 April 2008</b>	296,808	56,228	353,036
Surplus on shared ownership first tranche sales	-	2,562	2,562
Revaluation	(1,157)	-	(1,157)
At 1 April restated	295,651	58,790	354,441
Decifit for the year	-	(2,594)	(2,594)
Stock revaluation March 2009	(5,613)	-	(5,613)
Transfer on disposal of properties	(32)	32	-
Transfer for depreciation relating to revaluation	(436)	436	-
Actuarial loss on pension scheme liability	-	(2,113)	(2,113)
<b>At 31 March 2009</b>	<u>289,570</u>	<u>54,551</u>	<u>344,121</u>

	2009 £'000	2008 Restated £'000
<b>Income and expenditure account</b>		
Income and expenditure account excluding pension liability	57,949	60,217
Pension liability	(3,398)	(1,427)
Income and expenditure account	<u>54,551</u>	<u>58,790</u>

## 20. Negative Goodwill

Included in the income and expenditure account are the following amounts in respect of Merrimac Housing Association from the date of acquisition:

	At 31 March 2008 £'000	Amortised in Year £'000	At 31 March 2009 £'000
Negative Goodwill on Acquisition	391	(4)	387

The negative goodwill arising on acquisition is amortised over the remaining useful lives of the underlying housing properties of 100 years.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 - CONTINUED

21. Capital commitments

	2009 £'000	2008 £'000
Capital expenditure contracted for but not provided for in the financial statements	<u>39,281</u>	<u>91,493</u>
Capital expenditure authorised by the Board not contracted for	<u>64,689</u>	<u>27,603</u>

22. Commitment under Operating leases

The Association holds several leasehold premises under non-cancellable operating leases. At 31 March 2009 the Association had annual commitments under these leases as follows:

	2009 £'000	2008 £'000
Expiry date :		
Within one year	286	296
Between one and two years	185	155
Between two and five years	202	223
After five years	<u>1,187</u>	<u>1,125</u>
	<u>1,860</u>	<u>1,799</u>

23. Accommodation in management

	Market Rent	Supported Housing / Housing for older people	General Needs Housing	Shared Ownership	Leasehold	Key worker	Total
As at 1 April 2008	23	1,332	8,763	486	591	14	11,209
Movement in year	5	(35)	228	120	1	6	325
<b>As at 31 March 2009</b>	<b>28</b>	<b>1,297</b>	<b>8,991</b>	<b>606</b>	<b>592</b>	<b>20</b>	<b>11,534</b>

	2009 Units	2008 Units
Owned and managed	10,897	10,887
Managed on behalf of others	637	322
Managed by others	287	385

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 - CONTINUED**

**24. Prior year adjustment**

The prior year adjustment reflects a change in the accounting for shared ownership first tranche sales. Under the SORP for Registered Social landlords 2005 shared ownership sales of property was treated as follows:

- All shared ownership (SO) properties was classified as fixed assets
- Proceeds from first tranche disposals credited against the cost of SO properties, and
- Surplus/deficit on second and subsequent tranche SO sales was accounted for in the Income & Expenditure Accounts as differences between the net sale proceeds and the carrying value.

Changes to this accounting treatment are outlined in the revised SORP 2008 such that:

- SO properties would be split proportionally between current and fixed assets based on the first tranche proportion
- First tranche proportions must be accounted for as a current assets and the related sales proceeds shown in turnover and,
- The remaining element of the SO property must be accounted for as a fixed assets so that any subsequent sale is treated as a part disposal of a fixed assets.

Downland Housing Association has adopted the accounting treatment and is satisfied that related calculations are comprehensive and that the calculation of cost is consistent and fair for each sales unit. The cross subsidy calculations are also a fair reflection and are similar to the EUV SH per unit in the yearend valuation.

The effect of the adoption of SORP 2008 is stated below.

**Balance sheet**

**(a) Completed Shared Ownership housing properties**

	<b>Cumulative adjustments to 1 April 2007 £'000</b>	<b>Prior year adjustments to 2007/2008 £'000</b>	<b>Cumulative adjustments to 31 March 2008 £'000</b>
Completed fixed asset shared ownership housing properties as at 1 April as previously stated (note 8)	28,851		35,605
Add: accumulated first tranche sales from prior years	14,675	5,619	20,294
Less: accumulative cost of first tranche sales	(12,879)	(4,853)	(17,732)
Accumulated first tranche surplus from prior year	1,796	766	2,562
Less: first tranche amounts held in stock			(1,405)
Total prior year adjustment before revaluation	1,796	766	1,157
Less Revaluation			(1,157)
Total prior year adjustment	-	-	-
Completed fixed asset shared ownership housing properties as at 1 April as restated (note 8)	<u>28,851</u>		<u>35,605</u>

**(b) Shared Ownership housing properties under construction**

	<b>Cumulative adjustments to 1 April 2007 £'000</b>	<b>Prior year adjustments to 2007/2008 £'000</b>	<b>Cumulative adjustments to 31 March 2008 £'000</b>
Shared Ownership housing properties under construction as at 1 April as previously stated (note 8)	8,105		19,073
Less: Transfer to current assets representing cost of Shared Ownership schemes under construction attributable to the making of first tranche sales	(1,645)	(9,214)	(10,859)
Shared Ownership housing properties under construction as at 1 April as restated (note 8)	<u>6,460</u>		<u>8,214</u>

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 -  
CONTINUED

24. Prior year adjustment - continued

Current Assets

(c) Development properties

	Cumulative adjustments to 1 April 2007 £'000	Prior year adjustments to 2007/2008 £'000	Cumulative adjustments to 31 March 2008 £'000
Development properties as at 1 April as previously stated	-		-
Add: Transfers from fixed assets housing properties (note 8)			
Buildings - completed	-	1,405	1,405
Buildings - under construction		10,859	10,859
	-	12,264	12,264

Reserves

(d) Income and expenditure account

	Cumulative adjustments to 1 April 2007 £'000	Prior year adjustments to 2007/2008 £'000	Cumulative adjustments to 31 March 2008 £'000
Opening accumulated surplus	47,061		56,228
Surplus on first tranche shared ownership sales (note 2a)	1,796	766	2,562
Total prior year adjustment to accumulated surplus	1,796	766	2,562
Income and expenditure account	48,858		58,790

(e) Revaluation reserve

	Cumulative adjustments to 1 April 2007 £'000	Prior year adjustments to 2007/2008 £'000	Cumulative adjustments to 31 March 2008 £'000
Opening accumulated surplus	277,925		296,808
Revaluation adjustment	(1,796)	(639)	(1,157)
Income and expenditure reserves	276,129		295,651

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 -  
CONTINUED**

**24. Prior year adjustment - continued**

**(f) Shared Ownership first tranche sales (note 2a)**

	Cumulative adjustments to 1 April 2007 £'000	Prior year adjustments to 2007/2008 £'000	Cumulative adjustments to 31 March 2008 £'000
Turnover - proceeds of first tranche sales	14,675	5,619	20,294
Cost of sales	(12,879)	(4,853)	(17,732)
Amounts previously capitalised transferred to cost of sales			-
Surplus (Note 2a)	1,796	766	2,562

The adoption of this policy has resulted in an increase in the association's turnover of £20.3 million and increase in cost of sales of £17.7 million. The association's surplus has increased by £2.6 million. The profit for the financial year ended 31 March 2009 is £0.9 million higher than would have been the case had SORP 2008 not been adopted during the year.

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 - CONTINUED

### 25. Pensions

The Association participates in four pension schemes. The London Pensions Fund Authority Pension Fund and the Downland Housing Group Pension and Assurance Scheme are defined benefit final salary schemes. Both schemes were closed to new entrants from 31 August 2002. The third scheme, a defined contribution scheme with Friends Provident, commenced for new entrants with effect from 1 September 2002 and was closed to new entrants from 1 April 2005. The association now offers participation in the Social Housing Pension Scheme, a defined benefit scheme.

#### Social Housing Pension Scheme ('SHPS')

##### General

The Association participates in SHPS, a multi-employer defined benefit scheme. The scheme is funded and is contracted out of the state scheme.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. It is not possible to analyse the ongoing funding deficit by individual employer because of the nature of SHPS. SHPS is a multi – employer scheme where :

- The assets of the entire SHPS are pooled for investment purposes
- Benefits are paid from the total scheme assets
- The contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience

As a result of this it is not possible to breakdown scheme assets by participating employer and accordingly it is not possible to analyse the on-going funding deficit by individual employer.

Accordingly, because of the nature of the scheme, the accounting charge for the period under FRS 17 represents the employer contribution payable. The employer contributions over the period were £93,749.

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 latest valuation date was £1,527 million. The valuation revealed a shortfall of assets compared to liabilities of £663 million, equivalent to a past service funding level of 70%. The next full actuarial valuation is expected to be carried out as at 30 September 2011.

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

	<b>% per annum</b>
Valuation discount rates	
Pre-retirement	<b>7.8</b>
Non pensioner post-retirement	<b>6.2</b>
Pensioner post retirement	<b>5.6</b>
Pensionable earnings growth	<b>4.7</b>
Price inflation	<b>3.2</b>
Pension increases	
Pre 88 GMP	<b>0.0</b>
Post 88 GMP	<b>2.8</b>
Excess over GMP	<b>3.0</b>

The valuation was carried out using the following demographic assumptions:

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

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

During the accounting period the Association paid contributions at the rates of 9.7% and 14.1%. Member contributions varied between 2.9% and 8.4%.

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 – CONTINUED**

**25. Pensions (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 charged on the 1 April that falls 18 months after the valuation date.

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, that is 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 buyout 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 buyout market. The amounts of debt can therefore be volatile over time.

**London Pensions Fund Authority Pension Fund ("the fund")**

The fund is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2007 and 2008 and the Local Government Pension Scheme (Transitional Provisions) Regulations 2008.

The fund is valued every three years and the last full actuarial valuation by an independent qualified actuary took place as at 31 March 2007.

With effect from 1 April 2009 the employer contribution rate will be 16.4% of pensionable salaries for future service benefits plus an annual payment of £300,809 to cover the past service deficit.

In accordance with Financial Reporting Standard 17: Accounting for Retirement Benefits ("FRS 17") the directors of the association have commissioned the scheme actuary to provide the following detailed disclosures and they have relied on the actuary's expertise in this regard. The assumptions used by the actuary are the best estimates chosen from a range of possibilities which, because of the time scale covered, might not necessarily be borne out in practice.

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 – CONTINUED**

**25. Pensions (continued)**

	<b>2009</b>	2008
	<b>£000</b>	£000
Present value of defined benefit obligations	<b>12,615</b>	12,930
Fair value of fund assets	<b>9,217</b>	11,503
	<b>3,398</b>	1,427

	<b>2009</b>	2008
	<b>£000</b>	£000
Movements in present value of defined benefit obligation		
At 1 April 2008	<b>12,930</b>	14,329
Current service cost	<b>197</b>	278
Past service costs	<b>74</b>	-
Interest on obligation	<b>891</b>	772
Contributions by members	<b>100</b>	92
Actuarial gains	<b>(1,166)</b>	(2,102)
Estimated unfunded benefits paid	<b>(17)</b>	(16)
Estimated benefits paid	<b>(430)</b>	(423)
Curtailment losses	<b>36</b>	-
At 31 March 2009	<b>12,615</b>	12,930

	<b>2009</b>	2008
	<b>£000</b>	£000
Movements in fair value of fund assets		
At 1 April 2008	<b>11,503</b>	11,091
Expected return on fund assets	<b>811</b>	805
Contributions by members	<b>100</b>	92
Actuarial losses	<b>(3,277)</b>	(615)
Contributions by employer	<b>510</b>	553
Contributions in respect of unfunded benefits	<b>17</b>	16
Unfunded benefits paid	<b>(17)</b>	(16)
Benefits paid	<b>(430)</b>	(423)
At 31 March 2009	<b>9,217</b>	11,503

Expenses recognised in the income and expenditure account

	<b>2009</b>	2008
	<b>£000</b>	£000
Current service cost	<b>197</b>	278
Interest cost	<b>891</b>	772
Expected return on employer assets	<b>(811)</b>	(805)
Past service cost	<b>74</b>	-
Curtailment losses	<b>36</b>	-
Estimated unfunded benefits paid	<b>(17)</b>	(16)
Total	<b>370</b>	229

The expense is recognised in the following line items in the income and expenditure account:

	<b>2009</b>	2008
	<b>£000</b>	£000
Operating costs	<b>290</b>	262
Other finance cost/(income)	<b>80</b>	(33)
	<b>370</b>	229

The total amount recognised in the statement of total recognised surpluses and deficits in respect of actuarial losses is £2,113,000 (2008: £1,487,000 gain).

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 - CONTINUED

25. Pensions (continued)

Cumulative actuarial gains reported in the statement of total recognised surpluses and deficits for accounting periods ending on or after 22 June 2002 and subsequently included under paragraph 96 of FRS 17, is £844,000.

History of Fund

The history of the Fund for the current and prior periods is as follows:

	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Present value of Fund liabilities	12,615	12,930	14,329	14,157	12,160
Fair value of Fund assets	9,217	11,503	11,091	10,350	8,100
Deficit	3,398	1,427	3,238	3,807	4,060

FRS 17.95C allows Downland Housing Association not to re-state the corresponding amounts for the first two of the previous four accounting periods for the effect of using the current bid-price rather than the mid-market price. The Association has taken advantage of this exemption.

Experience adjustments

	2009 %	2008 %	2007 %	2006 %	2005 %
Experience losses/(gains) as % of Fund liabilities	(0.01)	(6.64)	2.30	(2.06)	(6.72)
Experience gains/(losses) as % of Fund assets	(35.55)	(9.04)	0.89	12.87	2.73

The fair value of the Fund assets was as follows:

	2009 £000	2008 £000
Equities	5,254	6,871
Bonds	922	2,220
Property	2,304	2,067
Cash	737	345
	9,217	11,503

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2009	2008
Discount rate	6.90%	6.90%
Expected return on plan assets		
Equities	7.00%	7.50%
Target return funds	5.50%	6.30%
Alternative assets	6.00%	6.70%
Cash	4.00%	4.80%
Salary increases	4.60%	5.10%
Price increases	3.10%	3.60%
Pension increases	3.10%	3.60%

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 - CONTINUED**

**25. Pensions (continued)**

Post-retirement mortality is based on the mortality table known as PMA92 for males and PFA92 for females with projections to calendar year 2033 for non - pensioners and 2017 for existing pensioners.

The assumed life expectations from age 65 are as follows:

Current pensioners	Males	19.60
	Females	22.50
Retiring in 20 years	Males	20.70
	Females	23.60

**Downland Housing Group Pension & Assurance Scheme ("the scheme")**

The scheme is administered on behalf of the trustees by the Legal & General Pension Trust and is funded to cover future pension liabilities. The scheme is subject to a full independent valuation every three years. The last full valuation was as at 31 March 2006 using the projected unit credit method.

The association expects to contribute approximately £166,008 for the year starting 1 April 2009.

In accordance with Financial Reporting Standard 17: Accounting for Retirement Benefits ("FRS 17") the directors of the association have commissioned the scheme actuary to provide the following detailed disclosures and they have relied on the actuary's expertise in this regard. The assumptions used by the actuary are the best estimates chosen from a range of possibilities which, because of the time scale covered, might not necessarily be borne out in practice.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers on a reasonable and consistent basis. Accordingly, because of the nature of the scheme, the accounting charge for the period under FRS 17 represents the employer contribution payable and the detailed FRS 17 disclosures below reflect the whole scheme and are not reflected in these financial statements.

	<b>2009</b>	2008
	<b>£000</b>	£000
Present value of defined benefit obligations	<b>7,169</b>	7,857
Fair value of scheme assets	<b>5,585</b>	6,699
Net liability in balance sheet	<b>1,584</b>	1,158
Movements in present value of defined benefit obligation	<b>2009</b>	2008
	<b>£000</b>	£000
At 1 April 2008	<b>7,857</b>	9,021
Interest on obligation	<b>490</b>	473
Actuarial gains	<b>(935)</b>	(1,338)
Experience losses on liabilities	<b>27</b>	14
Estimated benefits paid (net of transfers in)	<b>(71)</b>	(317)
Curtailment losses/(gains)	<b>(5)</b>	39
Experience change in secured pensioner value	<b>(194)</b>	(35)
At 31 March 2009	<b>7,169</b>	7,857
Movements in fair value of scheme assets	<b>2009</b>	2008
	<b>£000</b>	£000
At 1 April 2008	<b>6,699</b>	7,013
Expected return on scheme assets	<b>447</b>	478
Losses on asset return	<b>(1,570)</b>	(744)
Actuarial losses	<b>-</b>	(26)
Contributions by employer	<b>362</b>	362
Scheme expenses	<b>(88)</b>	(32)
Estimated benefits paid (net of transfers in)	<b>(71)</b>	(317)
Experience change in secured pensioner value	<b>(194)</b>	(35)
At 31 March 2009	<b>5,585</b>	6,699

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 - CONTINUED

25. Pensions (continued)

Expenses recognised in the income and expenditure account are as follows:

	2009 '£000	2008 '£000
Interest on obligation	490	473
Expected return on scheme assets	(447)	(452)
Curtailment losses/(gains)	(5)	39
Scheme expenses	<u>88</u>	<u>32</u>
	<b>126</b>	<b>92</b>

The expense is recognised in the following line items in the income and expenditure account:

	2009 £000	2008 £000
Operating costs	83	71
Other finance cost	<u>43</u>	<u>21</u>
	<b>126</b>	<b>92</b>

The total amount recognised in the statement of total recognised surpluses and deficits in respect of actuarial losses is £662,000 (2008: £580,000 gain)

Cumulative actuarial gains reported in the statement of total recognised surpluses and deficits for accounting periods ending on or after 22 June 2002 and subsequently included under paragraph 96 of FRS 17, are £457,000.

**History of scheme**

The history of the scheme for the current and prior periods is as follows:

	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Present value of scheme liabilities	7,169	7,857	9,021	9,663	8,854
Fair value of scheme assets	5,585	6,699	6,987	6,594	5,789
Deficit	<u>1,584</u>	<u>1,158</u>	<u>2,034</u>	<u>3,069</u>	<u>3,065</u>

FRS 17.95C allows Downland Housing Association not to re-state the corresponding amounts for the first two of the previous four accounting periods for the effect of using the current bid-price rather than the mid-market price. The association has taken advantage of this exemption.

**Experience adjustments**

	2009 %	2008 %	2007 %	2006 %	2005 %
Experience losses/(gains) as % of scheme liabilities	0.38	0.18	0.16	0.85	(2.16)
Experience gains/(losses) as % of scheme assets	0.48	0.21	0.20	1.24	(3.30)

The fair value of the scheme assets was as follows:

	2009 £000	2008 £000
Equities	2,690	3,596
Bonds	535	567
Secured pensions	1,257	1,368
Cash	<u>1,103</u>	<u>1,168</u>
	<b>5,585</b>	<b>6,699</b>

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008 - CONTINUED**

**25 Pensions (continued)**

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	<b>2009</b>	2008
Discount rate	<b>6.80%</b>	6.90%
Expected return on scheme assets		
Equities	<b>8.20%</b>	7.50%
Bonds	<b>6.80%</b>	6.30%
Other	<b>0.50%</b>	4.80%
Price increases	<b>2.70%</b>	3.60%
Pension increases	<b>2.70%</b>	3.60%

Post-retirement mortality is based on the mortality table known as PMA92 for males and PFA92 for females with projections to calendar year 2030 for non - pensioners and 2020 for existing pensioners.

The assumed life expectations from age 65 are as follows:

Retiring today	Males	24.70
	Females	27.70
Retiring in 20 years	Males	25.30
	Females	28.20

**Friends Provident**

This scheme is administered by Friends Provident and is a defined contribution scheme. The employer contribution rate payable by the company per annum is dependent on the contribution by the employee as follows:

<b>Employee Contributes</b>	<b>Employer Contributes</b>
Less than 3%	0%
3% - 4%	6%
5% or more	10%

**26. Subsidiary Undertakings**

<b>Name</b>	<b>Legislative Provisions</b>	<b>Proportion of voting rights of ordinary share capital held</b>	<b>Nature of business</b>
Brighton Housing Trust	Charities Act 1993	Nil – Managed on a unified basis	Registered Charity and Registered Social Landlord
Downland Regeneration Limited	Companies Act 1985	100% (Cost £1)	Property development
Grange Management (Southern) Limited	Industrial & Provident Societies Act 1968	100%	Property management

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008 - CONTINUED**

**27. FRS 8 Related Party Transactions**

Downland Housing Association Limited has taken advantage of the exemption in Financial Reporting Standard 8 not to disclose transactions with other members of Affinity Sutton Group Limited. Tenants who are members of the Board have tenancies which are on normal terms, and as such their position does not afford them any additional benefits over other tenants.

**28. Affinity Sutton Group Limited**

The Association's ultimate parent undertaking is Affinity Sutton Group Limited, an association incorporated in Great Britain and regulated in England and Wales. Group accounts have been prepared by the ultimate parent undertaking and are available from the registered address as detailed on page 3.

**Downland Housing Association Limited**

Registered office:

Norris House

Burrell Road

Haywards Heath

West Sussex RH16 1YL

T: 0845 688 7717

[www.downland.org.uk](http://www.downland.org.uk)